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LUCION

Shandong International Trust Co., Ltd.

山東省國際信託股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1697)

DISCLOSEABLE TRANSACTION ENTERING INTO OF AGREEMENT ON THE ACQUISITION OF ASSETS BY ISSUANCE OF SHARES

References are made to the announcements of the Company dated 26 April 2024 and 14 May 2024 in relation to the Cooperation Intention Agreement and Framework Agreement on the Acquisition of Assets by Issuance of Shares entered into between the Company and Guolian Securities, pursuant to which Guolian Securities proposes to acquire shares of Minsheng Securities held by the Company through the acquisition of assets by issuing A shares.

The Board announces that on 8 August 2024 (after trading hours), the Company has entered into the Agreement on the Acquisition of Assets by Issuance of Shares with Guolian Securities in relation to the Transaction, pursuant to which the Company and Guolian Securities have conditionally agreed that Guolian Securities shall acquire 132,715,017 shares of Minsheng Securities held by the Company through the acquisition of assets by issuing A shares at a consideration of RMB346.7124 million.

THE AGREEMENT ON THE ACQUISITION OF ASSETS BY ISSUANCE OF SHARES

The terms and conditions of the Agreement on the Acquisition of Assets by Issuance of Shares are summarised below:

Parties to the Agreement on the Acquisition of Assets by Issuance of Shares

Transferee: Guolian Securities

Transferor: The Company

Transfer Consideration and Method of Payment of the Target Assets

Guolian Securities has agreed to acquire the Target Assets from the Company owned by it in consideration of the issuance of A shares. The Company has also agreed to transfer the Target Assets owned by it to Guolian Securities and has agreed to accept the A shares to be issued by Guolian Securities to the Company as consideration. The consideration for the transfer of the Target Assets is determined to be RMB346.7124 million after negotiation between the parties on the basis of the valuation results of the valuation report issued by the asset valuation institution using the market approach and filed with the competent state assets supervisory authority.

Proposal for the Transaction

Class and nominal value of shares to be issued

The class of shares to be issued by Guolian Securities in connection with the Transaction is domestically listed RMB-denominated ordinary shares (A shares) with a nominal value of RMB1.00 each (the “**Issuance**”).

Issue price and basis of pricing

- (1) The pricing benchmark date of the Issuance was 14 May 2024. The issue price was determined to be RMB11.31 per share based on the average trading price of Guolian Securities’ A shares for the 120 trading days prior to the pricing benchmark date. On 19 June 2024, the 2023 profit distribution plan was considered and approved at the general meeting of Guolian Securities, which provided for a cash dividend of RMB1.42 per 10 shares (tax inclusive). After the implementation of the 2023 profit distribution of Guolian Securities, its issue price was adjusted to RMB11.17 per share.
- (2) During the period from the pricing benchmark date of the Issuance to the completion date of the Issuance, in case of any ex-right or ex-dividend events including distribution of dividends, issuance of bonus shares, rights issue and conversion of capital reserve into share capital, etc. by Guolian Securities, the issue price will be adjusted in accordance with the following formulas and calculation results shall be rounded up to the nearest hundredth:

Assuming P_0 as the price of new shares before adjustment, N as the number of bonus shares or shares to be issued upon capitalisation issue per share, K as the number of new shares to be allotted per share, A as the price of the rights issue, D as the dividend per share and P_1 as the price of new shares after adjustment (the adjustment value is reserved up to two digits after the decimal point), the formulas for adjustment of issue price are as follows:

Dividends distribution: $P_1 = P_0 - D$

Bonus shares or capitalisation issue: $P_1 = \frac{P_0}{(1 + N)}$

Rights issue: $P_1 = \frac{P_0 + A \times K}{(1 + K)}$

Combination of the three items: $P_1 = \frac{P_0 - D + A \times K}{(1 + K + N)}$

Number of shares to be issue

The number of shares to be issued will be determined in accordance with the formula set out below:

The number of shares to be issued in relation to the acquisition of assets by issuance of shares = transaction consideration to be paid to the Company by way of share issuance/issue price of shares to be issued in relation to the acquisition of assets by issuance of shares

The number of shares to be issued to the Company shall be an integer and rounded down to the nearest integer. The number of shares to be issued calculated in accordance with the above formula shall be rounded down to the nearest share, and the part less than one share shall be included in the capital reserve of Guolian Securities.

Based on the consideration for the transfer of the Target Assets, the number of additional A shares to be issued by Guolian Securities to be acquired by the Company under the Transaction is 31,039,606 shares. The number of shares to be issued will ultimately be based on the number registered with the CSRC. During the period from the pricing benchmark date to the issuance date, in case of any ex-dividend or ex-right activities including distribution of dividends, issuance of bonus shares, capitalisation of share capital or rights issue, etc. by Guolian Securities, the issue price of shares to be issued in relation to the acquisition of assets by issuance of shares shall be adjusted according to the relevant provisions of the CSRC and SSE and as agreed under the Agreement, and the number of shares to be issued will be adjusted accordingly.

The Share Lock-up Period

The shares of Guolian Securities subscribed by the Company with the Target Assets in the Transaction shall not be transferred for a period of 12 months from the completion date of the issuance of shares of Guolian Securities in the Transaction (the “**Share Lock-up Period**”); provided, however, that a transfer shall not be subject to this restriction to the extent permitted by applicable law. After the closing of the Transaction, if the shares of Guolian Securities to be acquired by the Company as a result of the Transaction are increased due to reasons including issuance of bonus shares and capitalisation of share capital of Guolian Securities, the increased portions shall also be subject to the aforesaid Share Lock-up Period.

Arrangements for accumulated undistributed profits

Upon completion of the Transaction, the new and existing shareholders will share the accumulated undistributed profits of Guolian Securities in proportion to their shareholdings.

Ownership of Profit or Loss for the Period

In addition to the stipulations in the section “Liability for Breach of the Agreement and Share Lock-up Period Arrangements” below, all profits or losses of the Target Assets arising from or incurred during the period commencing from the Valuation Benchmark Date (excluding the date of Valuation Benchmark Date) to the Closing Date (inclusive) shall belong to or be borne by Guolian Securities.

ARRANGEMENTS DURING THE TRANSITION PERIOD

The Company shall fulfil its obligation to manage the Target Assets in a good manner from the date of the Agreement to the Closing Date. During the period from the date of the Agreement to the Closing Date, the Company shall not vote in favour at general meeting of the Target Company and shall not vote in favour at the meeting of the board of directors of the Target Company through its appointed directors if the Target Company and its wholly-owned or controlled subsidiaries conduct the following activities, except with the prior written consent of Guolian Securities:

- (1) Division, merger, capital increase, capital reduction or change in share structure of the Target Company;
- (2) Amend the articles of association of the Target Company and other organisational documents, except where the Target Company’s articles of association and other organisational documents are modified for the purpose of the Transaction;

- (3) Reach any arrangement or agreement that is not based on normal commercial transactions and has a substantial impact on the Transaction;
- (4) Set up encumbrances on any assets of the Target Company (except those required for normal business operations);
- (5) Dispose of or acquire major assets other than daily production and operations that has a substantial impact on the Transaction;
- (6) Increase the remuneration package of any employee, establish or adopt any new benefit plan, or grant any bonus, benefit or other direct or indirect remuneration other than that customarily provided for in the ordinary course of business;
- (7) Enter into any agreement that may have a material adverse impact on the Transaction;
- (8) Implement new guarantees, reorganisations, long-term equity investments, mergers or acquisitions, and other decisions outside of daily production and operations that may cause significant changes to the assets of the Target Company;
- (9) Distribute profits;
- (10) Other matters that may have a material adverse impact on the asset structure, financial condition and profitability of the Target Company and the Transaction.

The above arrangements during the transition period shall take effect from the date of the Agreement. If the Company violates the above provisions, the Company shall bear corresponding liability for such breach to Guolian Securities in accordance with the Agreement in respect of the proportion of shares held in the Target Company before the Transaction. If the conditions precedent stipulated in the Agreement (as described below) cannot be fulfilled or the parties decide to terminate the Transaction through negotiation, the above arrangements during the transition period shall be terminated.

Entry into Force, Amendment, Supplement and Termination of the Agreement on the Acquisition of Assets by Issuance of Shares

The Agreement on the Acquisition of Assets by Issuance of Shares shall become effective on the date on which all of the following conditions precedent have been fulfilled or satisfied:

- (1) The Transaction has been approved by the board of directors, the general meeting, the class A shareholders' meeting and the class H shareholders' meeting of Guolian Securities;
- (2) The Transaction has been approved by the authorised decision-making body of the Company (if applicable);
- (3) The valuation results of the Target Assets have been filed with the competent state assets supervisory authority;
- (4) The Transaction has been approved by the competent state assets supervisory authority;
- (5) The further reduction in the public float of the H shares of Guolian Securities in connection with the Transaction is subject to authorisation by the Hong Kong Stock Exchange;
- (6) The announcement and circular of Guolian Securities in connection with the Transaction are subject to all necessary review from the Hong Kong Stock Exchange;
- (7) The Transaction has been reviewed and approved by the SSE;
- (8) The Transaction has been registered with the consent of the CSRC;
- (9) The qualifications of shareholders of securities, futures and funds and changes in shareholders have been approved by the relevant authorities of the CSRC;
- (10) The prior notification of concentrations of undertakings involved in the acquisition of assets by issuance of shares has been reviewed and approved by the State Anti-monopoly Bureau (if applicable); and
- (11) Other approvals or authorisations that may be involved as required by relevant laws and regulations.

The above conditions precedent shall not be waived by any party to the Agreement. As at the date of this announcement, except for the conditions (2), (3) and (5) which have been fulfilled, the aforesaid conditions precedent have not been fulfilled.

In the event that the above conditions cannot be fulfilled or satisfied, the parties shall negotiate in good faith and, under the principle and objective of continuing to jointly promote the Transaction, revise, adjust, supplement and improve the proposal for the Transaction in accordance with the requirements of the relevant governmental authorities and regulatory agencies, or the manner and content stipulated in the relevant laws, regulations and normative documents so that the aforementioned objective can be ultimately achieved.

Delivery of Target Assets

Upon the fulfilment of all the effectiveness conditions as stipulated in the Agreement, the Company shall urge the Target Company to deliver the equity certificate to Guolian Securities and record Guolian Securities in the register of shareholders of the Target Company in accordance with the provisions of the Agreement; and Guolian Securities shall complete the delivery of the shares of Guolian Securities under the Transaction to the Company in accordance with the provisions of the Agreement and register the shares issued in the name of the Company.

Both parties agree and acknowledge that, except as stipulated in the sections “Ownership of Profit or Loss for the Period” and “Liability for Breach of the Agreement and Share Lock-up Period Arrangements”, the rights and risks of the Target Assets are transferred from the Closing Date. Guolian Securities shall become a shareholder of the Target Company from the Closing Date and shall enjoy the entire shareholder’s rights in respect of such shareholdings, and the risks of the Target Assets shall be borne by Guolian Securities from the Closing Date.

Within 20 business days after the fulfilment of all the conditions for the commencement of the Agreement, the Company shall cooperate with Guolian Securities in signing all documents such as the target assets transfer agreement and the resolution of the general meeting required for the transfer of the Target Assets to Guolian Securities in accordance with the organisational documents of the Target Company and the relevant laws, regulations and normative documents, and shall procure the delivery of the equity certificate from the Target Company to Guolian Securities and record Guolian Securities in the register of shareholders of the Target Company; the Company shall cooperate with the reviewing of changes in shareholdings/reviewing of shareholders' qualifications of securities companies and provide relevant basic information, information on shareholding structure, explanations, undertakings and other documents (if required) in accordance with the relevant laws, regulations and normative documents.

The parties shall proceed with the issuance of A shares of Guolian Securities in the acquisition of assets by issuance of shares as soon as possible after the transfer of all the Target Assets involved in the acquisition of assets by issuance of shares to the name of Guolian Securities, and endeavour to complete the relevant procedures of the Issuance within 20 working days but no later than 30 working days, including but not limited to the issuance, registration and listing of shares on the SSE and share registrars and related procedures such as reporting and filing with the CSRC and its local offices.

Liability for Breach of the Agreement and Share Lock-up Period Arrangements

The defaulting party (the “**Defaulting Party**”) shall indemnify the other party (the “**Non-defaulting Party**”) for damages, losses and costs (including but not limited to legal costs and expenses and the costs of investigating any claim) incurred or suffered by the other party as a result of a breach by one party of the obligations stipulated in the Agreement or of any of the representations, undertakings and warranties made by the Defaulting Party in the Agreement. Such indemnification shall be without prejudice to any other rights and remedies available to the Non-Defaulting Party under laws, regulations and governing documents in respect of such breach by the Defaulting Party of any term of the Agreement. The rights and remedies of the Non-Defaulting Party in respect of a breach by the Defaulting Party of any term of the Agreement shall survive cancellation, termination or completion of the Agreement.

During the Share Lock-up Period, in the event that it is the intention or gross negligence of the Company to cause, and its failure to notify Guolian Securities of the matters which resulted in actual losses suffered by Guolian Securities or the Target Company or its subsidiaries, and the amount of such losses has not been fully reflected in the financial statements as at the audit reference date (i.e. 31 March 2024), the Company shall compensate Guolian Securities in proportion of shares of the Target Company held by it.

Prior to the effective date of the Agreement, any breach by a party under the Agreement of its obligations of confidentiality or of its representations, undertakings and warranties and of its other obligations hereunder not predicated on the effectiveness of the Agreement shall constitute a default by such party, and the Non-Defaulting Party shall have the right to demand that the Defaulting Party be held liable for the breach and to compensate for the loss. The Non-Defaulting Party shall also have the right to commence legal proceedings to require the cessation of such infringement or to take such other remedies as may be necessary to prevent further infringement.

INFORMATION ON THE PARTIES AND TARGET COMPANY

The Company

The Company is a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1697). The Company is principally engaged in the provision of comprehensive financial service and wealth management service.

Guolian Securities

Guolian Securities is a joint stock company established in the PRC with limited liability on 8 January 1999, the A shares and H shares of which are listed on the SSE and the Main Board of the Hong Kong Stock Exchange, respectively (A shares stock code: 601456, H shares stock code: 1456). Guolian Securities is engaged in the following principal activities: securities brokerage, securities investment consultation, financial advisory in relation to securities trading and securities investment activities, proprietary securities trading, securities assets management, the sales of securities investment funds on commission basis, margin financing and securities lending business, provision of intermediary business for futures companies, the sales of financial products on commission basis, and securities (limited to treasury bonds, policy financial bonds, debt instruments issued by non-financial enterprises) underwriting business. Guolian Group directly holds 19.21% of the shares in Guolian Securities, and indirectly holds 29.40% of the shares in Guolian Securities through Guolian Trust Co., Ltd. (國聯信託股份有限公司), Wuxi Guolian Municipal Electric Power Co., Ltd. (無錫市國聯地方電力有限公司), Wuxi Minsheng Investment Co., Ltd. (無錫民生投資有限公司), Wuxi Cotton Textile Group Co., Ltd. (無錫一棉紡織集團有限公司) and Wuxi Huaguang Environmental & Energy Group Co., Ltd. (無錫華光環保能源集團股份有限公司), and thus holding 48.60% of the shares in Guolian Securities in total. Except for Guolian Group, no other shareholder holds more than 10% interest in Guolian Securities. Guolian Group is held approximately 61.23%, 32.09% and 6.67% respectively by the State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government (無錫市人民政府國有資產監督管理委員會), Wuxi Guofa Capital Operation Co., Ltd. (無錫市國發資本運營有限公司) and the Finance Department of Jiangsu Province (江蘇省財政廳). Wuxi Guofa Capital Operation Co., Ltd. is wholly owned by the State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Guolian Securities and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

The profit before tax of Guolian Securities for the financial years ended 31 December 2022 and 2023 will be approximately RMB965.43 million and RMB825.42 million respectively; and its profit after tax for the financial years ended 31 December 2022 and 2023 will be approximately RMB767.28 million and RMB674.55 million respectively.

Minsheng Securities

Minsheng Securities is a joint stock company established in the PRC with limited liability on 9 January 1997, and is principally engaged in securities brokerage, securities investment consultation, financial advisory in relation to securities trading and securities investment activities, securities underwriting and sponsorship, proprietary securities trading, securities assets management, margin financing and securities lending, the sales of securities investment funds on commission basis, the sales of financial products on commission basis, and insurance and insurance agency business. As at the date of this announcement, Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司) (“**Shandong High-Tech**”), Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司) (“**Lucion Group**”), the Company and Shandong Lucion Industrial Co., Ltd. (山東魯信實業集團有限公司) (“**Lucion Industrial**”) hold approximately 3.84%, 2.99%, 1.17% and 0.98% interests in Minsheng Securities, respectively. Shandong High-Tech, Lucion Group and Lucion Industrial are connected persons (as defined in the Listing Rules) of the Company. Guolian Securities has entered into agreements with other shareholders of Minsheng Securities, including Shandong High-Tech, Lucion Group and Lucion Industrial, and intends to acquire the shares of Minsheng Securities held by these shareholders through the acquisition of assets by issuing A shares. The relevant agreements entered into between Guolian Securities and Shandong High-Tech, Lucion Group and Lucion Industrial are independently negotiated, which do not mutually affect the validity and enforceability of the Agreement on the Acquisition of Assets by Issuance of Shares to be entered into by the Company and the transactions are not inter-conditional upon each other.

The profit before tax of Minsheng Securities for the financial years ended 31 December 2022 and 2023 will be approximately RMB138.54 million and RMB754.94 million respectively; and its profit after tax (tax credits) for the financial years ended 31 December 2022 and 2023 will be approximately RMB191.23 million and RMB641.98 million respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Guolian Group is the largest shareholder of Minsheng Securities and has controlled Guolian Securities. Minsheng Securities has been unable to achieve an independent listing when the CSRC required the integration of the two securities firms (Minsheng Securities and Guolian Securities) in its reply on approval. Minsheng Securities was indirectly listed through merger and absorption by Guolian Securities, which is the best choice to increase the value of its equity. Through the Transaction, the Company will directly hold the A shares of Guolian Securities, which can be traded upon the end of the Share Lock-up Period, laying a solid foundation for optimising the liquidity of the assets, and increasing the return on assets. The 31,039,606 A shares of Guolian Securities acquired by the Company under the Transaction will be accounted for as “Financial assets held for trading”, which are expected to generate dividend income for the Company.

The Directors consider that the Transaction is in the ordinary and usual course of business of the Company and the terms of the Transaction and the Agreement on the Acquisition of Assets by Issuance of Shares are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE TRANSACTION

The shares of Minsheng Securities held by the Company have been accounted for under “Financial assets held for trading”, and the 31,039,606 A shares of Guolian Securities to be acquired under the Transaction will be accounted for under “Financial assets held for trading” in the financial statements of the Company upon completion of the Transaction. Considering that the Transaction is subject to review and approval by the relevant regulatory authorities and the price of the A shares of Guolian Securities may fluctuate during the period, the Company is not able to estimate the gain or loss to be realised from the Transaction for the time being and such gain or loss will be recognised upon completion of the Transaction, with the final amount being subject to the audited figures.

IMPLICATIONS UNDER THE LISTING RULES

The Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Agreement on the Acquisition of Assets by Issuance of Shares and the transactions contemplated thereunder exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and Shareholders’ approval requirements under the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement shall have the following meanings:

“Agreement on the Acquisition of Assets by Issuance of Shares” or “Agreement”	the agreement on the acquisition of assets by issuance of shares dated 8 August 2024 entered into between Guolian Securities and the Company in relation to the Transaction
“Board”	the board of Directors of the Company

“Company”	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 1697)
“Closing Date”	The date when the Company delivers the Target Assets to Guolian Securities, unless otherwise agreed, being the date when the Target Company delivers the equity certificates to Guolian Securities and records Guolian Securities in the register of shareholders of the Target Company
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Guolian Group”	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)
“Guolian Securities”	Guolian Securities Co., Ltd., a joint stock company established in the PRC with limited liability on 8 January 1999, with its A shares and H shares listed on the SSE and the main board of the Hong Kong Stock Exchange (A share stock code: 601456, H share stock code: 1456) respectively
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	ordinary share(s) of the Company with a nominal value of RMB1.00 each, traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Minsheng Securities” or “Target Company”	Minsheng Securities Co., Ltd. (民生證券股份有限公司), a joint stock company established in the PRC with limited liability on 9 January 1997

“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of PRC
“Shareholder(s)”	holders of the Company’s share(s)
“SSE”	the Shanghai Stock Exchange
“Target Assets”	132,715,017 shares in Minsheng Securities held by the Company
“Transaction”	proposed acquisition of 132,715,017 shares in Minsheng Securities held by the Company to be made by Guolian Securities through the acquisition of assets by issuing A shares
“Valuation Benchmark Date”	the benchmark date for assessing the value of the entire interest of the shareholders of the Target Company for the purpose of the Transaction, being 31 March 2024
“%”	per cent

By order of the Board
Shandong International Trust Co., Ltd.
Yue Zengguang
Chairperson

Jinan, the People’s Republic of China
8 August 2024

As at the date of this announcement, the Board comprises Mr. Yue Zengguang as executive Director; Mr. Wang Zengye and Mr. Zhao Zikun as non-executive Directors; Mr. Zheng Wei, Ms. Zhang Haiyan and Ms. Liu Wanwen as independent non-executive Directors.