
THIS SUPPLEMENTAL CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this supplemental circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shandong International Trust Co., Ltd.**, you should at once hand this supplemental circular and the accompanying proxy form to Lucion Group or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to Lucion Group or transferee.

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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)

SUPPLEMENTAL CIRCULAR TO THE CIRCULAR DATED
14 DECEMBER 2022
MAJOR AND CONNECTED TRANSACTION
AND
SUPPLEMENTAL NOTICE OF 2022 FOURTH EXTRAORDINARY
GENERAL MEETING

Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders



This supplemental circular should be read together with the circular of the Company dated 14 December 2022 in relation to the convening of the EGM. A supplemental notice dated 14 December 2022 notifying the EGM to be held as originally scheduled at Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC on Thursday, 29 December 2022 at 9:30 a.m. is set out on pages 100 to 101 of this supplemental circular. A supplemental proxy form for use is enclosed herewith and also published on both the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sitic.com.cn>). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed supplemental proxy form in accordance with the instructions printed thereon no less than 24 hours before the time appointed for holding the EGM or any adjournment thereof (i.e. by 9:30 a.m. on Wednesday, 28 December 2022). Completion, signing and return of the supplemental proxy form will not preclude you from attending and voting in person at the EGM.

14 December 2022

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DEFINITIONS

In this supplemental circular, unless the context otherwise requires, the following expressions shall have the following meanings:

| | |
|-------------------------------|---|
| “Articles of Association” | the articles of association of the Company, as amended, modified or otherwise supplemented from time to time |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors of the Company |
| “CBIRC” | the China Banking and Insurance Regulatory Commission |
| “China Trust Protection Fund” | China Trust Protection Fund Co., Ltd. (中國信託業保障基金有限責任公司), a banking financial institution established jointly by the China Trust Association and certain trust companies in the PRC to protect the fundraising, management and use of the Trust Industry Protection Fund and carry out business as authorised by the CBIRC |
| “Circular” | the circular of the Company despatched on 14 December 2022 |
| “CNPC Assets Management” | CNPC Assets Management Co., Ltd. (中油資產管理有限公司), a limited liability company established on 29 April 2000 in the PRC, a substantial shareholder 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) |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Domestic Share(s)” | ordinary share(s) issued by the Company with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid up in Renminbi |

DEFINITIONS

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| “EGM” | the 2022 fourth extraordinary general meeting of the Company to be held at Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC on Thursday, 29 December 2022 at 9:30 a.m. and any adjournment thereof (as the case may be) |
| “Group” | the Company and the trust schemes over which it has control |
| “H Shares(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 |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Independent Board Committee” | the independent board committee of the Company, the members of which consist of all the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the Share Transfer pursuant to the Transfer Agreement |
| “Independent Financial Adviser” or “Gram Capital” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer |
| “Independent Shareholders” | Shareholders that are not required to abstain from voting at the general meeting to consider and approve the Transfer Agreement |
| “Jinan Finance Holding” | Jinan Finance Holding Group Co., Ltd. (濟南金融控股集團有限公司), a limited liability company established on 29 May 2013 in the PRC, a shareholder of the Company |
| “Latest Practicable Date” | 12 December 2022, being the latest practicable date prior to the printing of this supplemental circular for ascertaining certain information contained herein |

DEFINITIONS

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|------------------------------------|--|
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Lucion Group” | Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司), a limited liability company established on 31 January 2002 in the PRC, the controlling shareholder of the Company |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale Shares” | 500,000,000 ordinary shares of Shandong AMC, representing approximately 1.4953% of the total issued ordinary shares and 1.3647% of the registered capital of Shandong AMC as at the date of this supplemental circular |
| “Securities and Futures Ordinance” | Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) |
| “Shandong AMC” | Shandong Financial Asset Management Co., Ltd. (山東省金融資產管理股份有限公司), a joint stock company with limited liability established on 31 December 2014 in the PRC |
| “Shandong High-Tech” | Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司), a limited liability company established on 16 June 2000 in the PRC, an indirect non-wholly owned subsidiary of Lucion Group and a shareholder of the Company |
| “Share Transfer” | the transfer of the Sale Shares by the Company to Lucion Group pursuant to the Transfer Agreement |
| “Share(s)” | the share(s) in the share capital of the Company with a nominal value of RMB1.00 each |
| “Shareholders” | registered holders of the Share(s) |
| “substantial shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “Supervisor(s)” | the supervisor(s) of the Company |
| “Transfer Agreement” | the agreement dated 25 November 2022 entered into between the Company and Lucion Group in relation to the transfer of the Sale Shares |

DEFINITIONS

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|--------------------|---|
| “Valuation Report” | the report on the valuation of the Sale Shares as at 31 December 2021 issued by China United Assets Appraisal Group Shandong Co., Ltd. (中聯資產評估集團山東有限公司), an independent property valuer |
| “%” | per cent |
| “‰” | per mil |

The English names of PRC entities included in this supplemental circular are unofficial translations of their Chinese names and are included for identification purposes only. The Valuation Report as set out in Appendix I is written in Chinese and there is no official English translation in respect thereof. The English translation is for reference only, and in case of any inconsistency between the English and Chinese versions, the Chinese version shall prevail. Certain figures set out in this supplemental circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Wan Zhong (*Chairperson*)

Mr. Fang Hao (*General Manager*)

Non-executive Directors:

Mr. Wang Zengye (*Vice-chairperson*)

Mr. Zhao Zikun

Ms. Wang Bailing

Independent Non-executive Directors:

Mr. Yen Huai-chiang

Mr. Zheng Wei

Ms. Meng Rujing

Registered office:

No. 166 Jiefang Road

Lixia District, Jinan

Shandong Province

PRC

Principal place of business in Hong Kong:

31/F, Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

14 December 2022

To the Shareholders

Dear Sir or Madam,

SUPPLEMENTAL CIRCULAR TO THE CIRCULAR DATED

14 DECEMBER 2022

MAJOR AND CONNECTED TRANSACTION

AND

SUPPLEMENTAL NOTICE OF 2022 FOURTH EXTRAORDINARY GENERAL

MEETING

I. INTRODUCTION

This supplemental circular should be read together with the Circular. Reference is made to the announcement of the Company dated 25 November 2022 in relation to the entering into of the Transfer Agreement in respect of the Share Transfer. Pursuant to the Transfer Agreement, the Company has conditionally agreed to sell, and Lucion Group has conditionally agreed to acquire, the Sale Shares at a consideration of RMB675,177,700.

LETTER FROM THE BOARD

The purpose of this supplemental circular is to provide you with, among other things, further details of the Share Transfer and the Transfer Agreement in order to enable you to make an informed decision on whether to vote for or against of the resolution at the EGM.

II. TRANSFER AGREEMENT

The terms and conditions of the Transfer Agreement are summarised as below:

Date

25 November 2022

Parties

- (i) The Company; and
- (ii) Lucion Group

Subject Matter

Pursuant to the Transfer Agreement, the Company has conditionally agreed to sell and Lucion Group has conditionally agreed to acquire the Sale Shares, representing approximately 1.4953% of the total issued ordinary shares and 1.3647% of the registered capital of Shandong AMC, being the Company's entire equity interest in Shandong AMC.

Consideration and Payment

The consideration of the Share Transfer payable by Lucion Group for the Sale Shares in Shandong AMC is RMB675,177,700. Pursuant to the Transfer Agreement, the consideration of the Share Transfer shall be payable by Lucion Group to the Company in cash within 10 business days after the Transfer Agreement takes effect upon the satisfaction of the following conditions:

- (1) the due execution of the Transfer Agreement;
- (2) each of the Company and Lucion Group completing its internal approval procedures and obtaining other regulatory approval in connection with the Share Transfer; and
- (3) the Company complying with the relevant requirements under the Listing Rules and obtaining the approval from the Independent Shareholders in relation to the Share Transfer.

Completion

The Company shall assist to update the register of members of Shandong AMC in connection with the Share Transfer in accordance with the laws and regulations of the PRC and the articles of association of Shandong AMC within 10 business days upon the full payment of the consideration of the Share Transfer by Lucion Group.

LETTER FROM THE BOARD

Any profit, loss or risks attributable to or arising from the Sale Shares during the period from 31 December 2021 (being the reference date of the valuation, and any changes subsequent to the date would lead to adjustment of the consideration of the Share Transfer) to the date of the completion of the Share Transfer should be enjoyed or borne by Lucion Group.

If Lucion Group fails to pay the consideration of the Share Transfer in accordance with the payment schedule, Lucion Group shall be subject to a penalty calculated at a rate of 1‰ per day from the date of default. The Company shall issue further notification and demand immediately upon such default, and if Lucion Group still fails to pay the consideration within 10 business days after such notification and demand, the Company shall be entitled to terminate the Transfer Agreement and claim damage from Lucion Group at 10% of the consideration of the Share Transfer.

If the Company fails to provide the documents required to update the register of members of Shandong AMC under the laws and regulations of the PRC and the articles of association of Shandong AMC in accordance with the agreed schedule, the Company will be subject to a penalty calculated at a rate of 1‰ per day from the date of default. If the Company still fails to provide such documents upon further notification and demand by Lucion Group, Lucion Group shall be entitled to terminate the Transfer Agreement and claim damage from the Company at 10% of the consideration of the Share Transfer.

III. INFORMATION OF LUCION GROUP AND SHANDONG AMC

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.

Lucion Group

Lucion Group is a limited liability company established in the PRC on 31 January 2002, which is an investment holding company principally engaged in financial and industrial investment, asset management services, capital operation and property management. It is owned as to 90.39% by Shandong Provincial Finance Bureau and as to 9.61% by Shandong Caixin Assets Operation Co., Ltd., which is wholly-owned by the Shandong Province Finance Bureau. Lucion Group is the controlling shareholder of the Company.

Shandong AMC

Shandong AMC is a joint stock company established in the PRC on 31 December 2014 which is principally engaged in acquisition, management and disposal of non-performing asset, asset management and provision of comprehensive financial services. Approximately 82.29%, 2.73%, 1.36% and 1.09% of the registered capital of Shandong AMC is held by Lucion Group, Jinan Caijin Investment Co., Ltd., the Company and CNPC Assets Management, respectively, and therefore Shandong AMC is a non-wholly owned subsidiary of Lucion Group. Jinan Caijin Investment Co., Ltd. is owned as to approximately 46.38% by Jinan Finance Holding. Both CNPC Assets Management and Jinan Finance Holding are shareholders of the Company.

LETTER FROM THE BOARD

The net profit before tax of Shandong AMC for the financial years ended 31 December 2020 and 2021 is approximately RMB950.54 million and RMB866.02 million, respectively; and its net profit after tax (tax credit) for the financial years ended 31 December 2020 and 2021 is approximately RMB1,124.05 million and RMB1,035.66 million, respectively. The net asset value of Shandong AMC as at 31 December 2020 and 2021 is approximately RMB47,639.41 million and RMB48,272.37 million, respectively.

IV. CONSIDERATION OF THE SHARE TRANSFER

The consideration of the Share Transfer was determined after arm's length negotiation between the Company and Lucion Group on normal commercial terms and with reference to the valuation of the Sale Shares as at 31 December 2021 with an appraised value of approximately RMB675.18 million, as prepared by an independent valuer based on market approach.

V. USE OF PROCEEDS

The gross proceeds from the Share Transfer are expected to be RMB675.18 million and the net proceeds (after deduction of related transaction expenses) are expected to be RMB674.39 million, which will be applied to replenish the Company's working capital and optimise the financial and regulatory indicators applicable to the Company.

VI. REASONS FOR AND BENEFITS OF THE SHARE TRANSFER

After the promulgation of the Guiding Opinion on Regulating the Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》), the regulatory authorities encouraged trust companies to engage in capital market trust, family trust, service trust and other original trust businesses, and actively explore business transformation by focusing on the latest regulatory directions on trust business classification. The COVID-19 pandemic, which has been going on since 2020, has brought substantial downward pressure on the economic environment at home and abroad, and the regulatory authorities have continued to tighten the regulatory policies on trust companies' traditional financing business and the cooperative business between banks and trust companies. The Company is facing increased exposure to risks in certain traditional business sectors, and its current liabilities exceeded its current assets in the past two financial years. In light of the circumstances, the Company needs sufficient liquidity funds to manage and respond to the risk of market fluctuation to improve its performance and sustainable operation abilities. The Company believes that the Share Transfer will help the Company optimise its financial equity investment portfolio, improve its liquidity level and financial and regulatory indicators, strengthen its overall financial position and focus on its main business.

Having considered the abovementioned factors, the Directors (including the independent non-executive Directors) considered that the Share Transfer is in the Company's ordinary and usual course of business, and the Share Transfer and the terms of the Transfer Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

VII. FINANCIAL EFFECT ARISING FROM THE SHARE TRANSFER

As at 31 December 2021, the equity interest held by the Company in Shandong AMC was classified as a financial asset at fair value through profit or loss in the Group's consolidated financial statements. The Company is expected to record a gain of approximately RMB2.88 million (before income tax), if materialised, which is estimated based on (a) the consideration of Share Transfer of approximately RMB675.18 million, (b) the carrying amount of the Sale Shares as at 31 December 2021 of approximately RMB671.54 million, and (c) the relevant transaction expenditures and taxation of approximately RMB0.76 million. As at the date of this supplemental circular, the Sale Shares represent approximately 1.4953% of the total issued ordinary shares and 1.3647% of the registered capital of Shandong AMC, respectively. Upon completion of the Share Transfer, the Company will not hold any equity interest in Shandong AMC, which will cease to be classified as a financial asset at fair value through profit or loss in the Group's consolidated financial statements.

VIII. LISTING RULES IMPLICATIONS

The Share Transfer constitutes a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Since Lucion Group is the controlling shareholder of the Company directly holding approximately 48.13% and indirectly holding approximately 4.83% through Shandong High-Tech of the total issued shares of the Company (i.e. 2,467,202,580 Domestic Shares in aggregate), Lucion Group is therefore a connected person of the Company under the Listing Rules. Thus, the Transfer Agreement and the transaction contemplated thereunder constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transfer Agreement and the transaction contemplated thereunder exceeds 25% but all are less than 75%, the Share Transfer constitutes a major transaction and a connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively, and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors has any material interest in the Transfer Agreement. However, Mr. Wan Zhong (an executive Director) and Mr. Zhao Zikun (a non-executive Director), have voluntarily abstained from voting on the relevant resolution approving the Transfer Agreement at the Board meeting, for the reason that they currently serve positions in Lucion Group and/or its associates.

CNPC Assets Management and Jinan Finance Holding, shareholders of the Company holding approximately 18.75% (i.e. 873,528,750 Domestic Shares) and 5.43% (i.e. 252,765,000 H Shares) of the total issued shares of the Company, respectively, also directly or indirectly hold equity interest in Shandong AMC. As Lucion Group, CNPC Assets Management and Jinan Finance Holding have material interest in the Share Transfer, Lucion Group, CNPC Assets Management and Jinan Finance Holding and their associates holding 3,593,496,330 Shares accounting for approximately 77.14% of the total issued shares of the Company in aggregate are required to abstain from voting on the resolution to approve the Transfer Agreement at the general meeting.

LETTER FROM THE BOARD

IX. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been formed by the Company to consider, and to advise the Independent Shareholders of the Company on the terms of the Transfer Agreement. The Company has appointed Gram Capital to make recommendations to the Independent Board Committee and the Independent Shareholders of the Company on the terms of the Share Transfer. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 12 of this supplemental circular. The letter from the Independent Board Committee to the Independent Shareholders contains its recommendation on the Transfer Agreement.

Having considered the factors mentioned above and the fact that the transaction contemplated under the Transfer Agreement will be conducted in the ordinary and usual course of business and on normal commercial terms, the independent non-executive Directors are of the view that the terms of the Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

X. INDEPENDENT FINANCIAL ADVISER

The Company has appointed Gram Capital as the Independent Financial Adviser for providing advice to the Independent Board Committee and the Independent Shareholders on whether the terms of Share Transfer are fair and reasonable, and whether the Share Transfer is in the interests of the Company and the Shareholders as a whole. A letter from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 22 of this supplemental circular. The letter from Gram Capital to the Independent Board Committee and the Independent Shareholders contains factors they have considered and their recommendations on the Share Transfer.

XI. EGM

Since the Share Transfer, if aggregated with the disposal of the Company's equity interest in Fullgoal Fund Management Co., Ltd., debts under the Ruiyuan No.76 Trust Scheme and debts under the Ruiyuan No.61 Trust Scheme conducted in 2022, constitutes a sale of material asset with an amount exceeding 30% of the latest audited total assets of the Company under Article 86(7) of the Articles of Association, the Share Transfer and the Transfer Agreement shall be approved by way of a special resolution at the EGM.

A supplemental notice dated 14 December 2022 notifying the EGM to be held as originally scheduled at Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC on Thursday, 29 December 2022 at 9:30 a.m. is set out on pages 100 to 101 of this supplemental circular, at which a special resolution will be proposed to approve the Share Transfer and the Transfer Agreement.

Please refer to the notice of the EGM dated 14 December 2022 for details of other resolutions to be proposed and tabled before the EGM, eligibility for attending the EGM, registration procedures for attending the EGM, appointment of proxy, voting by way of poll and other relevant matters.

LETTER FROM THE BOARD

A supplemental proxy form for use at the EGM is enclosed herewith and also published on both the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sitic.com.cn>). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed supplemental proxy form in accordance with the instructions printed thereon no less than 24 hours before the time appointed for holding the EGM or any adjournment thereof (i.e. by 9:30 a.m. on Wednesday, 28 December 2022). Completion, signing and return of the supplemental proxy form will not preclude you from attending and voting in person at the EGM.

XII. LISTING RULES REQUIREMENTS

According to Rule 13.39(4) of the Listing Rules, apart from certain exceptions, any vote of Shareholders at a general meeting must be taken by poll. The resolution at the EGM will be voted by way of poll. The Chairperson of the EGM shall therefore demand voting on the resolution set out in the supplemental notice of the EGM be taken by way of poll pursuant to Article 88 of the Articles of Association. An announcement on the poll results will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sitic.com.cn>), respectively by the Company after the conclusion of the EGM in the manner prescribed under the Listing Rules.

XIII. RECOMMENDATION

The Board considers that the Share Transfer is in the Group's ordinary and usual course of business, and the terms of the Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favour of the resolution to be proposed at the EGM as set out in the supplemental notice of the EGM.

Yours faithfully
By order of the Board
Shandong International Trust Co., Ltd.
Wan Zhong
Chairperson

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Transfer Agreement.

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)

14 December 2022

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We refer to the supplemental circular of the Company dated 14 December 2022 (the “**Supplemental Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Supplemental Circular, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Transfer Agreement, and to give recommendation to the Independent Shareholders as to whether, in our opinion, the Share Transfer is in the Group’s ordinary and usual course of business, whether the terms of the Transfer Agreement are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and whether the Transfer Agreement is in the interests of the Company and its Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer.

We wish to draw your attention to the letter from the Board set out in the section of Letter from the Board in the Supplemental Circular which contains, among other things, information about the Transfer Agreement, the letter of advice from Gram Capital set out in the section of Letter from Gram Capital in the Supplemental Circular which contains its advice in respect of the terms of the Share Transfer, and the information set out in the appendices thereto.

Having considered the terms of the Transfer Agreement and having taken into account the advice from Gram Capital as stated in its letter, we consider that the Share Transfer is in the Group’s ordinary and usual course of business, and the terms of the Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to the Transfer Agreement and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Yen Huai-chiang
*Independent non-executive
Director*

Mr. Zheng Wei
*Independent non-executive
Director*

Ms. Meng Rujing
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer for the purpose of inclusion in this supplemental circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

14 December 2022

*To: The independent board committee and the independent shareholders of
Shandong International Trust Co., Ltd.*

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the supplemental circular dated 14 December 2022 issued by the Company to the Shareholders (the “**Supplemental Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Supplemental Circular unless the context requires otherwise.

On 25 November 2022 (after trading hours), the Company entered into the Transfer Agreement with Lucion Group, pursuant to which the Company has conditionally agreed to sell and Lucion Group has conditionally agreed to acquire the Sale Shares at a consideration of RMB675,177,700. As at the Latest Practicable Date, the Sale Shares represent approximately 1.4953% of the total issued ordinary shares and 1.3647% of the registered capital of Shandong AMC. Upon completion of the Share Transfer, the Company will not hold any equity interest in Shandong AMC.

With reference to the Board Letter, the Share Transfer constitutes a major and connected transaction of the Company, and is subject to the reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Yen Huai-chiang, Mr. Zheng Wei and Ms. Meng Rujing (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Share Transfer are on normal

LETTER FROM GRAM CAPITAL

commercial terms and are fair and reasonable; (ii) whether the Share Transfer is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Share Transfer at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of the very substantial disposal and connected transactions as contained in the Company's circular dated 30 June 2022 and the very substantial disposal and connected transaction as contained in the Circular. Save for the aforesaid engagements, there was no other services provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date. Notwithstanding the aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial advisory engagements and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Supplemental Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Supplemental Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Supplemental Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Share Transfer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

We have not made any independent evaluation or appraisal of the assets and liabilities of Shandong AMC and we have not been furnished with any such evaluation or appraisal, save as and except for the asset valuation report in respect of the appraisal value of the Sale Shares (the “**Valuation**”) (the “**Valuation Report**”) prepared by 中聯資產評估集團山東有限公司 (China United Assets Appraisal Group Shandong Co. Ltd.*) (the “**Valuer**”), as set out in Appendix I to the Supplemental Circular. Since we are not experts in the valuation of assets or business, we have relied solely upon the Valuation Report for the Valuation of the Sale Shares as at 31 December 2021.

The Supplemental Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in the Supplemental Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Supplemental Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Supplemental Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Lucion Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Share Transfer. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Share Transfer, we have taken into consideration the following principal factors and reasons:

Background of the Share Transfer

Information on the Group

With reference to the Board Letter, 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.

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With reference to the Company’s interim report for the six months ended 30 June 2022 (the “**2022 Interim Report**”), the Group’s business segments are (i) trust business; and (ii) proprietary business. Trust business is the Group’s main business. As the trustee, the Group accepts entrustment of funds and/or property from its trustor clients and manages such entrusted funds and/or property to satisfy its trustor clients’ investment and wealth management needs, as well as its counterparty clients’ financing needs. The Group’s proprietary business focuses on allocating its proprietary assets into different asset classes and investing in businesses with strategic value to its trust business to maintain and increase the value of its proprietary assets.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2021 and for the six months ended 30 June 2022, as extracted from the Company’s annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”) and the 2022 Interim Report:

| | For the six months ended 30 June 2022 | For the year ended 31 December 2021 | For the year ended 31 December 2020 | Year-on-year change |
|---|--|--|--|--------------------------------|
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> | <i>%</i> |
| | <i>(unaudited)</i> | <i>(audited)</i> | <i>(audited)</i> | |
| Total operating income | 631,297 | 1,778,696 | 2,305,630 | (22.85) |
| – Trust business | 520,468 | 830,812 | 1,155,078 | (28.07) |
| – Proprietary business | 110,829 | 947,884 | 1,150,552 | (17.61) |
| Net profit/(loss) attributable to Shareholders | (474,271) | 468,519 | 627,818 | (25.37) |

| | As at 30 June 2022 | As at 31 December 2021 | As at 31 December 2020 | Year-on-year change |
|-------------------------|-----------------------------------|---------------------------------------|---------------------------------------|--------------------------------|
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> | <i>%</i> |
| | <i>(unaudited)</i> | <i>(audited)</i> | <i>(audited)</i> | |
| Net current liabilities | (1,186,944) | (2,305,271) | (2,804,063) | (17.79) |
| Total equity | 10,173,748 | 10,651,218 | 10,175,124 | 4.68 |

As illustrated in the table above, the Group’s total operating income was approximately RMB1,779 million for the year ended 31 December 2021 (“**FY2021**”), representing a decrease of approximately 22.85% as compared to that for the year ended 31 December 2020 (“**FY2020**”); and the Group’s net profit attributable to Shareholders was approximately RMB469 million for FY2021, representing a decrease of approximately 25.37% as compared to that for FY2020. With reference to the 2021 Annual Report, the aforesaid decrease in total operating income was mainly due to (i) decrease in fee and commission income and interest

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income for FY2021 as compared to those for FY2020; and (ii) net decrease in fair value of financial assets at fair value through profit or loss and investments in associates measured at fair value for FY2021 (FY2020: net increase).

The aforesaid decrease in the Group's total operating income from FY2020 to FY2021, as partially offset by decrease in total operating expenses and increase in share of results of investments in associates accounted for using the equity accounting method from FY2020 to FY2021, led to decrease in net profit attributable to Shareholders for FY2021 as compared to that for FY2020.

The Group's total operating income was approximately RMB631 million for the six months ended 30 June 2022 ("**1H2022**"), representing a decrease of approximately 37.51% as compared to that for the corresponding period in 2021. With reference to the 2022 Interim Report, such decrease was mainly due to the decrease in interest income from proprietary business, partially offset by the increase in income from trust business as a result of the increase in the scale of assets under management.

The Group recorded net loss attributable to Shareholders of approximately RMB474 million for 1H2022 as opposed to the net profit attributable to Shareholders of approximately RMB401 million for the corresponding period in 2021. With reference to the 2022 Interim Report, the turnaround from profit-making position for the six months ended 30 June 2021 to loss-making position for 1H2022 was mainly due to (i) decrease in total operating income as aforementioned; (ii) increase in net impairment losses on financial assets; (iii) increase in staff costs and administrative expenses; and (iv) decrease in share of results of investment in associates, as partially offset by income tax credit recorded as a result of the loss before income tax recorded by the Group for 1H2022.

With reference to the 2022 Interim Report, the Group's current liabilities exceeded its current assets by approximately RMB1,187 million as at 30 June 2022. In addition, as at 30 June 2022, the Group had cash and bank balances of approximately RMB186 million. These conditions may cast significant doubt regarding the Group's ability to continue as a going concern.

With reference to the 2022 Interim Report, under the guidance of the "14th Five-Year Plan", the Company will take the initiative to comply with regulatory orientation, adhere to the two-wheel drive of "standard product investment + non-standard financing", continue to improve and strengthen traditional businesses and fully embrace the capital market. It will make every effort to build the wealth management system of "allocation orientation", actively implement the concept of green development, put serving the real economy in a more prominent position and better serve the wealth management of residents, so as to become a respected professional institution of wealth management based on asset allocation.

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Information on Lucion Group

With reference to the Board Letter, Lucion Group is a limited liability company established in the PRC on 31 January 2002, which is an investment holding company principally engaged in financial and industrial investment, asset management services, capital operation and property management. Lucion Group is the controlling Shareholder.

Information on Shandong AMC

With reference to the Board Letter, Shandong AMC is a joint stock company established in the PRC on 31 December 2014 which is principally engaged in acquisition, management and disposal of non-performing asset, asset management and provision of comprehensive financial services. The net profit before tax of Shandong AMC for the financial years ended 31 December 2020 and 2021 was approximately RMB950.54 million and RMB866.02 million, respectively; and its net profit after tax (tax credit) for the financial years ended 31 December 2020 and 2021 was approximately RMB1,124.05 million and RMB1,035.66 million, respectively.

Reasons for and benefits of the Share Transfer

With reference to the Board Letter, after the promulgation of the Guiding Opinion on Regulating the Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》), the regulatory authorities encouraged trust companies to engage in capital market trust, family trust, service trust and other original trust businesses, and actively explore business transformation by focusing on the latest regulatory directions on trust business classification. The COVID-19 pandemic, which has been going on since 2020, has brought substantial downward pressure on the economic environment at home and abroad, and the regulatory authorities have continued to tighten the regulatory policies on trust companies' traditional financing business and the cooperative business between banks and trust companies. The Company is facing increased exposure to risks in certain traditional business sectors, and its current liabilities exceeded its current assets in the past two financial years. In light of the circumstances, the Company needs sufficient liquidity funds to manage and respond to the risk of market fluctuation to improve its performance and sustainable operation abilities. The Company believes that the Share Transfer will help the Company optimise its financial equity investment portfolio, improve its liquidity level and financial and regulatory indicators, strengthen its overall financial position and focus on its main business.

As aforementioned, the Group's current liabilities exceeded its current assets by approximately RMB1,187 million as at 30 June 2022. In addition, as at 30 June 2022, the Group had cash and bank balances of approximately RMB186 million. These conditions may cast significant doubt regarding the Group's ability to continue as a going concern.

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With reference to the Board Letter, the gross proceeds from the Share Transfer are expected to be approximately RMB675.18 million and the net proceeds (after deduction of related transaction expenses) are expected to be approximately RMB674.39 million, which will be applied to replenish the Company's working capital and optimise the financial and regulatory indicators applicable to the Company.

Given the above, we consider that the Share Transfer may improve the Group's financial position and bring cash to support the Group's operation.

Accordingly, we consider that the Share Transfer is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Share Transfer

Set out below is the principal terms of the Share Transfer under the Transfer Agreement, details of which are set out under the section headed "II. TRANSFER AGREEMENT" of the Board Letter.

Date

25 November 2022

Parties

- (i) The Company; and
- (ii) Lucion Group

Subject matter

Pursuant to the Transfer Agreement, the Company has conditionally agreed to sell and Lucion Group has conditionally agreed to acquire the Sale Shares, representing approximately 1.4953% of the total issued ordinary shares and 1.3647% of the registered capital of Shandong AMC, being the Company's entire equity interest in Shandong AMC.

Consideration and payment

The consideration of the Share Transfer payable by Lucion Group for the Sale Shares is RMB675,177,700 (the "**Consideration**"). Pursuant to the Transfer Agreement, the Consideration shall be payable by Lucion Group to the Company in cash within 10 business days after the Transfer Agreement takes effect upon the satisfaction of the conditions set out in the Transfer Agreement.

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With reference to the Board Letter, the Consideration was determined after arm's length negotiation between the Company and Lucion Group on normal commercial terms and with reference to the Valuation as at 31 December 2021 (i.e. RMB675,177,700) as prepared by the Valuer based on market approach.

Pursuant to the Transfer Agreement, any profit, loss or risks attributable to or arising from the Sale Shares during the period from 31 December 2021 (being the reference date of the Valuation) to the date of the completion of the Share Transfer should be enjoyed or borne by Lucion Group. Accordingly, we do not doubt the reasonableness for the Company to determine the Consideration with reference to the Valuation as at 31 December 2021.

To assess the fairness and reasonableness of the Consideration, we obtained the Valuation Report prepared by the Valuer from the Company and noted that the Valuation equals to the Consideration.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation. From the mandate letter and other relevant information provided by the Valuer and based on our interview with them, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for preparation of the Valuation Report. The Valuer also confirmed that they are independent to the Group, Lucion Group and Shandong AMC.

The Valuation Report was prepared by the Valuer and concluded by adopting market approach. As confirmed by the Valuer, the Valuer had considered the three basic asset valuation methods, namely, the income approach, the market approach and the asset-based approach. With reference to the Valuation Report:

- (i) According to the purpose of the valuation, considering that the appraised entity is an asset management company, which has passed the initial stage of establishment and its income in the future years is sustainable, and the information obtained in the valuation due diligence includes the audit report, articles of association and future planning data of the appraised entity from its establishment to 31 December 2021, the future income of Shandong AMC is predictable. Therefore, the discounted cash flow method in the income approach can be selected for the Valuation.
- (ii) The operating and financial data of comparable companies can be fully and reliably obtained, and the premise of adopting the transaction case comparison method is available. Therefore, the transaction case comparison method in the market approach can be adopted in the Valuation.

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- (iii) The asset-based approach in the valuation of enterprise value refers to the valuation method to determine the value of the valuation target based on the balance sheet of the appraised entity as at the valuation benchmark date and the value of each identifiable asset and liability in the valuation sheet. Such approach cannot reflect the value of the licence of the asset management company and the value of the operating network. Therefore, the asset-based approach is not adopted in the Valuation.

We also noted from the Valuation Report that the Valuation under market approach was approximately 0.43% higher than the valuation result under income approach.

Having considered that (i) the Valuation Report was prepared by the Valuer by adopting both market approach and income approach, and concluded by market approach; (ii) the aforementioned basis for valuation methodology selection; and (iii) the Valuation under market approach was approximately 0.43% higher than the valuation result under income approach, we consider that the Valuer's selection on valuation methodology is fair and reasonable and we did not consider other approaches to assess the Valuation.

We further reviewed and enquired into the Valuer on the methodology adopted and the basis and assumptions adopted in the Valuation Report in order for us to understand the Valuation Report. We also discussed the key assumptions and parameters under the Valuation Report. During our discussion with the Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation Report.

Having considered our independent work performed on the Valuation Report and that the Consideration equals to the Valuation, we are of the view that the Consideration is fair and reasonable.

Completion

The Company shall assist to update the register of members of Shandong AMC in connection with the Share Transfer in accordance with the laws and regulations of the PRC and the articles of association of Shandong AMC within 10 business days upon the full payment of the consideration of the Share Transfer by Lucion Group.

Any profit, loss or risks attributable to or arising from the Sale Shares during the period from 31 December 2021 (being the reference date of the valuation, and any changes subsequent to the date would lead to adjustment of the Consideration) to the date of the completion of the Share Transfer should be enjoyed or borne by Lucion Group.

Taking into account the principal terms of the Share Transfer as set out above, we consider that the terms of the Share Transfer are fair and reasonable.

LETTER FROM GRAM CAPITAL

Possible financial effects of the Share Transfer

With reference to the Board Letter, the equity interest held by the Company in Shandong AMC was classified as a financial asset at fair value through profit or loss in the Group's consolidated financial statements. Upon completion of the Share Transfer, the Company will not hold any equity interest in Shandong AMC, which will cease to be classified as a financial asset at fair value through profit or loss in the Group's consolidated financial statements. The Company is expected to record a gain of approximately RMB2.88 million (before income tax) from the Share Transfer, if materialised, which is estimated based on (a) the consideration of Share Transfer of approximately RMB675.18 million, (b) the carrying amount of the Sale Shares as at 31 December 2021 of approximately RMB671.54 million, and (c) the relevant transaction expenditures and taxation of approximately RMB0.76 million.

It should be noted that the aforementioned analysis is for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Share Transfer.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Share Transfer are on normal commercial terms and are fair and reasonable; and (ii) the Share Transfer is conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Transfer and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *for identification purpose only*

This Asset Valuation Report is prepared in accordance with the PRC Standards for Asset Appraisal

**Valuation of Partial Shareholders' Equity of
Shandong Financial Assets Management Co., Ltd.
Involved in
Shandong International Trust Co., Ltd.'s
Proposed Transfer of 1.36466% Equity Interest in
Shandong Financial Assets Management Co., Ltd.**

ASSET VALUATION REPORT

Zhong Lian Lu Ping Bao Zi [2022] No. 13224

China United Assets Appraisal Group Shandong Co. Ltd.

16 August 2022

DISCLAIMER

- I. This asset valuation report is prepared in accordance with the Basic Rules for Asset Appraisal issued by the Ministry of Finance and the Standards of Practice for Asset Appraisal and the Professional Codes of Ethics for Professional Accountants issued by the China Appraisal Society.
- II. The principal or other users of the asset valuation report shall use the asset valuation report in accordance with the provisions of laws, administrative regulations and the scope of use specified in the asset valuation report. The asset appraisal agency and its asset appraisers shall not be liable if the principal or other users of the asset valuation report use the asset valuation report in violation of the aforesaid provisions.

The asset valuation report shall only be used by the principal, other users of the asset valuation report as agreed in the asset valuation engagement contract and users of the asset valuation report as stipulated by laws and administrative regulations. Except for the above, no other institution or individual shall use the asset valuation report.

Users of the asset valuation report shall correctly understand and use the valuation conclusion, which is not equivalent to the realisable price of the valuation target, and the valuation conclusion shall not be deemed as a guarantee for the realisable price of the valuation target.

- III. The truthfulness, legality and completeness of the information provided by the principal and other relevant parties are the prerequisite for the valuation conclusion to come into effect. The list of assets and liabilities included in the scope of valuation, as well as the prospective financial information and ownership certificates required for the valuation have been reported by the principal and the appraised entity and confirmed by using seal or other means.
- IV. The asset appraisal agency and the asset appraiser have no existing or expected interest relationship with the valuation target in the asset valuation report, nor any existing or expected interest relationship with the relevant parties, nor any prejudice against the relevant parties.
- V. The asset appraiser has conducted on-site investigation on the valuation target and the assets involved in the asset valuation report. The asset appraiser has paid necessary attention to the legal ownership status of the valuation target and the assets involved, verified the legal ownership information of the valuation target and the assets involved, and truthfully disclosed the issues identified. In addition, the asset appraiser has requested the principal and other relevant parties to improve the property rights to meet the requirements for issuing the asset valuation report.

- VI. The analysis, judgement and results in the asset valuation report issued by the asset appraisal agency are subject to the assumptions and restrictions in the asset valuation report. Users of the asset valuation report shall fully consider the assumptions, restrictions and descriptions of special matters set out in the asset valuation report and their impact on the valuation conclusion.
- VII. The asset appraisal agency and its asset appraisers shall comply with laws, administrative regulations and rules for asset appraisal, adhere to the principles of independence, objectivity and impartiality, and assume responsibility for the asset valuation report issued in accordance with the law.

**Valuation of Partial Shareholders' Equity of
Shandong Financial Assets Management Co., Ltd.
Involved in
Shandong International Trust Co., Ltd.'s
Proposed Transfer of 1.36466% Equity Interest in
Shandong Financial Assets Management Co., Ltd.**

ASSET VALUATION REPORT

Zhong Lian Lu Ping Bao Zi [2022] No. 13224

SUMMARY

China United Assets Appraisal Group Shandong Co., Ltd. has been engaged by Shandong International Trust Co., Ltd. to appraise the market value of the partial shareholders' equity of Shandong Financial Assets Management Co., Ltd. involved in the proposed transfer of 1.36466% equity interest in Shandong Financial Assets Management Co., Ltd. by Shandong International Trust Co., Ltd. as at the valuation benchmark date.

The valuation target is the partial shareholders' equity of Shandong Financial Assets Management Co., Ltd. as at the valuation benchmark date, and the scope of valuation is all assets and liabilities of Shandong Financial Assets Management Co., Ltd. as at the valuation benchmark date.

The valuation benchmark date is 31 December 2021.

The valuation type used in this valuation is market approach.

This valuation is based on the premises of continuous use and open market, combined with the actual situation of the valuation target and taking into account various factors using the income approach and the market approach to evaluate Shandong Financial Assets, and then verify and compare them. Considering the applicable premises of the valuation method and meeting the purpose of the valuation, the valuation result using the market approach is adopted as the final valuation conclusion.

After implementation of valuation procedures such as checking and verification, on-site investigation, due diligence interview, market investigation, assessment and estimation, and based on the judgement of the management of the appraised entity on the future development trend and business plan, the valuation conclusion of the partial shareholders' equity of Shandong Financial Assets involved in the transfer of equity interest in Shandong Financial Assets as at the valuation benchmark date (i.e. 31 December 2021) is as follows:

The appraised value of the owners' equity attributable to the parent company of Shandong Financial Assets as at the valuation benchmark date (i.e. 31 December 2021) was RMB48,472,882,500, representing an increase of RMB322,191,700 or 0.67% as compared with the carrying value of the owners' equity attributable to the parent company of RMB48,150,690,900. After deducting the value of Class A and Class B shareholders' equity as at the valuation benchmark date, Shandong International Trust Co., Ltd. held 1.4953% of the ordinary shares of the appraised entity, and the value of the corresponding partial shareholders' equity was: $(\text{RMB}4,847,288.25 - \text{RMB}331,820.00) \times 1.4953\% = \text{RMB}675,177,700$.

Description of special matters:

1. According to the relevant laws and regulations on asset valuation, the asset valuation report involving the statutory valuation business shall be used by the principal after performing the asset valuation supervision and management procedures in accordance with the requirements of laws and regulations. The valuation result is valid for one year from 31 December 2021 to 30 December 2022.
2. This valuation relies on the operating plan of the valuation target in the future operating period. If the actual operating conditions of the enterprise deviate from the operating plan, and the management fails to take corresponding remedial measures to make up for the deviation, the valuation conclusion will change, and the users of the report are hereby reminded to pay attention.
3. When using the valuation conclusion, users of the report are specifically reminded to pay attention to the special matters and subsequent significant events specified in the report when using the report.

The above content is extracted from the full text of the asset valuation report. To understand the details of this valuation and reasonably understand the valuation conclusion, please read the full text of the asset valuation report.

**Valuation of Partial Shareholders' Equity of
Shandong Financial Assets Management Co., Ltd.
Involved in
Shandong International Trust Co., Ltd.'s
Proposed Transfer of 1.36466% Equity Interest in
Shandong Financial Assets Management Co., Ltd.**

ASSET VALUATION REPORT

Zhong Lian Lu Ping Bao Zi [2022] No. 13224

Shandong International Trust Co., Ltd.:

China United Assets Appraisal Group Shandong Co., Ltd. has been engaged by the Company to appraise the market value of the partial shareholders' equity of Shandong Financial Assets Management Co., Ltd. involved in the economic behaviour of the Company's proposed transfer of equity interest as at the valuation benchmark date (i.e. 31 December 2021) using the income approach and the market approach and following necessary valuation procedures in accordance with the requirements of the laws, administrative regulations and rules for asset appraisal and in adherence to the principles of independence, objectivity and impartiality. The asset appraisal is reported as follows:

1. THE PRINCIPAL, THE APPRAISED ENTITY AND OTHER USERS OF THE VALUATION REPORT

The principal of this valuation is Shandong International Trust Co., Ltd., and the appraised entity is Shandong Financial Assets Management Co., Ltd. ("Shandong Financial Assets").

(1) Overview of the principal

Name: Shandong International Trust Co., Ltd.

Type: Joint stock limited company (listed, state-controlled)

Address: No. 166 Jiefang Road, Jinan, Shandong Province

Legal representative: WAN Zhong

Registered capital: RMB4,658,850,000

Paid-up capital: RMB4,658,850,000

Date of establishment: 10 March 1987

Term of operation: from 10 March 1987; no fixed term

Social credit code: 9137000016304514XM

Scope of business: The business approved by the China Banking Regulatory Commission in accordance with the relevant laws, administrative regulations and other provisions. The scope of business shall be subject to those stated in the approval documents. (The validity period is subject to the licence). (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

(2) Overview of the appraised entity

1. General information

Name of the company: Shandong Financial Assets Management Co., Ltd.

Address of the company: No.1237, Yingxiu Road, High-tech Zone, Jinan, Shandong Province

Legal representative: JIN Tongshui

Registered capital: RMB36,639,108,327

Type of enterprise: Joint stock limited company (non-listed)

Date of establishment: 31 December 2014

Unified social credit code: 91370000326165454D

Scope of business: Acquisition and entrusted operation of non-performing assets of financial institutions and non-financial institutions, management, investment and disposal of non-performing assets; debt-to-equity swap, management, investment and disposal of equity assets; external investment; trading of marketable securities; asset securitisation business, issuance of bonds; trade with financial institutions and commercial financing with financial institutions; consulting and advisory on finance, investment, law and risk management; assets and project evaluation; bankruptcy management, financial institution custody and liquidation; other business activities approved by regulatory authorities. (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities)

2. *History*

Shandong Financial Assets Management Co., Ltd. was incorporated on 31 December 2014 with Shandong Administration for Industry and Commerce (Registration no.: 370000000006431). It was jointly invested and established by Shandong Lucion Investment Holdings Group Co., Ltd., Jinan Finance Investment Co., Ltd., Weihai State-owned Capital Operation Co., Ltd. and Linyi City Construction Investment Group Co., Ltd. with a registered capital of RMB1,000 million.

On 11 April 2015, the registered capital of the company was increased from RMB1,000 million to RMB1,320 million as resolved at the 2015 first extraordinary general meeting of the company. The additional registered capital was subscribed by Happy Life Insurance Co., Ltd. in cash.

On 11 April 2015, the registered capital of the company was increased from RMB1,320 million to RMB2,030 million as resolved at the 2015 third extraordinary general meeting of the company. The additional registered capital was subscribed as to 20,000,000 shares by Jinan Finance Investment Co., Ltd. in cash, 50,000,000 shares by Weihai State-owned Capital Operation Co., Ltd. in cash, 320,000,000 shares by Qingdao City Construction Investment (Group) Co., Ltd. in cash and 320,000,000 shares by Shandong Guotai Industrial Co., Ltd. in cash.

On 27 September 2016, the registered capital of the company was increased from RMB2,030 million to RMB3,030 million as resolved at the 2016 third extraordinary general meeting of the company. The additional registered capital was subscribed by the Shandong Provincial Department of Finance in cash.

On 27 October 2016, the registered capital of the company was increased from RMB3,030 million to RMB10,110 million as resolved at the 2016 fourth extraordinary general meeting of the company. The additional registered capital was subscribed as to 2,500,000,000 shares by Shandong Lucion Investment Holdings Group Co., Ltd. in cash, 680,000,000 shares by Jinan Finance Investment Co., Ltd. in cash, 500,000,000 shares by Shandong International Trust Co., Ltd. in cash, 400,000,000 shares by CNPC Assets Management Co., Ltd. in cash, 400,000,000 shares by Yantai Xinzhen Tianying Equity Investment Centre (Limited Partnership) in cash, 200,000,000 shares by Weihai State-owned Capital Operation Co., Ltd. in cash, 100,000,000 shares by Binzhou Asset Management Co., Ltd. in cash, 100,000,000 shares by Liaocheng Caixing Construction Development Co., Ltd. in cash, 500,000,000 shares by Shandong Provincial Council for Social Security Fund in cash, 300,000,000 shares by Rizhao Economic Development Investment Co., Ltd. in cash, 300,000,000 shares by Dongying Finance Development Co., Ltd. in cash, 250,000,000 shares by Weifang Asset Management Co., Ltd. in cash, 150,000,000 shares by Jining Caixin Asset Management Co., Ltd. in cash, 100,000,000 shares by Binzhou Asset Management Co., Ltd. in cash, 100,000,000 shares by Tai'an Dongyue Jincai Investment Co., Ltd. in cash, 100,000,000 shares by Dezhou Municipal Finance Bureau in cash, 100,000,000 shares by Zibo Financial Holding Co., Ltd. in cash, 100,000,000 shares by Heze Urban Construction Investment Co., Ltd. in cash, 100,000,000 shares by Zaozhuang Tongxing Equity CCI Capital, Ltd. in cash and 100,000,000 shares by Yantai Caijin Investment Co., Ltd. in cash.

On 11 December 2019, the registered capital of the company was increased from RMB10,110,000,000 to RMB36,639,108,327 as resolved at the 2019 fourth extraordinary general meeting of the company. The additional registered capital was subscribed by as to 26,529,108,327 shares by Shandong Lucion Investment Holdings Group Co., Ltd. in cash.

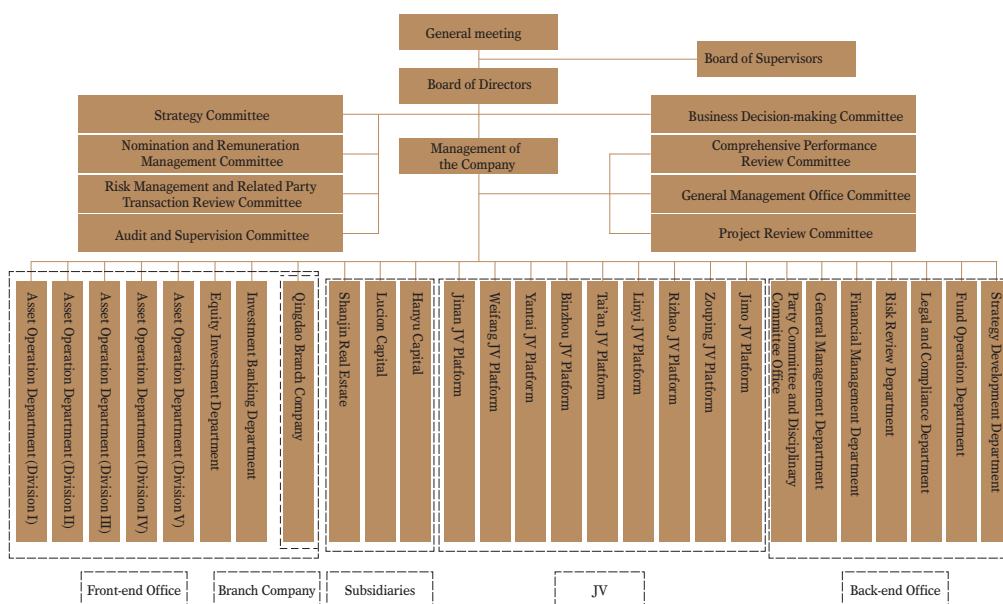
In April 2018, pursuant to the Share Transfer Agreement and the Supplemental Share Transfer Agreement entered into between Shandong Lucion Investment Holdings Group Co., Ltd. and Shandong Provincial Council for Social Security Fund, Shandong Lucion Investment Holdings Group Co., Ltd. acquired 500,000,000 shares of Shandong Provincial Council for Social Security Fund.

As at 31 December 2021, the shareholding structure of Shandong Financial Assets is as follows:

| No. | Name of shareholder | Number of (shares) | Shareholding percentage |
|-----|---|-------------------------------|----------------------------|
| 1 | Shandong Lucion Investment Holdings Group Co., Ltd. | 29,649,108,327 500,000,000 | 80.92% 1.36% |
| 2 | Jinan Finance Investment Co., Ltd. | 1,000,000,000 | 2.73% |
| 3 | Shandong Provincial Department of Finance | 900,000,000 | 2.46% |
| 4 | Shandong International Trust Co., Ltd. | 500,000,000 | 1.36% |
| 5 | CNPC Assets Management Co., Ltd. | 400,000,000 | 1.09% |
| 6 | Yantai Xinzhen Tianying Equity Investment Centre (Limited Partnership) | 400,000,000 | 1.09% |
| 7 | Happy Life Insurance Co., Ltd. | 320,000,000 | 0.87% |
| 8 | Qingdao City Construction Investment (Group) Co., Ltd. | 320,000,000 | 0.87% |
| 9 | Guotai Leasing Limited Company | 320,000,000 | 0.87% |
| 10 | Weihai Industrial Investment Group Co., Ltd. | 300,000,000 | 0.82% |
| 11 | Rizhao Economic Development Investment Co., Ltd. | 300,000,000 | 0.82% |
| 12 | Dongying Finance Development Co., Ltd. | 300,000,000 | 0.82% |
| 13 | Weifang Asset Management Co., Ltd. | 250,000,000 | 0.68% |
| 14 | Yellow River Delta Construction and Development Group Co., Ltd. | 100,000,000 100,000,000 | 0.27% 0.27% |
| 15 | Jining Huida Investment Co., Ltd. | 150,000,000 | 0.41% |
| 16 | Shandong Caixin Asset Operation Co., Ltd. | 100,000,000 | 0.27% |
| 17 | Liaocheng Caijin Construction Development Co., Ltd. | 100,000,000 | 0.27% |
| 18 | Zaozhuang Tongxing CCI Capital Ltd. | 100,000,000 | 0.27% |
| 19 | Tai'an Dongyue Jincai Investment Co., Ltd. | 100,000,000 | 0.27% |
| 20 | Zibo Finance Holding Co., Ltd. | 100,000,000 | 0.27% |

| No. | Name of shareholder | Number of (shares) | Shareholding percentage |
|-----|--|-----------------------|-------------------------|
| 21 | Dezhou Financial Investment Holding Group Co., Ltd. | 100,000,000 | 0.27% |
| 22 | Heze City Investment Holdings Group Co., Ltd. | 100,000,000 | 0.27% |
| 23 | Yantai Caijin Development Investment Group Co., Ltd. | 100,000,000 | 0.27% |
| 24 | Zhitong Capital Holding (Shandong) Co., Ltd. | 30,000,000 | 0.08% |
| | Total | 36,639,108,327 | 100.00% |

3. Organisational structure



4. Brief description of principal activities

Shandong Financial Assets is principally engaged in the acquisition and entrusted operation of non-performing assets of financial institutions and non-financial institutions, management, investment and disposal of non-performing assets; debt-to-equity swap, management, investment and disposal of equity assets; external investment; trading of marketable securities; asset securitisation business, issuance of bonds; trade with financial institutions and commercial financing from financial institutions; consulting and advisory on finance, investment, law and risk management, etc. The financial asset management industry in which it operates is closely related to the global and domestic economies. In recent years, affected by the global financial crisis and domestic macroeconomic downturn, the financial asset management business of Shandong Financial Assets has developed rapidly. As at the end of December 2021, the balance of financial assets at fair value through profit or loss, financial assets at fair value through profit or loss, net non-current assets due within one year, the balance of other current

assets, debt investment assets and other non-current assets of the company amounted to RMB1,754,247,400, RMB51,932,731,500, RMB5,088,274,300, RMB4,402,399,500, RMB7,643,086,200 and RMB325,311,900, respectively, accounting for 59.66% of the total assets in aggregate. The above items were mainly due to the normal development of non-performing assets segment, comprehensive financial services segment and asset management segment business of the company. The company's non-performing asset segment, comprehensive financial services segment and asset management segment are relatively large in scale.

5. Financial position, operating results and cash flows

(1) Consolidated statement of financial position

As at the valuation benchmark date, Shandong Financial Assets had total assets of RMB119,246,532,700, liabilities of RMB70,974,163,200 and net assets attributable to the parent company of RMB48,150,690,900. In 2021, the operating income and net profit attributable to the parent company amounted to RMB1,835,592,600 and RMB1,016,458,500, respectively. The consolidated financial position, operating results and cash flows of Shandong Financial Assets in the past three years are shown in the table below.

Table 1 Three-Year Consolidated Statement of Financial Position of Shandong Financial Assets

| Unit: RMB0'000 | | | |
|--|---------------------|---------------------|---------------------|
| Item | 31 December 2019 | 31 December 2020 | 31 December 2021 |
| Total assets | 16,191,883.02 | 14,249,873.95 | 11,924,653.27 |
| Total liabilities | 11,386,050.14 | 9,446,065.25 | 7,097,416.32 |
| Net assets attributable to parent company | 4,795,280.89 | 4,792,781.41 | 4,815,069.09 |
| Item | 2019 | 2020 | 2021 |
| Operating income | 228,177.09 | 281,825.86 | 183,559.26 |
| Total profit | 90,174.33 | 95,053.61 | 86,602.12 |
| Net profit attributable to parent company | 63,734.55 | 110,859.86 | 101,645.85 |
| Item | 2019 | 2020 | 2021 |
| Cash flows from operating activities | -6,322,514.33 | 1,927,956.77 | 1,717,732.75 |
| Cash flows from investing activities | -3,679,389.42 | -74,397.09 | -32,220.12 |
| Cash flows from financing activities | 10,969,950.99 | -1,428,570.35 | -2,630,803.57 |

(2) *Statement of financial position of the parent company*

As at the valuation benchmark date, Shandong Financial Assets had total assets of RMB119,615,459,700, liabilities of RMB71,420,958,500 and net assets of RMB48,194,501,200. In 2021, the operating income and net profit amounted to RMB1,937,084,000 and RMB1,153,750,300, respectively. The financial position, operating results and cash flows of the parent company of Shandong Financial Assets in the past three years are shown in the table below.

Table 2 Three-Year Parent Company Statement of Financial Position of Shandong Financial Assets

Unit: RMB0'000

| Item | 31 December 2019 | 31 December 2020 | 31 December 2021 |
|--------------------------------------|---------------------|---------------------|---------------------|
| Total assets | 16,269,188.67 | 14,315,216.35 | 11,961,545.97 |
| Total liabilities | 11,489,849.53 | 9,532,499.38 | 7,142,095.85 |
| Net assets | 4,779,339.14 | 4,782,716.96 | 4,819,450.12 |
| Item | 2019 | 2020 | 2021 |
| Operating income | 85,959.45 | 280,023.36 | 193,708.40 |
| Total profit | 24,555.41 | 98,382.77 | 102,260.78 |
| Net profit | 15,960.29 | 116,737.16 | 115,375.03 |
| Item | 2019 | 2020 | 2021 |
| Cash flows from operating activities | -6,289,531.81 | 1,950,940.20 | 1,719,881.34 |
| Cash flows from investing activities | -3,804,816.01 | -42,956.08 | -36,724.72 |
| Cash flows from financing activities | 10,972,016.76 | -1,426,605.48 | -2,616,462.31 |

6. *Long-term equity investments*

As at the valuation benchmark date, the structure of long-term equity investments of Shandong Financial Assets is as follows:

| No. | Name of investee | Investment cost (RMB0'000) | Shareholding percentage | Remarks |
|-----|---|----------------------------------|----------------------------|-----------------------------------|
| 1 | Shandong Hanyu Capital Management Co., Ltd. | 2,000.00 | 100.00% | Within the scope of consolidation |
| 2 | Luxin Capital Management Co., Ltd. | 2,100.00 | 35.00% | Within the scope of consolidation |

| No. | Name of investee | Investment cost (RMB0'000) | Shareholding percentage | Remarks |
|-----|--|-------------------------------|-------------------------|-----------------------------------|
| 3 | Jimo Asset Management Co., Ltd. | 5,500.00 | 55.00% | Within the scope of consolidation |
| 4 | Shanjin Real Estate Investment Co., Ltd. | 100,000.00 | 100.00% | Within the scope of consolidation |
| 5 | Chengdu Hanyu Property Management Development Co., Ltd. | 5,000.00 | 100.00% | Within the scope of consolidation |
| 6 | Qingdao Hanyu Financial Assets Investment Restructuring Fund Partnership (Limited Partnership) | 150,100.00 | 100.00% | Within the scope of consolidation |
| 7 | Jinan Hanyu Jinxin Investment Management Partnership (Limited Partnership) | 45,989.17 | 100.00% | Within the scope of consolidation |
| 8 | Shandong Jinshi Investment Development Partnership (Limited Partnership) | 30,000.00 | 99.67.00% | Within the scope of consolidation |
| 9 | Shandong Lujin Industry Restructuring Development Fund Partnership (Limited Partnership) | 158,000.00 | 19.00% | Within the scope of consolidation |
| 10 | Rushan Hanyu Asset Management Co., Ltd. | 3,361.92 | 51.00% | |
| 11 | Jinan Financial Holding Asset Management Co., Ltd. | 9,800.00 | 49.00% | |
| 12 | Weifang Luzhong Financial Asset Operation and Management Co., Ltd. | 70,000.00 | 34.14634% | |
| 13 | Linyi Lunan Asset Operation Management Co., Ltd. | 40,000.00 | 40.00% | |
| 14 | Shandong Lucion Kexun Big Data Technology Co., Ltd. | 540.00 | 27.00% | |
| 15 | Tai'an Taishan Financial Asset Management Co., Ltd. | 70,000.00 | 34.65346% | |
| 16 | Binzhou Asset Management Co., Ltd. | 35,000.00 | 35.00% | |
| 17 | Evergrowing Bank Co., Ltd. | 3,637,305.86 | 32.37% | |
| 18 | Shandong Yantai Dengying Asset Management Co., Ltd. | 40,000.00 | 40.00% | |
| 19 | Rizhao Financial Assets Management Co., Ltd. | 35,000.00 | 35.00% | |
| 20 | Jining Financial Asset Management Co., Ltd. | 70,000.00 | 35.00% | |
| 21 | Heze Financial Asset Management Co., Ltd. | 35,000.00 | 35.00% | |

The basic information of long-term equity investments is as follows:

1) *Shandong Hanyu Capital Management Co., Ltd.*

Address of the company: Room 710, No. 1237, Yingxiu Road, High-tech Zone, Jinan, Shandong Province

Legal representative: LI Yi

Registered capital: RMB20 million

Type of enterprise: Limited liability company (sole proprietorship of a legal person invested or controlled by a non-natural person)

Scope of business: Asset management services; investment and investment advisory with its own funds (without the approval of financial regulatory authorities, it shall not engage in financial businesses such as deposit taking, financing guarantee and wealth management on behalf of clients). (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

As at the valuation benchmark date, the name of shareholder, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 3 Name of shareholder, capital contribution amount and capital contribution ratio of Shandong Hanyu Capital Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 2,000 | 100 |
| | Total | 2,000 | 100.00 |

As at the valuation benchmark date, the financial position, operating results and cash flows of Shandong Hanyu Capital Management Co., Ltd. are as follows:

Table 4 Statement of financial position of Shandong Hanyu Capital Management Co., Ltd. as at the valuation benchmark date

Unit: RMB0'000

| Item | 31 December 2021 |
|-------------------|---------------------|
| Total assets | 5,827.12 |
| Total liabilities | 223.28 |
| Net assets | 5,603.84 |

| Item | 2021 |
|---------------|----------|
| Total revenue | 1,827.53 |
| Total profit | 926.63 |
| Net profit | 621.35 |

| Item | 2021 |
|--|----------|
| Net cash flows from operating activities | 5,353.35 |
| Net cash flows from investing activities | 0.00 |
| Net cash flows from financing activities | 0.00 |

2) *Luxin Capital Management Co., Ltd.*

Address of the company: Room 801, No. 1237, Yingxiu Road, High-tech Zone, Jinan, Shandong Province

Legal representative: YIN Hui

Registered capital: RMB60 million

Type of enterprise: Other limited liability company

Scope of business: Investment with self-owned funds and asset management and investment management for investment projects (without the approval of financial regulatory authorities, it shall not engage in financial businesses such as deposit taking, financing guarantee and wealth management on behalf of clients). (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 5 Name of shareholder, capital contribution amount and capital contribution ratio of Luxin Capital Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|-----------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 2,100 | 35.00 |

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 2 | Shandong Lucion Investment Holdings Group Co., Ltd. | 2,100 | 35.00 |
| 3 | Shandong Lingrui Equity Asset Management Co., Ltd. | 1,800 | 30.00 |
| | Total | 6,000 | 100.00 |

As at the valuation benchmark date, the financial position, operating results and cash flows of Luxin Capital Management Co., Ltd. are as follows:

Table 6 Statement of financial position of Luxin Capital Management Co., Ltd. as at the valuation benchmark date

Unit: RMB0'000

| Item | 31 December 2021 |
|--|---------------------|
| Total assets | 11,690.23 |
| Total liabilities | 996.83 |
| Net assets | 10,693.39 |
| Item | 2021 |
| Total revenue | 4,651.79 |
| Total profit | 3,150.28 |
| Net profit | 2,348.58 |
| Item | 2021 |
| Net cash flows from operating activities | 4,791.67 |
| Net cash flows from investing activities | -13.39 |
| Net cash flows from financing activities | -1,340.32 |

3) *Jimo Asset Management Co., Ltd.*

Address of the company: 128 Zhenhua Street, Jimo, Qingdao, Shandong Province

Legal representative: WANG Rongtao

Registered capital: RMB100 million

Type of enterprise: Other limited liability company

Scope of business: Acquisition, management and disposal of assets, entrusted asset management, corporate management advisory, external investment, asset restructuring, mergers and acquisitions and project financing, land consolidation (without the approval of financial regulatory authorities, it shall not engage in financial businesses such as deposit taking, financing guarantee and wealth management on behalf of clients). (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 7 Name of shareholders, capital contribution amount and capital contribution ratio of Jimo Asset Management Co., Ltd.

| No. | Name of shareholder | Capital contribution (RMB0'000) | Shareholding percentage (%) |
|-----|---|------------------------------------|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 5,500 | 55.00 |
| 2 | Jimo Urban Development Investment Co., Ltd. | 4,500 | 45.00 |
| | Total | 10,000 | 100.00 |

As at the valuation benchmark date, the financial position, operating results and cash flows of Jimo Asset Management Co., Ltd. are as follows:

Table 8 Statement of financial position of Jimo Asset Management Co., Ltd. as at the valuation benchmark date

Unit: RMB0'000

| Item | 31 December 2021 |
|-------------------|---------------------|
| Total assets | 11,493.91 |
| Total liabilities | 122.90 |
| Net assets | 11,371.01 |

| Item | 2021 |
|---------------|-------------|
| Total revenue | 1,801.19 |
| Total profit | 1,166.95 |
| Net profit | 875.21 |

| Item | 2021 |
|--|-------------|
| Net cash flows from operating activities | 2,129.94 |
| Net cash flows from investing activities | 0.00 |
| Net cash flows from financing activities | -13,561.26 |

4) *Shanjin Real Estate Investment Co., Ltd.*

Address of the company: No. 308, Cultural Area, Jimo District, Qingdao, Shandong Province

Legal representative: WANG Rongtao

Registered capital: RMB1,000 million

Type of enterprise: Limited liability company (sole proprietorship of a legal person invested or controlled by a non-natural person)

Scope of business: Management, restructuring, mergers and acquisitions of corporate assets; debt-to-equity swap, management, investment and disposal of equity assets; external investment; investment management; investment advisory; equity investment; entrusted management of equity investment funds (without the approval of financial regulatory authorities, it shall not engage in financial businesses such as deposit taking, financing guarantee and wealth management on behalf of clients); consulting and advisory on finance, investment, law (excluding litigation) and risk management; asset and project evaluation; real estate development and operation; project management; project consulting and supervision; renovation and design; building decoration works; leasing of properties under entrusted management; real estate information consulting; property management; other business activities approved by regulatory authorities (items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

As at the valuation benchmark date, the name of shareholder, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 9 Name of shareholder, capital contribution amount and capital contribution ratio of Shanjin Real Estate Investment Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 100,000 | 100 |
| | Total | 100,000 | 100 |

As at the valuation benchmark date, the financial position, operating results and cash flows of Shanjin Real Estate Investment Co., Ltd. are as follows:

Table 10 Statement of financial position of Shanjin Real Estate Investment Co., Ltd. as at the valuation benchmark date

Unit: RMB0'000

| Item | 31 December 2021 |
|--|---------------------|
| Total assets | 243,801.10 |
| Total liabilities | 140,781.55 |
| Net assets | 103,019.55 |
| Item | 2021 |
| Total revenue | 10,627.67 |
| Total profit | 4,529.46 |
| Net profit | 3,395.11 |
| Item | 2021 |
| Net cash flows from operating activities | -50,348.01 |
| Net cash flows from investing activities | 0.00 |
| Net cash flows from financing activities | 51,050.00 |

5) *Chengdu Hanyu Property Management Development Co., Ltd.*

Address of the company: Room 209, 2/F, Building 2, No. 125 Wuke Xiwu Road, Wuhou District, Chengdu, Sichuan Province

Legal representative: GUO Hongtao

Registered capital: RMB50 million

Type of enterprise: Limited liability company (sole proprietorship of a legal person invested or controlled by a non-natural person)

Scope of business: General items: Property management; hotel management; leasing of non-residential real estate; marketing planning; real estate brokerage; information consulting services (excluding licence-related information consulting services); market research (excluding foreign-related research); corporate image planning (except for items subject to approval according to the law, business activities shall be carried out independently with business licence according to the law).

As at the valuation benchmark date, the name of shareholder, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 11 Name of shareholder, capital contribution amount and capital contribution ratio of Jinan Financial Holding Asset Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 1 | Shanghai Lucion Hanyu Enterprise Management Co., Ltd. (wholly-owned by Shandong Financial Asset Management Co., Ltd.) | 5,000 | 100 |
| | Total | 5,000 | 100.00 |

As at the valuation benchmark date, the financial position, operating results and cash flows of Chengdu Hanyu Property Management Development Co., Ltd. are as follows:

Table 12 Statement of financial position, operating results and cash flows as at the valuation benchmark date

Unit: RMB0'000

| Item | 31 December 2021 |
|-------------------|---------------------|
| Total assets | 5,000.05 |
| Total liabilities | 0.63 |
| Net assets | 4,999.42 |

| Item | 2021 |
|---------------|-------|
| Total revenue | 0.05 |
| Total profit | -0.58 |
| Net profit | -0.58 |

| Item | 2021 |
|--|-----------|
| Net cash flows from operating activities | -5,000.00 |
| Net cash flows from investing activities | 0.00 |
| Net cash flows from financing activities | 5,000.00 |

6) *Qingdao Hanyu Financial Assets Investment Restructuring Fund Partnership (Limited Partnership)*

Address of the company: Qingdao Blue Silicon Valley Entrepreneurial Centre Phase I, Jimo District, Qingdao, Shandong Province

Executive partner: Shandong Hanyu Capital Management Co., Ltd.

Type of enterprise: Limited partnership

Scope of business: Acquisition, management and disposal of assets, asset restructuring, liaison and handling of relevant businesses for investment partners, commercialisation of featured investment services, investment in short-term wealth management products or monetary funds (without the approval of financial regulatory authorities, it shall not engage in financial businesses such as deposit taking, financing guarantee and wealth management on behalf of clients) (items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities)

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 13 Name of shareholder, capital contribution amount and contribution ratio of Qingdao Hanyu Financial Assets Investment Restructuring Fund Partnership

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|-----------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 200,000 | 99.95003 |

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 2 | Shandong Hanyu Capital Management Co., Ltd. | 100 | 0.04998 |
| | Total | 200,100 | 100.00 |

As at the valuation benchmark date, the financial position, operating results and cash flows of Qingdao Hanyu Financial Assets Investment Restructuring Fund Partnership (Limited Partnership) are as follows:

Table 14 Statement of financial position of Qingdao Hanyu Financial Assets Investment Restructuring Fund Partnership (Limited Partnership) as at the valuation benchmark date

Unit: RMB0'000

| Item | 31 December 2021 |
|--|---------------------|
| Total assets | 157,253.18 |
| Total liabilities | 49.50 |
| Net assets | 157,203.69 |
| Item | 2021 |
| Total revenue | 2,616.67 |
| Total profit | 974.28 |
| Net profit | 974.28 |
| Item | 2021 |
| Net cash flows from operating activities | -1,430.61 |
| Net cash flows from investing activities | 0.00 |
| Net cash flows from financing activities | 0.00 |

7) *Jinan Hanyu Jinxin Investment Management Partnership (Limited Partnership)*

Address of the company: Room 611, No. 1237 Yingxiu Road, High-tech Zone, Jinan, Shandong Province

Executive partner: Shandong Hanyu Capital Management Co., Ltd.

Type of enterprise: Limited partnership

Scope of business: Investment with self-owned funds and asset management, investment management and investment consulting for investment projects; financial information consulting. (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities)

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 15 Name of shareholders, capital contribution amount and capital contribution ratio of Jinan Hanyu Jinxin Investment Management Partnership (Limited Partnership)

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|--|---|--------------------------------|
| 1 | Qingdao Hanyu Financial Assets Investment Restructuring Fund Partnership (Limited Partnership) | 50,000.0 | 99.9001 |
| 2 | Shandong Hanyu Capital Management Co., Ltd. | 50 | 0.0999 |
| | Total | 50,050 | 100.00 |

As at the valuation benchmark date, the financial position, operating results and cash flows of Jinan Hanyu Jinxin Investment Management Partnership (Limited Partnership) are as follows:

Table 16 Statement of financial position of Jinan Hanyu Jinxin Investment Management Partnership (Limited Partnership) as at the valuation benchmark date

Unit: RMB0'000

| Item | 31 December 2021 |
|-------------------|---------------------|
| Total assets | 45,072.74 |
| Total liabilities | 333.44 |
| Net assets | 44,739.30 |

| Item | 2021 |
|---------------|----------|
| Total revenue | 1,120.50 |
| Total profit | -456.37 |
| Net profit | -456.37 |

| Item | 2021 |
|--|----------|
| Net cash flows from operating activities | 1,443.65 |
| Net cash flows from investing activities | -62.01 |
| Net cash flows from financing activities | 0.00 |

8) *Shandong Jinshi Investment Development Partnership (Limited Partnership)*

Address of the company: Room 330, No. 1237 Yingxiu Road, High-tech Zone, Jinan, Shandong Province

Executive partner: Luxin Capital Management Co., Ltd.

Type of enterprise: Limited partnership

Scope of business: Investment with self-owned funds and investment consulting for investment projects (without the approval of financial regulatory authorities, it shall not engage in financial businesses such as deposit taking, financing guarantee and wealth management on behalf of clients) (items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities)

Record of change of information: On 25 January 2022, Shandong Jinshi Investment Partnership (Limited Partnership) was renamed as Shandong Jinshi Investment Development Partnership (Limited Partnership).

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 17 Name of contributors, capital contribution amount and contribution ratio of Shandong Jinshi Investment Development Partnership (Limited Partnership)

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|--|---|--------------------------------|
| 1 | Shandong Financial Assets Management Co., Ltd. | 30,000 | 99.67 |
| 2 | Luxin Capital Management Co., Ltd. | 100 | 0.33 |
| | Total | 30,100 | 100.00 |

As at the valuation benchmark date, the financial position, operating results and cash flows of Shandong Jinshi Investment Development Partnership (Limited Partnership) are as follows:

Table 18 Statement of financial position of Shandong Jinshi Investment Development Partnership (Limited Partnership) as at the valuation benchmark date

Unit: RMB0'000

| Item | 31 December 2021 |
|--|-----------------------------|
| Total assets | 101.59 |
| Total liabilities | 0.00 |
| Net assets | 101.59 |
| Item | 2021 |
| Total revenue | 1.52 |
| Total profit | 0.83 |
| Net profit | 0.83 |
| Item | 2021 |
| Net cash flows from operating activities | 0.83 |
| Net cash flows from investing activities | 0.00 |
| Net cash flows from financing activities | 0.00 |

9) *Shandong Lujin Industry Restructuring Development Fund Partnership (Limited Partnership)*

Address of the company: Room 101, 2/F, Capital Centre, A2 Industry-University-Research Base, Keji 2nd Road, High-tech Zone, Jining

Executive partner: Luxin Capital Management Co., Ltd.

Type of enterprise: Limited partnership

Scope of business: General items: Equity investment, investment management, asset management and other activities with private equity funds (business activities can only be carried out after the completion of filing and registration with the Asset Management Association of China); investment activities with self-owned funds (except for items subject to approval according to the law, business activities shall be carried out independently with business licence according to the law)

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 19 Name of contributors, capital contribution amount and contribution ratio of Shandong Lujin Industry Restructuring Development Fund Partnership (Limited Partnership)

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 158,000 | 79.00 |
| 2 | Shandong New Kinetic Energy Fund Management Limited | 40,000 | 20.00 |
| 3 | Luxin Capital Management Co., Ltd. | 2,000 | 1.00 |
| | Total | 200,000 | 100.00 |

As at the valuation benchmark date, the financial position, operating results and cash flows of Shandong Lujin Industry Restructuring Development Fund Partnership (Limited Partnership) are as follows:

Table 20 Statement of financial position of Shandong Lujin Industrial Restructuring Development Fund Partnership (Limited Partnership) as at the valuation benchmark date

Unit: RMB0'000

| Item | 31 December 2021 |
|-------------------|---------------------|
| Total assets | 301.02 |
| Total liabilities | 0.00 |
| Net assets | 301.02 |
| Item | 2021 |
| Total revenue | 0.91 |
| Total profit | 0.91 |
| Net profit | 0.91 |

| Item | 2021 |
|--|------|
| Net cash flows from operating activities | 0.91 |
| Net cash flows from investing activities | 0.00 |
| Net cash flows from financing activities | 0.00 |

10) *Rushan Hanyu Asset Management Co., Ltd.*

Address of the company: No. 12 Fuqian Road, Urban Area of Rushan District, Weihai, Shandong Province

Legal representative: LI Yi

Registered capital: RMB100 million

Type of enterprise: Other limited liability company

Scope of business: Acquisition, management and disposal of assets; debt-to-equity swap, equity investment, equity investment management; investment with self-owned funds and provision of consulting services for investment projects; asset acquisition and restructuring advisory; corporate management consulting; consulting and advisory on finance, investment, law and risk management; land consolidation; other business activities approved by the regulatory authorities (items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 21 Name of shareholders, capital contribution amount and capital contribution ratio of Rushan Hanyu Asset Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|-----------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 5,100 | 51 |
| 2 | Rushan Financial Investment Co., Ltd. | 4,900 | 49 |
| | Total | 10,000 | 100 |

Rushan Hanyu Asset Management Co., Ltd. is not within the scope of consolidated financial statements, and relevant financial data is not available for this valuation.

11) *Jinan Financial Holding Asset Management Co., Ltd.*

Address of the company: 11/F, Building 2, Zhongrun Century Centre, No. 12111 Jingshi Road, Lixia District, Jinan

Legal representative: KANG Si Wen

Registered capital: RMB200 million

Type of enterprise: Other limited liability company

Scope of business: Acquisition, management and disposal of assets; corporate management consulting; asset acquisition and restructuring advisory; land consolidation; investment with self-owned funds and provision of consulting services for investment projects (for items subject to approval in accordance with the law or operating with qualification certificates, business activities can only be carried out after obtaining the approval from relevant authorities or obtaining relevant qualification certificates. Without the approval of financial regulatory authorities, it shall not engage in financial businesses such as deposit taking, financing guarantee and wealth management on behalf of clients). (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 22 Name of shareholders, capital contribution amount and capital contribution ratio of Jinan Financial Holding Asset Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 9,800 | 49 |
| 2 | Jinan Finance Holding Group Co., Ltd. | 10,200 | 51 |
| | Total | 20,000 | 100.00 |

Jinan Financial Holding Asset Management Co., Ltd. is not within the scope of the consolidated financial statements, and relevant financial data is not available in this valuation.

12) *Weifang Luzhong Financial Asset Operation and Management Co., Ltd.*

Address of the company: Room 101-533, Research Building No. 2 Weifang Smart Industrial Park, No. 517 Gao'er Road, Fudong Community, Qingchi Street, High-tech Zone, Weifang, Shandong Province

Legal representative: LI Dong

Registered capital: RMB2,050 million

Type of enterprise: Other joint stock limited company (non-listed)

Scope of business: Acquisition and entrusted operation of non-performing assets, management, investment and disposal of non-performing assets; debt-to-equity swap, management, investment and disposal of equity assets; external investment with self-owned funds; trading of marketable securities; asset securitisation business, issuance of bonds; consulting and advisory on finance, investment, law and risk management; asset and project evaluation; bankruptcy management; other business activities approved by regulatory authorities. (If the above scope is subject to the approval of the regulatory authorities, business activities may only be carried out after obtaining the approval from the regulatory authorities) (Without the approval of the financial regulatory authorities, it shall not engage in financial businesses such as deposit taking, financing guarantee and wealth management on behalf of clients) (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 23 Name of shareholders, capital contribution amount and capital contribution ratio of Weifang Luzhong Financial Asset Operation and Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 70,000 | 34.1463 |
| 2 | Weifang Financial Holding Group Co., Ltd. | 40,000 | 19.5122 |
| 3 | Weifang High-tech Zone Guochuang Investment Co., Ltd. | 18,000 | 8.7805 |

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 4 | Weifang Binhai Financial Holding Group Co., Ltd. | 13,000 | 6.3415 |
| 5 | Zhucheng Xinzhuo Investment Holdings Co., Ltd. | 10,000 | 4.8780 |
| 6 | Gaomi State-owned Assets Management Company | 6,000 | 2.9268 |
| 7 | Shandong Baishida Investment Co., Ltd. | 5,000 | 2.4390 |
| 8 | Shouguang Jinhong Investment Development Group Co., Ltd. | 5,000 | 2.4390 |
| 9 | Shouguang Financial Investment Group Co., Ltd. | 5,000 | 2.4390 |
| 10 | Weifang Economic Zone Urban Construction Investment Development Co., Ltd. | 3,000 | 1.4634 |
| 11 | Weifang Bincheng Investment Development Co., Ltd. | 3,000 | 1.4634 |
| 12 | Changle State-owned Asset Operation and Management Centre | 3,000 | 1.4634 |
| 13 | Weifang Integrated Free Trade Zone Investment Development Co., Ltd. | 3,000 | 1.4634 |
| 14 | Changyi Chang'an Asset Management Co., Ltd. | 3,000 | 1.4634 |
| 15 | Weifang City Investment Holding Group Co., Ltd. | 3,000 | 1.4634 |
| 16 | Linqu Financial Holding Group Limited | 3,000 | 1.4634 |
| 17 | Qingzhou Financial Holding Co., Ltd. | 3,000 | 1.4634 |
| 18 | Weifang Duomizi Agricultural Technology Co., Ltd. | 3,000 | 1.4634 |
| 19 | Weifang Weizhou Investment Holdings Co., Ltd. | 3,000 | 1.4634 |
| 20 | Xinjia Holdings Limited | 3,000 | 1.4634 |
| | Total | 205,000 | 100.00 |

Weifang Luzhong Financial Asset Operation and Management Co., Ltd. is not within the scope of the consolidated financial statements, and relevant financial data is not available for this valuation.

13) *Linyi Lunan Asset Operation Management Co., Ltd.*

Address of the company: No. 338 Yimeng Road, Lanshan District, Linyi, Shandong Province

Legal representative: JIANG You

Registered capital: RMB1,000 million

Type of enterprise: Limited liability company (state-controlled)

Scope of business: Acquisition and entrusted operation of non-performing assets of financial institutions and non-financial institutions, management, investment and disposal of non-performing assets; debt-to-equity swap; management, investment and disposal of equity assets; external investment; trading of marketable securities; asset securitisation business, issuance of bonds; consulting and advisory on finance, investment, law and risk management; asset and project evaluation; bankruptcy management and liquidation; land consolidation; other business activities approved by regulatory authorities (if the above scope is subject to the approval of the regulatory authorities, business activities may only be carried out after obtaining the approval from the regulatory authorities) (without the approval of the financial regulatory authorities, it shall not engage in financial businesses such as deposit taking, financing guarantee and wealth management on behalf of clients) (items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 24 Name of shareholders, capital contribution amount and capital contribution ratio of Linyi Lunan Asset Operation and Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 40,000 | 40.00 |
| 2 | Linyi Caijin Investment Group Co., Ltd. | 30,000 | 30.00 |
| 3 | Linyi Lanshan City Financial Investment Group Co., Ltd. | 10,000 | 10.00 |

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 4 | Shandong Linxin Financial Holding Limited | 5,000 | 5.00 |
| 5 | Jinan Wuzhu Industrial Co., Ltd. | 5,000 | 5.00 |
| 6 | Linyi Economic Development Zone Urban Construction Investment Co., Ltd. | 3,000 | 3.00 |
| 7 | Linyi Future Science and Technology City Development and Construction Group Co., Ltd. | 1,000 | 1.00 |
| 8 | Yinan Urban State-owned Assets Operation Co., Ltd. | 1,000 | 1.00 |
| 9 | Linyi Zhendong Construction Investment Co., Ltd. | 1,000 | 1.00 |
| 10 | Yishui Caijin Investment Co., Ltd. | 1,000 | 1.00 |
| 11 | Junan Infrastructure Construction Investment Co., Ltd. | 1,000 | 1.00 |
| 12 | Lanling County State-owned Assets Operation Co., Ltd. | 1,000 | 1.00 |
| 13 | Shandong Xiaoguang Solar Energy Technology Co., Ltd. | 500 | 0.50 |
| 14 | Shandong Baiketong Automobile Trading Co., Ltd. | 500 | 0.50 |
| | Total | 100,000 | 100.00 |

Linyi Lunan Asset Operation and Management Co., Ltd. is not within the scope of the consolidated financial statements, and relevant financial data is not available in this valuation.

14) *Shandong Lucion Kexun Big Data Technology Co., Ltd.*

Address of the company: Room 6-100, Basement 1, Building 1, Qilu Software Park (Section C, Pioneer Plaza), No. 1 Shunhua Road, High-tech Zone, Jinan, Shandong Province

Legal representative: LIN Guanwei

Registered capital: RMB20 million

Type of enterprise: Other limited liability company

Scope of business: Big data technology services; computer network technology development, technology consulting, technology services, technology transfer; database services; economic information consulting; information technology services; information system integration services; development and sales of computer software and hardware; data processing and storage services and other items that are not prohibited and do not require business licence in accordance with the laws, regulations and decisions of the State Council. (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 25 Name of shareholders, capital contribution amount and capital contribution ratio of Shandong Lucion Kexun Big Data Technology Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|--|---|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 540 | 27 |
| 2 | Anhui Iflybank Financial Services Technology Co., Ltd. | 980 | 49 |
| 3 | Lucion Science and Technology Co., Ltd. | 430 | 21.5 |
| 4 | Hefei Huilangsheng Enterprise Management Co., Ltd. | 50 | 2.5 |
| | Total | 2,000 | 100.00 |

Shandong Lucion Kexun Big Data Technology Co., Ltd. is not within the scope of the consolidated financial statements, and relevant financial data is not available in this valuation.

15) *Tai'an Taishan Financial Asset Management Co., Ltd.*

Address: Huapu Guomao Building, No. 6 Great Wall Road West, Daiyue District, Tai'an, Shandong Province

Legal representative: LI Yi

Registered capital: RMB2,020 million

Type of enterprise: Other limited liability company

Scope of business: Acquisition and entrusted operation of non-performing assets, management, investment and disposal of non-performing assets; debt-to-equity swap, management, investment and disposal of equity assets; external investment with self-owned funds; trading of marketable securities; asset securitisation business, issuance of bonds; consulting and advisory on finance, investment, law and risk management; asset and project evaluation; bankruptcy management; land consolidation; other business activities approved by regulatory authorities. (Without the approval of the financial regulatory authorities, it shall not engage in financial businesses such as deposit taking, financing guarantee and wealth management on behalf of clients; items subject to approval in accordance with the law may only be carried out after obtaining approval from the relevant authorities).

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 26 Name of shareholders, capital contribution amount and capital contribution ratio of Tai'an Taishan Financial Asset Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 70,000 | 34.65346 |
| 2 | Tai'an Financial Holding Group Co., Ltd. | 40,000 | 19.8020 |
| 3 | Tai'an Taishan Dawenkou Tourism Property Co., Ltd. | 12,000 | 5.9406 |
| 4 | Feicheng Urban Asset Management Co., Ltd. | 10,000 | 4.9505 |
| 5 | Dongping Hengsheng Urban Construction Development Co., Ltd. | 10,000 | 4.9505 |
| 6 | Taian Taishan Holdings Limited | 10,000 | 4.9505 |
| 7 | Shandong Luju Construction Development Co., Ltd. | 10,000 | 4.9505 |
| 8 | Xintai Huicai Investment Co., Ltd. | 10,000 | 4.9505 |
| 9 | Shandong Taiwen Industrial Co., Ltd. | 10,000 | 4.9505 |
| 10 | Shandong Nongyuan Nongzi Co., Ltd. | 6,000 | 2.9703 |
| 11 | Shandong Yugong Enterprise Management Consulting Co., Ltd. | 6,000 | 2.9703 |
| 12 | Taian Road Engineering Materials Co., Ltd. | 4,000 | 1.9802 |
| 13 | Shandong Companion Group Co., Ltd. | 4,000 | 1.9802 |
| | Total | 202,000 | 100.00 |

Tai'an Taishan Financial Asset Management Co., Ltd. is not within the scope of the consolidated financial statements, and relevant financial data is not available in this valuation.

16) *Binzhou Asset Management Co., Ltd.*

Address of the company: No. 001 Yongtai Road, Qingtian Street Office, High-tech Zone, Binzhou

Legal representative: JIANG You

Registered capital: RMB1,000 million

Type of enterprise: Other limited liability company

Scope of business: Acquisition and entrusted operation of non-performing assets of financial institutions and non-financial institutions, management, investment and disposal of non-performing assets; debt-to-equity swap, management, investment and disposal of equity assets; external investment; trading of marketable securities; asset securitisation business, issuance of bonds; trade with financial institutions and commercial financing from financial institutions; consulting and advisory on finance, investment, law and risk management; asset and project evaluation; bankruptcy management, financial institution custody and liquidation; land consolidation; other business activities approved by regulatory authorities. (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 27 Name of contributors, capital contribution amount and capital contribution ratio of Binzhou Urban Asset Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Capital contribution ratio (%) |
|-----|---|---|-----------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 35,000 | 35.00 |
| 2 | Yellow River Delta Construction and Development Group Co., Ltd. | 30,000 | 30.00 |
| 3 | Zouping Urbanisation Construction Development Co., Ltd. | 4,500 | 4.50 |

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Capital contribution ratio (%) |
|-----|---|---|-----------------------------------|
| 4 | Boxing Caijin Investment Group Co., Ltd. | 4,500 | 4.50 |
| 5 | Binzhou Zhanhua Hongda Caijin Investment Group Co., Ltd. | 3,500 | 3.50 |
| 6 | Yangxin Caijin Investment Group Co., Ltd. | 3,500 | 3.50 |
| 7 | Binzhou Bincheng State-owned Assets Management Co., Ltd. | 3,500 | 3.50 |
| 8 | Huimin Caijin Project Management Co., Ltd. | 3,500 | 3.50 |
| 9 | Shandong Founder Venture Capital Co., Ltd. | 3,500 | 3.50 |
| 10 | Binzhou Xinxing Urban and Rural Construction Co., Ltd. | 3,500 | 3.50 |
| 11 | Binzhou Beihai State-owned Assets Operation and Management Co., Ltd. | 2,500 | 2.50 |
| 12 | Binzhou High-tech Zone State-owned Capital Investment Operation Co., Ltd. | 2,500 | 2.50 |
| | Total | 100,000 | 100.00 |

Binzhou Urban Asset Management Co., Ltd. is not within the scope of the consolidated financial statements, and relevant financial data is not available in this valuation.

17) *Evergrowing Bank Co., Ltd.*

Address: No. 8 Luoyuan Avenue, Lixia District, Jinan

Legal representative: CHEN Ying

Registered capital: RMB111,209,629,836

Type of enterprise: Joint stock limited company

Scope of business: Taking RMB deposits; Granting short-term, medium-term and long-term loans; handling settlement; handling bill discounting; issuing financial bonds; issuing, paying and underwriting government bonds as an agent; trading government bonds; interbank borrowings; providing letters of credit services and guarantees; receipt and payment of money as an agent; providing safe deposit box services; foreign currency deposits; foreign currency loans; foreign currency remittances; foreign currency exchange; international settlement; inter-bank foreign exchange borrowings; acceptance and discounting of foreign currency notes; foreign currency borrowings;

foreign currency guarantee; foreign exchange settlement and sale; issuing and acting as an agent of foreign currency marketable securities other than stocks; trading and acting as an agent of foreign currency marketable securities other than stocks; proprietary foreign exchange trading; foreign exchange trading on behalf of clients; credit investigation, advisory and attestation services. (The validity period is subject to the licence). (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

As at the valuation benchmark date, the name of the top ten shareholders, capital contribution amount and contribution ratio of the investee are as follows:

Table 28 Name of top ten shareholders, capital contribution amount and capital Contribution ratio of Evergrowing Bank Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|--|---|--------------------------------|
| 1 | Central Huijin Investment Ltd. | 6,000,000 | 53.95% |
| 2 | Shandong Financial Asset Management Co., Ltd. | 3,600,000 | 32.37% |
| 3 | United Overseas Bank Limited | 333,636 | 3.00% |
| 4 | Nanshan Group Co., Ltd. | 261,632 | 2.35% |
| 5 | Yantai Blue Sky Investment Holding Co., Ltd. | 230,754 | 2.07% |
| 6 | Good First Group Co., Ltd. | 94,234 | 0.85% |
| 7 | Shanghai Zuoji Investment Management Co., Ltd. | 92,235 | 0.83% |
| 8 | J.K. Life Insurance Corporation | 36,622 | 0.33% |
| 9 | Shanghai Guozheng Investment Management Co., Ltd. | 30,810 | 0.28% |
| 10 | Shanghai Gorgeous Investment Development Company Limited | 30,190 | 0.27% |
| | Total | 10,710,113 | 96.30% |

Evergrowing Bank Co., Ltd. is not within the scope of the consolidated financial statements, and relevant financial data is not available for this valuation.

18) *Shandong Yantai Dengying Asset Management Co., Ltd.*

Address of the company: 8/F, Yeda Zhihui Valley Comprehensive Centre, No. 300 Changjiang Road, Economic and Technological Development Zone, Yantai, Shandong Province

Legal representative: LI Yongbo

Registered capital: RMB1,000 million

Type of enterprise: Limited liability company (state-controlled)

Scope of business: Acquisition and entrusted operation of non-performing assets of financial institutions and non-financial institutions, management, investment and disposal of non-performing assets, debt-to-equity swap, management, investment and disposal of equity assets; investment with self-owned funds, trading of marketable securities; asset securitisation business; issuance of bonds; borrowing from financial institutions; consulting and advisory on finance, law and risk management; asset and project evaluation; and bankruptcy management. (If the above scope is subject to the approval of the regulatory authorities, business activities may only be carried out after obtaining the approval from the regulatory authorities) (Without the approval of the financial regulatory authorities, it shall not engage in financial businesses such as deposit taking, financing guarantee and wealth management on behalf of clients) (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities)

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 29 Name of shareholders, capital contribution amount and capital contribution ratio of Shandong Yantai Dengying Asset Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 40,000 | 40% |
| 2 | Yantai Guofeng Investment Holdings Co., Ltd. | 34,000 | 34% |
| 3 | Yantai Ruifu Investment Co., Ltd. | 10,000 | 10% |

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|--|---|--------------------------------|
| 4 | Yantai Yeda Economic Development Group Co., Ltd. | 10,000 | 10% |
| 5 | Laizhou Gaoxin Investment Co., Ltd. | 3,000 | 3% |
| 6 | Penglai Caijin Investment Co., Ltd. | 3,000 | 3% |
| | Total | 10,000 | 100 |

Shandong Yantai Dengying Asset Management Co., Ltd. is not within the scope of the consolidated financial statements, and relevant financial data is not available in this valuation.

19) *Rizhao Financial Assets Management Co., Ltd.*

Address of the company: Room 5607, Wealth Centre, No. 396 Haiqu Road East, Donggang District, Rizhao, Shandong Province

Legal representative: LI Haitao

Registered capital: RMB1,000 million

Type of enterprise: Other limited liability company

Scope of business: Acquisition and entrusted operation of non-performing assets, management, investment and disposal of non-performing assets; debt-to-equity swap; management, investment and disposal of equity assets; external investment; trading of marketable securities; asset securitisation business, issuance of bonds; commercial financing from financial institutions; consulting and advisory on finance, investment, law and risk management (excluding securities, futures, wealth management, fund raising and other related businesses, and without the approval of financial regulatory authorities, it shall not engage in financial businesses such as deposit taking, financing guarantee and wealth management on behalf of clients); asset and project evaluation; bankruptcy consulting and management; and land consolidation. (Items subject to approval in accordance with the law may only be carried out after obtaining the approval from the relevant authorities).

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 30 Name of shareholder, capital contribution amount and capital contribution ratio of Rizhao Financial Assets Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|--|---|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 35,000 | 35.00 |
| 2 | Rizhao Jinmao Asset Management Limited | 20,000 | 20.00 |
| 3 | Rizhao Urban Economic Development Co., Ltd. | 8,000 | 8.00 |
| 4 | Rizhao Economic and Technological Development Zone State-owned Assets Management Co., Ltd. | 8,000 | 8.00 |
| 5 | Juxian State Capital Operating Company | 8,000 | 8.00 |
| 6 | Wulian Caijin Investment Group Co., Ltd. | 8,000 | 8.00 |
| 7 | Rizhao Xinlanshan Caijin Investment Group Co., Ltd. | 8,000 | 8.00 |
| 8 | Rizhao Gaoxin Equity Investment Co., Ltd. | 5,000 | 5.00 |
| | Total | 10,000 | 100 |

Rizhao Financial Assets Management Co., Ltd. is not within the scope of the consolidated financial statements, and relevant financial data is not available in this valuation.

20) *Jining Financial Asset Management Co., Ltd.*

Address of the company: Rooms 717 and 719, Financial Centre, No. 79-1 Rencheng Avenue, Rencheng District, Jining, Shandong Province

Legal representative: LI Dong

Registered capital: RMB2,000 million

Type of enterprise: Limited liability company (state-controlled)

Scope of business: General items: Investment activities with self-owned funds; asset management services for investment with self-owned funds; equity investment, investment management, asset management and other activities

with private funds (business activities can only be carried out after the completion of filing and registration with the Asset Management Association of China); private equity securities investment fund management services (business activities can only be carried out after the completion of filing and registration with the Asset Management Association of China); bankruptcy liquidation services; land remediation services; social and economic consulting services. (except for items subject to approval according to the law, business activities shall be carried out independently with business licence according to the law) As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 31 Name of shareholders, capital contribution amount and contribution ratio of Rizhao Financial Assets Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|--|---|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 70,000 | 35.00 |
| 2 | Jining Land Development Group Co., Ltd. | 40,000 | 20.00 |
| 3 | Yanzhou Jining Huimin Urban Construction Investment Co., Ltd. | 20,000 | 10.00 |
| 4 | Yutai County Xinda Economic Development and Investment Co., Ltd. | 10,000 | 5.00 |
| 5 | Jining High Tech Investment Promotion Development Group Co., Ltd. | 10,000 | 5.00 |
| 6 | Jining State-owned Assets Investment Holdings Co., Ltd. | 10,000 | 5.00 |
| 7 | Renxing Group Co., Ltd. | 10,000 | 5.00 |
| 8 | Jining Urban and Rural Revitalisation Development and Construction Co., Ltd. | 10,000 | 5.00 |
| 9 | Jining Venture Capital Asset Management Co., Ltd. | 10,000 | 5.00 |
| 10 | Zoucheng Chengzi Holding Group Co., Ltd. | 10,000 | 5.00 |
| | Total | 200,000 | 100 |

Jining Financial Asset Management Co., Ltd. is not within the scope of the consolidated financial statements, and relevant financial data is not available in this valuation.

21) *Heze Financial Asset Management Co., Ltd.*

Address of the company: 21/F, Building B7, Zhongda Plaza South Zone, Intersection of Changjiang Road, Taiyuan Road, Heze Development Zone, Shandong Province

Legal representative: GUO Quanzhao

Registered capital: RMB1,000 million

Type of enterprise: Limited liability company (state-controlled)

Scope of business: General items: debt-to-equity swap, management, investment and disposal of equity assets; external investment; trading of marketable securities; consulting and advisory on finance, investment, law and risk management; asset and project evaluation; bankruptcy management and liquidation; land consolidation; permitted items: acquisition and entrusted operation of non-performing assets of financial institutions and non-financial institutions, asset securitisation business, and issuance of bonds; management, investment and disposal of non-performing assets; other business activities approved by regulatory authorities. (For items subject to approval in accordance with the law, business activities shall be carried out independently according to the law with business licence, and specific business items shall be subject to the approval results) (Except for items subject to approval according to the law, business activities shall be carried out independently with business licence according to the law)

As at the valuation benchmark date, the name of shareholders, capital contribution amount and capital contribution ratio of the investee are as follows:

Table 32 Name of shareholders, capital contribution amount and capital contribution ratio of Heze Financial Asset Management Co., Ltd.

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|---|---|--------------------------------|
| 1 | Shandong Financial Asset Management Co., Ltd. | 35,000 | 35.00 |
| 2 | Heze City Investment Holdings Group Co., Ltd. | 20,000 | 20.00 |
| 3 | Heze Caijin Investment Group Co., Ltd. | 6,000 | 6.00 |
| 4 | Heze Railway Investment Development Group Co., Ltd. | 5,000 | 5.00 |

| No. | Name of shareholder | Capital contribution amount (RMB0'000) | Shareholding percentage (%) |
|-----|--|---|--------------------------------|
| 5 | Hezi City Jindi Land Development Investment Co., Ltd. | 5,000 | 5.00 |
| 6 | Caoxian Caijin Development Co., Ltd | 5,000 | 5.00 |
| 7 | Zhonglu Shengyuan Group Limited | 3,000 | 3.00 |
| 8 | Juancheng Yinyuan Urban Development Co., Ltd. | 2,000 | 2.00 |
| 9 | Shanxian Economic Development Investment Company | 2,000 | 2.00 |
| 10 | Yuncheng County Yuncai Economic Development and Investment Co., Ltd. | 2,000 | 2.00 |
| 11 | Chengwu Wenting Urban Construction Investment Co., Ltd. | 2,000 | 2.00 |
| 12 | Heze Urban Investment Silk Road Investment Co., Ltd. | 2,000 | 2.00 |
| 13 | Juye Liwei Investment Co., Ltd. | 2,000 | 2.00 |
| 14 | Dongming Urban Investment Holdings Group Co., Ltd. | 2,000 | 2.00 |
| 15 | Heze Investment Development Group Co., Ltd. | 2,000 | 2.00 |
| 16 | Heze Dingtao Caijin Investment Group Co., Ltd. | 2,000 | 2.00 |
| 17 | Heze Mingze Urban Investment and Construction Co., Ltd. | 2,000 | 2.00 |
| 18 | Heze High-tech Urban Construction Investment Group Co., Ltd. | 1,000 | 1.00 |
| | Total | 100,000 | 100 |

Heze Financial Asset Management Co., Ltd. is not within the scope of the consolidated financial statements, and relevant financial data is not available in this valuation.

4. PRINCIPAL ACCOUNTING POLICIES IMPLEMENTED BY THE COMPANY

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (2017 Revision) (Cai Kuai [2017] No. 7), Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets (2017 Revision) (Cai Kuai [2017] No. 8), Accounting Standards for Business Enterprises No. 24 – Hedge Accounting (2017 Revision) (Cai Kuai [2017] No. 9) on 31 March 2017, and issued the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (2017 Revision) (Cai Kuai [2017] No. 14) on 2 May 2017.

(2) The principal, users of the asset valuation engagement contract and other valuation report

The users of the valuation report are the principal, Shandong International Trust Co., Ltd., and the relevant regulatory authorities that submitted the approval in accordance with the relevant provisions on the administration of state-owned assets.

Unless otherwise provided by the national laws and administrative regulations, any institution or individual that has not been confirmed by the appraisal agency and the principal shall not become a user of the valuation report by virtue of obtaining the valuation report.

2. PURPOSE OF VALUATION

Shandong International Trust Co., Ltd. proposes to transfer the equity interest in Shandong Financial Assets Management Co., Ltd., and it is necessary to appraise the value of partial shareholders' equity of Shandong Financial Assets Management Co., Ltd. involved in the economic activity, so as to provide a value reference for the relevant economic activity.

3. VALUATION TARGET AND SCOPE OF VALUATION

The valuation target is part of the shareholders' equity value of Shandong Financial Assets. The scope of valuation is comprised of all the assets and related liabilities of Shandong Financial Assets. As at the valuation benchmark date, the consolidated total assets amounted to RMB119,246,532,700, liabilities amounted to RMB70,974,163,200 and net assets attributable to the parent company of Shandong Financial Assets amounted to RMB48,150,690,900, respectively. In 2021, it achieved operating income amounted to RMB1,835,592,600 and net profit attributable to the parent company amounted to RMB1,016,458,500, respectively.

The data regarding the abovementioned assets and liabilities was extracted from the standard unqualified 2021 Audit Report of Shandong Financial Assets Management Co., Ltd. (XYZH/2022JNA30206) issued by ShineWing Certified Public Accountants (Special General Partnership) on 28 April 2022, based on which the valuation of the audited financial statements of the enterprise was conducted.

The entrusted valuation target and scope of valuation are consistent with those involved in economic activity.

(1) Information of major assets and liabilities

As at the valuation benchmark date, the total assets in the audited consolidated statements of Shandong Financial Assets amounted to RMB119,246,532,700, with major assets including monetary funds, financial assets at fair value through profit or loss, available-for-sale financial assets, long-term equity investments, other current assets, non-current assets due within one year and other non-current assets.

(2) Distribution and characteristics of physical assets

The carrying amount of physical assets included in the valuation was RMB693,859,000, representing 0.58% of the total assets within the scope of valuation. These assets are mainly investment properties, vehicles and electronic devices with the following characteristics:

1. Those physical assets are mainly located in headquarters, branches and subsidiaries in Jinan and Qingdao.
2. Investment properties are the office buildings purchased and used by the appraised entity but the property ownership certificates have not been obtained at present; the construction in progress are the office buildings purchased by the appraised entity but is currently under renovation; repossessed assets are physical assets related to distressed debt assets purchased by the appraised entity from financial institutions.
3. Equipment assets mainly include office vehicles, electronic equipment for office use and office furniture, etc. The enterprise has a strict system for the use, maintenance and repair of equipment and is effectively implemented. The signed equipment is currently in normal use, which can meet the production and operation needs of the enterprise.

(3) The recorded or unrecorded intangible assets declared by the enterprise

As at the valuation benchmark date, the intangible asset within the reporting scope of Shandong Financial Assets is one software licence, other than that, there are no intangible assets unrecorded.

(4) Types and quantities of off-balance sheet assets declared by the enterprise

As at the valuation benchmark date, all of the assets declared for valuation by the enterprise are assets recorded in the books of the enterprise, and there are no off-balance sheet assets.

(5) Type, quantity and book value of assets involved in the conclusions of reports issued by other institutions

The financial position as at the valuation benchmark date is extracted from the standard unqualified 2021 Audit Report of Shandong Financial Assets Management Co., Ltd. (XYZH/2022JNA30206) issued by ShineWing Certified Public Accountants (Special General Partnership) on 28 April 2022. The type of audit opinion is standard unqualified opinion. The specific audit opinion is that “the financial statements are prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and fairly reflect the consolidated and the parent company financial position of asset management company as at 31 December 2021, and the consolidated and parent company operating results and cash flows for 2021”.

Save for the above, there is no reference to the reports from other institutions.

4. VALUE TYPE AND ITS DEFINITION

The value type of asset appraisal include market value and value other than market value (investment value, value in use, liquidation value, residual value, etc.). Based on the purpose of the valuation, the specific conditions of the valuation target and the collection of valuation information and other relevant conditions, after communicating with the principal, the valuation type of the valuation is finally determined to be market value.

Market value refers to the estimated value of the valuation target in an arm's length transaction on the valuation benchmark date between a willing buyer and a willing seller acting rationally and without compulsion.

5. VALUATION BENCHMARK DATE

The benchmark date for the asset valuation of this project is 31 December 2021.

The selection of the valuation benchmark date mainly takes into account the realisation of economic activity and the factors at the end of the accounting period. The principal and the appraisal agency jointly determine on the basis of comprehensive consideration of the asset scale, workload, expected time required, compliance and other factors of the appraised entity, and the enterprise has a relatively solid financial foundation, which can fully reflect the operating conditions of the enterprise, and is conducive to consolidating assets and quantifying value.

6. BASIS OF VALUATION

The basis of valuation on which the asset valuation was conducted mainly includes the basis of economic activity, the basis of laws and regulations, the basis of valuation criteria, the basis of asset ownership, as well as the pricing basis and other reference information, the details of which are set out as follows:

(1) Basis of economic activity

Minutes of General Manager's Office Meeting of Shandong International Management Trust Co., Ltd. (Lu Guo Xin Jing Hui [2022] No. 26).

(2) Basis of laws and regulations

1. The Law of the People's Republic of China on State-Owned Assets of Enterprises (passed at the 5th meeting of the Standing Committee of the 11th National People's Congress on 28 October 2008);

2. The Asset Appraisal Law of the People's Republic of China (Order No. 46 of the President of the People's Republic of China, issued at the 21st meeting of the Standing Committee of the 12th National People's Congress of the People's Republic of China on 2 July 2016 and implemented since 1 December 2016);
3. The Company Law of the People's Republic of China (as amended for the fourth time in accordance with the Decision on Amending the Company Law of the People's Republic of China at the 6th meeting of the Standing Committee of the 13th National People's Congress on 26 October 2018);
4. The Enterprise Income Tax Law of the People's Republic of China (passed at the 7th meeting of the Standing Committee of the 13th National People's Congress on 29 December 2018);
5. The Measures for the Capital Management of Financial Asset Management Companies (for Trial Implementation) (Yin Jian Fa [2017] No. 56);
6. The Interim Measures for Supervision and Administration of State-owned Assets of Financial Enterprises (Order No. 47 of the Ministry of Finance, 12 October 2007);
7. The Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
8. The Measures for the Supervision and Administration of Transactions of State-Owned Assets of Enterprises (Order No. 32 of the State-owned Assets Supervision and Administration Commission and the Ministry of Finance of the State Council, 1 July 2016);
9. Notice on Further Strengthening the Administration of Equities of State-Owned Financial Enterprises (Cai Jin [2016] No. 122);
10. Notice on the Supervision and Administration of Assessment of State-owned Assets of Financial Enterprises (Cai Jin [2011] No. 59, 16 June 2011);
11. Other laws, regulations, rules and systems related to the valuation.

(3) Basis of valuation criteria

1. Asset Appraisal – Basic Standards (Cai Zi [2017] No. 43);
2. Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
3. Asset Valuation Practicing Standards – Valuation Report (Zhong Ping Xie [2018] No. 35);

4. Asset Valuation Practicing Standards – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
5. Asset Valuation Practicing Standards – Asset Valuation Methods (Zhong Ping Xie [2019] No. 35);
6. Asset Valuation Practicing Standards – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Asset Valuation Practicing Standards – Enterprise Value (Zhong Ping Xie [2018] No. 38);
8. Asset Valuation Practicing Standards – Asset Valuation Engagement Contracts (Zhong Ping Xie [2017] No. 33);
9. Asset Valuation Practicing Standards – Real Estate (Zhong Ping Xie [2017] No. 38);
10. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
11. Guidelines for Business Quality Control of Asset Valuation Agencies (Zhong Ping Xie [2017] No. 46);
12. Asset Valuation Practicing Standards – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
13. 41 specific standards, including the Accounting Standards for Business Enterprises – Basic Standards (Order No. 33 of the Ministry of Finance, issued by the Ministry of Finance on 15 February 2006 and revised on July 2014) and the Accounting Standards for Business Enterprises No. 1 – Inventories;
14. Other standards related to the valuation.

(4) Basis of asset ownership

1. Investment agreements of financial assets classified as receivables;
2. Motor Vehicle Driving Permit;
3. Real estate title certificates;
4. Other reference information.

(5) Pricing basis

1. business contract agreements such as significant investments and asset management plans;
2. Forecast data of future plans;
3. Other reference information.
4. Statistics and analysis on the PRC macroeconomy, industries, regional markets and enterprises;

(6) Other reference information

1. Financial statements and audit reports of Shandong Financial Assets for 2017, 2018, 2019, 2020 and 2021;
2. Manual of Commonly Used Methods and Parameters for Asset Valuation (China Machine Press 2011);
3. Wind information financial terminal;
4. Guidelines for Asset Valuation Experts No. 1 – Financial Supervision Indicators to be Concerned in the Appraisal of Financial Enterprises (Zhong Ping Xie [2015] No. 62);
5. Guidelines for Asset Valuation Experts No. 3 – Determination of Valuation Models and Parameters under the Income Approach of Financial Enterprises (Zhong Ping Xie [2015] No. 64);
6. Guidelines for Asset Valuation Experts No. 4 – Determination of Valuation Models and Parameters under the Market Approach of Financial Enterprises (Zhong Ping Xie [2015] No. 65);
7. Investment Valuation ([American] Damodaran, translated by Lin Qian, Tsinghua University Press);
8. Valuation: Measuring and Managing the Value of Companies (3rd Edition) ([American] Copeland, T. et al., translated by Hao Shaolun, Xie Guanping, Publishing House of Electronics Industry);
9. Other reference information.

7. VALUATION METHODS

(1) Selection of valuation methods

In accordance with the Asset Valuation Practicing Standards – Enterprise Value, when performing any appraisal of enterprise value, the suitability of the three basic asset valuation methods, namely, the income approach, the market approach and the asset-based approach shall be analysed based on the purpose of valuation, the valuation target, the valuation type, the collected information, etc., so as to ensure the selection of appropriate valuation methods.

The income approach for the valuation of an enterprise refers to the valuation method whereby the value of the valuation target is determined by capitalising or discounting the projected income, including the dividend discount method and the discounted cash flow method. The professional asset valuers shall appropriately take into consideration the suitability of the income approach in reference to the historical operations of the appraised entity, future income forecast and adequacy of the information collected for valuation. Among them, the dividend discount method is a specific method for discounting the expected dividends to determine the value of the valuation target, which is generally applicable to the valuation of the value of partial non-controlling shareholders' equity. The market approach for the valuation of an enterprise refers to the valuation method whereby the value of the valuation target is determined by comparing the valuation target with comparable listed companies or comparable transaction cases. The professional asset valuers shall take into consideration the suitability of the market approach in reference to the adequacy and reliability of business operations and financial data, and comparable enterprises collected. The asset-based approach for the valuation of an enterprise refers to the valuation method whereby the value of the valuation target is determined by assessing the value of on-balance sheet and identifiable off-balance sheet assets and liabilities on the basis of balance sheet of the appraised entity as at the valuation benchmark date. The professional asset valuers shall require the appraised entity to identify various assets and liabilities on and off the balance sheet according to accounting policies, business operations and other conditions.

According to the purpose of the valuation, considering that the appraised entity is an asset management company, which has passed the initial stage of establishment and its income in the future years is sustainable, and the information obtained in the valuation due diligence includes the audit report, articles of association and future planning data of the appraised entity from its establishment to 31 December 2021, the future income of the appraised entity is predictable. Therefore, the discounted cash flow method in the income approach can be selected for the valuation. Asset management companies are subject to strict supervision. As at the valuation benchmark date, there are many transaction cases of asset management companies in the capital market. The operating and financial data of comparable companies can be fully and reliably obtained, and the premise of adopting the transaction case comparison method is available. Therefore, the transaction case comparison method in the market approach can be adopted in the valuation. The asset-based approach in the valuation of enterprise value refers to the valuation method to determine the value of the valuation target based on the balance sheet of the appraised entity as at the valuation benchmark date and the value of each identifiable asset and liability in the valuation sheet. Such approach cannot reflect the value of the licence of the asset management company and the value of the operating network. Therefore, the asset-based approach is not adopted in the valuation.

In conclusion, the income approach and the market approach are adopted in this valuation.

(2) Brief introduction to the income approach

(1) Overview

In accordance with the Asset Valuation Practicing Standards – Enterprise Value and international and domestic appraisal practises for similar transactions, the equity capital value of Shandong Financial Assets Management Co., Ltd. is determined by referring to the income approach and adopting the discounted cash flow method (DCF).

The cash flow discount method (DCF) is a method appraising the value of an enterprise by discounting its future expected cash flow into the present value, that is, estimate the future expected cash flow of the enterprise, and discount the expected cash flow at an appropriate discount rate to reach the value of the enterprise. The basic conditions for its application are: the enterprise has the basis and conditions for an ongoing operation; there is a relatively stable corresponding relationship between operation and income; and the future income and risks can be predicted and quantified. The key to use the cash flow discount method is the forecast of the future expected cash flow as well as the objectivity and reliability of data collection and processing. When the forecast of the future expected cash flow is relatively objective and equitable, and the selected discount rate is relatively reasonable, the appraisal result will be fairly objective and easy to be accepted by the market.

(2) Valuation methods

According to the due diligence findings, asset composition, and the characteristics of the principal business of the enterprise, the valuation estimates equity capital value on the basis of financial statements provided by the enterprise. The basic considerations are as follows:

1. For assets and principal businesses included in the scope of the financial statements, the expected income (net cash flow) is estimated separately according to the changing trends of historical operating conditions in recent years and business types, and the discounted net cash flows to obtain the value of operating assets;
2. For current assets (liabilities) and equity investments included in the scope of the financial statements but not taken into account in the estimation of expected income (net cash flow), such as other receivables (payables) on the benchmark date that are not related to operation, they are defined as surplus or non-operating assets (liabilities) on the benchmark date, and their value is calculated separately;

3. The total shareholders' equity value of Shandong Financial Assets Management Co., Ltd. is derived from the sum of the above assets and liabilities.

(3) *Valuation model*

Based on the due diligence of the valuation, the asset composition and the characteristics of the principle business of the enterprise, the basic considerations of the valuation is to estimate the value of the total shareholders' equity based on the audited financial statements provided by the enterprise, that is, to first adopt the discounted cash flow method (DCF) under the income approach to estimate the value of the operating assets of the enterprise, plus the value of other non-operating or surplus assets as at the valuation benchmark date to obtain the value of the total equity.

1. *Basic model*

The basic model of the valuation is:

$$E = B - D$$

(1) Wherein:

E: Value of total shareholders' equity (net assets) of the appraised entity;

B: Enterprise value of the appraised entity;

$$B = P + C$$

(2)

P: Value of operating assets of the appraised entity;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n}$$

(3) Wherein:

R_i: Expected income of the appraised entity in the *i*th year in the future (free cash flow);

r: Discount rate;

n: Future operating period of the appraised entity;

C: Value of surplus or non-operating assets (liabilities) of the appraised entity as at the benchmark date;

$$C = C1 + C2$$

(4)

C1: Value of current surplus or non-operating assets (liabilities) as at the benchmark date;

C2: Value of non-current surplus or non-operating assets (liabilities) as at the benchmark date;

D: Value of interest-bearing debts of the appraised entity;

2. *Income indicators*

In the valuation, the free cash flow of equity of the enterprise is used as the income indicator of the operating assets of Shandong Financial Assets Management Co., Ltd., which is basically defined as:

$$R = \text{Net profit} - \text{Increase in equity} + \text{Other comprehensive income}$$

Increase in equity = Owners' equity at the end of the year - Owners' equity at the end of the previous year

= Change in share capital + Change in capital reserve + Change in surplus reserve + Change in undistributed profits

Upon verification, Shandong Financial Assets Management Co., Ltd. has no other comprehensive income after the benchmark date.

(5) The future expected free cash flow of equity of Shandong Financial Assets Management Co., Ltd. is estimated based on its operating history and future market development. The value of shareholders' equity is calculated by discounting and summing up the free cash flow of equity in the future operating period.

3. *Discount rate*

In the valuation, the expected rate of return is determined using the Capital Asset Pricing Model (CAPM), i.e. the discount rate r :

$$r = r_f + \beta_e (r_m - r_f) + \epsilon \quad (5)$$

wherein: r_f : Risk-free return rate;

r_m : Market-expected rate of return;

$(r_m - r_f)$: Market risk premium (R_{pm});

β_e : Market risk coefficient of equity capital;

ϵ : Specific risk adjustment coefficient.

(2) Brief introduction to market approach

1. Overview of market approach appraisal

The market approach in the valuation of enterprise value refers to the valuation method to determine the value of the appraised entity by comparing the appraised entity with comparable listed companies or comparable transaction cases. Two specific methods commonly used in the market approach are listed company comparison method and transaction case comparison method.

(1) Listed company comparison method

The listed company comparison method refers to the specific method of identifying and analysing the operating and financial data of comparable listed companies and calculating the value ratio to determine the value of the valuation target on the basis of comparative analysis with the appraised entity.

(2) Transaction case comparison method

The transaction case comparison method refers to the specific method of identifying and analysing the sale, acquisition and merger case data of comparable companies and calculating the value ratio to determine the value of the valuation subject on the basis of comparative analysis with the appraised entity.

1. Valuation methods for market approach
2. Selection of comparable enterprises

Collect information about comparable enterprises and select and determine an appropriate number of comparable enterprises. Selection of comparable companies is based on the following principles:

- (1) Select comparable enterprises that are identical or comparable in terms of the trading market;

- (2) Select comparable enterprises that are identical or similar in terms of influence factors of value;
 - (3) Select comparable enterprises whose trading time is close to the valuation benchmark date;
 - (4) Select comparable enterprises whose transaction background is suitable for the valuation purpose;
 - (5) Select comparable enterprises that are normal or can be modified to normal transaction prices.
3. Establishment of basis for comparison
- (1) Adjustments of transaction prices for the comparable enterprises are mainly considered in the following aspects
 - 1) Adjustment to the difference in trading time between the comparable enterprises and the appraised entity, including the impact of market cyclical fluctuations and price changes;
 - 2) Adjustment to the differences in the transaction backgrounds between the comparable enterprises and appraised entity, including transaction methods and payment terms;
 - 3) Adjustment to the differences in transaction sizes between the comparable enterprises and appraised entity, including total transaction amount and total transaction volume;
 - 4) Adjusting the transaction prices of comparable enterprises to the prices without considering control discount and liquidity discount;
 - 5) Based on the transaction share ratio, the transaction price is revised to 100% equity price.

(2) Value ratio

Selection of appropriate value ratio. Value ratio usually includes profit, asset, income and other specific ratios. Relative proper value ratio shall be selected by way of conducting linear regression analysis to factors affecting the value of the industry that the appraised entity and comparable enterprises operates in combine with data of capital market.

Each value ratio is calculated by dividing the 100% equity price by the comparable enterprise value indicator.

(3) Comparable value

The comparable value is calculated by multiplying value ratio by each value indicator of the subject company.

4. Calculation of valuation result

(1) Difference evaluation

Analyse and compare the differences between the comparable enterprises and the appraised entity in terms of business structure, business model, enterprise scale, enterprise life cycle, growth, operational risks, financial risks, etc., and select appropriate indicators for quantification and evaluation.

(2) Difference factors

Divide the evaluation scores of each indicator of the appraised entity with the scores of comparable enterprises, and obtain the adjustment factors of each difference factor.

(3) Comparative benchmark value

Multiply the comparable value by difference adjustment factor to obtain the comparative benchmark value.

5. Calculation of appraised value

The appraised value of the net operating assets of appraised entity can be derived by conducting statistical analysis to the various comparative benchmark value. At the same time, the value of shareholders' total equity of appraised entity can be derived by considering the data scope of value ratio, non-operating assets and liabilities. The valuation target is 1.3647% equity interest. The valuation does not take into account the premium or discount arising from factors such as controlling interest and minority interest. The value of shareholders' equity is 1.3647% ultimately.

2. Valuation model

The basic model of the valuation is set out as below:

$$E = P + I + C$$

E: Value of total shareholders' equity;

P: Value of operating assets of the valuation target;

I: Value of long-term equity investments;

C: Value of surplus and non-operating assets;

$P = \text{Value indicator of the appraised entity} \times \text{modified value ratio factor}$

After assessing the value of total shareholders' equity, the value of partial shareholders' equity held by Shandong International Trust Co., Ltd. will be calculated based on the 1.3647% equity interest held by Shandong International Trust Co., Ltd. in the appraised entity.

8. IMPLEMENTATION PROCESS AND STATUS OF VALUATION PROCEDURES

(1) Preparation stage of the valuation

In April 2022, Shandong International Trust Co., Ltd. selected China United Assets Appraisal Group Shandong Co., Ltd. as the valuation agency for the equity transfer project by way of appointment. China United Shandong Company evaluated and organised a project working group, and independently carried out on-site asset inspection on Shandong Financial Assets.

Based on the asset characteristics of Shandong Financial Assets, the appraisers prepared a targeted list of due diligence information and profit forecast, and required Shandong Financial Assets and subsidiaries at all levels to prepare for the valuation.

(2) Asset inspection and due diligence stage

Based on the financial statements as at 31 December 2021, the appraisers conducted an inspection of the relevant assets and liabilities of Shandong Financial Assets and its subsidiaries at all levels in combination with the asset declaration and due diligence materials of the appraised entity. The due diligence of the valuation included management interviews based on historical operating conditions, future strategic plans and profit forecasts. On the premise of understanding the business model and profit model of Shandong Financial Assets and its subsidiaries, the appraiser formulated an interview list to sort out the principal business of Shandong Financial Assets, and clarified the historical development status, market positioning, market position, historical scale and return rate of each business, main macro and upstream and downstream industry influence factors, major regulatory environment changes, etc.

(3) Valuation, consolidation and internal audit stage**1. Valuation**

Based on the technical plan for the project and taking into account the specific business conditions of each appraised entity, the appraisers determined the model construction of each appraised entity, clarified the specific appraisal parameters of each appraised entity, and reported to the project centre group and the project leading group of the company for unified valuation. Each project group would consolidate the preliminary results, analyse the valuation conclusions and give explanations.

2. Consolidation

After the first draft of valuation completed by each project team, the company fully communicated with the auditor to ensure that the number of various assets and liabilities within the scope of valuation is consistent.

3. Internal audit

After completing the valuation and liaising with the accountants, the company entered the internal audit process. The audit team of the company consists of a number of professionals with extensive experience. The audit team first reviewed the valuation calculation form and valuation description of the appraised entity, and focused on arranging the audit work of the valuation data link. At the same time, the preliminary valuation results were submitted to each appraised entity for communication. After completing the professional audit of the company and the amendments, the audit team reported to the company for the third review.

(4) Report submission stage

On the basis of the above processes, an asset valuation report was drafted and preliminarily reviewed, and ideas were exchanged with the principal in respect of the valuation conclusions. After independent analysis of relevant opinions had been carried out, corrections and adjustments were made according to the internal audit system for asset valuation report and procedures of the appraisal agency and the final asset valuation report was produced.

9. VALUATION ASSUMPTIONS

In this valuation, the appraisers followed the below valuation assumptions:

(1) General assumptions

1. *Transaction assumption*

In the transaction assumption, all assets to be appraised are assumed to be already in the process of transaction, and the valuers assess the value based on the trading conditions of the assets to be appraised in a simulated market. The transaction assumption is one of the most basic prerequisites that asset valuation can be carried out.

2. *Open market assumption*

In the open market assumption, it is assumed that for assets to be traded or intended to be traded in the market, the parties to an asset transaction shall have equal status, and also have opportunity and time to gain sufficient market information, so as to make rational judgement on functions, purpose and trading prices of assets. The open market assumption is based on the fact that assets can be publicly traded on the market.

3. *Assumption of continuous use of assets*

The assumption of continuous use of assets means that the valuation methods, parameters and basis shall be determined correspondingly based on the fact that the assets to be appraised will continue to be used according to the current use and the model, scale, frequency and environment, etc. or used on a change basis when evaluating.

4. *Business going concern assumption*

The business going concern assumption refers to a valuation assumption made by taking the whole assets of the enterprise as the valuation target. Namely, it is assumed that the enterprise as the operating entity operates continually in pursuit of its operation objectives under its external environment. The operators of the enterprise are responsible and capable of assuming liabilities; and the enterprise conducts lawful operation, and is able to earn appropriate profits to maintain its capability to operate as a going concern.

(2) Basic assumptions

1. It is assumed that the appraised entity operates on an on-going basis after the benchmark date;

2. It is assumed that there will be no material changes in the political, economic and social environment, macro-economic policies, industrial policies and regional development policies of the countries and regions where the appraised entity is located after the benchmark date, except for the changes that have been made known to the public;
3. It is assumed that there will be no material changes in the tax bases, tax rates and policy-based levies related to the appraised entity after the benchmark date, except for the changes that have been made known to the public;
4. It is assumed that the management of the appraised entity after the benchmark date is responsible, stable and capable of performing their duties;
5. It is assumed that the appraised entity complies with relevant laws and administrative regulations, and there will be no major violations that affect the company's development and revenue realisation;
6. It is assumed that the accounting policies adopted by the appraised entity after the benchmark date are consistent with the accounting policies adopted in the preparation of the valuation report in material aspects;
7. It is assumed that the cash inflow and cash outflow of the appraised entity after the benchmark date are occurred at the end of the period;
8. It is assumed that there will be no material changes in the business scope and operation mode of the appraised entity after the benchmark date based on the existing management mode and management level, except for the matters disclosed in the valuation report;
9. It is assumed that the appraised entity makes provision for surplus reserve according to regulations and may distribute profit to the greatest extent subject to compliance with regulations;
10. It is assumed that there will be no material adverse impact on the appraised entity due to force majeure after the benchmark date;
11. This valuation does not take into account other income, investment income, gains or losses from changes in fair value, impairment losses on assets and exchange gains or losses.

The valuation conclusion of the valuation report is valid on the valuation benchmark date under the above assumptions. When the above assumptions change significantly, the valuation results will generally become invalid, and the signing asset appraiser and the appraisal agency will not assume the responsibility for deriving different valuation conclusions due to the changes in the assumptions.

10. VALUATION CONCLUSION

Based on the judgement of the appraised entity and the management of the enterprise on the future development trend and the business plans, and on the premise that the appraised entity can continue to obtain the business synergy, management synergy and financial synergy between the appraised entity and its related entities, the income approach and the market approach were adopted in accordance with the relevant laws, administrative regulations and asset valuation standards, and the necessary valuation procedures were carried out to appraise the market value of Shandong Financial Assets as at the valuation benchmark date (i.e. 31 December 2021), and the following valuation conclusion was obtained:

(1) Valuation conclusion under the income approach

The income approach was adopted to appraise the value of total shareholders' equity of the enterprise. As at the valuation benchmark date (i.e. 31 December 2021), the appraised value of equity attributable to owners of the parent company of Shandong Financial Assets was RMB48,264,231,800, representing an increase of RMB113,541,000 or 0.24% as compared with the book value of equity attributable to owners of the parent company of RMB48,150,690,900.

(2) Valuation conclusion under the market approach

The market approach was adopted to appraise the value of total shareholders' equity of the enterprise. As at the valuation benchmark date (i.e. 31 December 2021), the book value of equity attributable to owners of the parent company of Shandong Financial Assets was RMB48,150,690,900, and the appraised value was RMB48,472,882,500, representing an increase of RMB322,191,700 or 0.67%.

(3) Analysis of differences and selection of valuation conclusions

The value of total shareholders' equity calculated by the market approach was RMB48,472,882,500, which was RMB208,650,700 higher than the value of total shareholders' equity calculated by the income approach of RMB48,264,231,800. The difference between the two valuation methods was mainly due to:

1. Valuation by income approach regards the expected return on the asset as the value criterion, reflecting the magnitude of the asset's operating capacity (profitability), and such profitability will usually be influenced by a variety of conditions such as macroeconomics, government control and effective use of the assets;
2. Valuation by market approach estimates the value of the appraised entity by analysing the market transactions in the same industry or similar industries, reflecting the valuation of enterprise value in the open market under normal and fair transaction conditions. This method will usually be affected by comparable companies and adjustment systems.

Based on the above, the differences are generated between the two valuation methods.

(4) Selection of valuation conclusions

The income approach regards the judge on the profitability of the overall enterprise as the core, and objectively reflects the value of the enterprise and the value of shareholders' equity. The market approach, on the other hand, analyses various indicators of the reference company to make reference to the ratios of the company's equity or the overall value of the company to one of its profitability indicators, asset class indicators or other characteristic indicators, extrapolates the ratio multiple that the appraised entity should have based on aforementioned ratio multiple, and derive the value of the shareholders' equity of the appraised company. In the income approach, the fund scale of a fund company is closely related to the country's macroeconomic environment, and is heavily influenced by the PRC monetary policy and regulatory policies in fund sector. As China's current macro economy is in the face of the complicated domestic and international environment, income projection assumptions are subject to many constraints, resulting in a high degree of uncertainty regarding the income forecast. Therefore, the income approach is not adopted in this valuation; meanwhile, considering that there are cases of similar securities company transactions in the capital market in recent years, and the market approach data is more directly taken from the market, it can also reflect the market valuation of the securities company by investors in a more timely and better manner when changes occur in the market. Consequently, the valuation results of the market approach are relatively reliable, and the valuation conclusion of the market approach are taken as the final valuation conclusion in this valuation.

Based on the above analysis and combined with the purpose of the valuation, the appraisers were of the view that the valuation conclusion under the market approach can more appropriately reflect the value of the total shareholders' equity of Shandong Financial Assets. Therefore, the valuation conclusion under the market approach was adopted as the final conclusion of the valuation, that is, the value of the total shareholders' equity of Shandong Financial Assets was RMB48,472,882,500. After deducting the value of class A and class B shareholders' equity as at the valuation benchmark date, Shandong International Trust Co., Ltd. held 1.4953% of the ordinary shares of the appraised entity, and the value of the partial shareholders' equity was: $(4,847,288.25 - 331,820.00) \times 1.4953\% = 675,177,700$.

11. NOTES ON SPECIAL MATTERS

(1) Title defects

As at the valuation benchmark date, the long-term equity investment of Shandong Financial Assets Management Co., Ltd. – Jinan Hanyu Jinxin Investment Management Partnership (Limited Partnership) had 113 investment properties with a value of RMB328,307,182.81 and fixed assets of 5 buildings with a value of RMB44,700,681.01, all of which are located at the north side of Guanyi Street and the south side of Jingyi Road of Hexin Garden and Hexin Building in Jinan, which are retail shops and office buildings. The above properties have not obtained the building ownership certificates, and the appraised entity has provided the house purchase contract and external lease contract to prove its property rights. Details are as follows:

Table 1 Investment Properties of Jinan Hanyu Jinxin Investment Management Partnership (Limited Partnership)

| No. | Name of building | Source | Structure | Measurement unit | GFA |
|-----|-----------------------------------|-----------|----------------|------------------|--------|
| 1 | Hexin Garden 8-107 | Purchased | Steel concrete | m ² | 168.96 |
| 2 | Hexin Garden 8-109 | Purchased | Steel concrete | m ² | 404.47 |
| 3 | Hexin Garden 111-1 | Purchased | Steel concrete | m ² | 479.74 |
| 4 | Hexin Garden 111-2 | Purchased | Steel concrete | m ² | 883.61 |
| 5 | Hexin Garden 111-3 | Purchased | Steel concrete | m ² | 479.74 |
| 6 | Hexin Garden 111-4 | Purchased | Steel concrete | m ² | 883.61 |
| 7 | Pedestrian Street Hexin Garden 02 | Purchased | Steel concrete | m ² | 746.26 |
| 8 | Pedestrian Street Hexin Garden 14 | Purchased | Steel concrete | m ² | 419.7 |
| 9 | Hexin Garden 6-104 | Purchased | Steel concrete | m ² | 313.19 |
| 10 | Hexin Garden 6-105 | Purchased | Steel concrete | m ² | 318.16 |
| 11 | Hexin Garden 6-106 | Purchased | Steel concrete | m ² | 226.73 |
| 12 | Pedestrian Street Hexin Garden 22 | Purchased | Steel concrete | m ² | 513.63 |
| 13 | Pedestrian Street Hexin Garden 24 | Purchased | Steel concrete | m ² | 513.63 |
| 14 | 201, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 263.45 |
| 15 | 202, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 252.58 |
| 16 | 203, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 236.2 |
| 17 | 204, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 76.38 |
| 18 | 205, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 84.05 |
| 19 | 206, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 110.95 |
| 20 | 207, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 108.84 |
| 21 | 208, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 103.75 |
| 22 | 209, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 109.88 |
| 23 | 210, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 60.6 |
| 24 | 227, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 61.59 |

| No. | Name of building | Source | Structure | Measurement unit | GFA |
|-----|--------------------------|-----------|----------------|------------------|--------|
| 25 | 228, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 106.54 |
| 26 | 229, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 149.78 |
| 27 | 230, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 148.47 |
| 28 | 231, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 150.49 |
| 29 | 232, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 98.28 |
| 30 | 233, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 132.5 |
| 31 | 301, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 267.14 |
| 32 | 302, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 256.11 |
| 33 | 303, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 239.51 |
| 34 | 304, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 77.45 |
| 35 | 305, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 85.22 |
| 36 | 306, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 74.68 |
| 37 | 307, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 110.36 |
| 38 | 308, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 105.2 |
| 39 | 309, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 111.42 |
| 40 | 310, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 61.44 |
| 41 | 326, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 62.45 |
| 42 | 327, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 108.03 |
| 43 | 328, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 151.88 |
| 44 | 329, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 150.54 |
| 45 | 330, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 152.6 |
| 46 | 331, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 99.66 |
| 47 | 332, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 135.91 |
| 48 | 401, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 266.77 |
| 49 | 402, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 255.76 |
| 50 | 403, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 239.17 |
| 51 | 404, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 77.34 |
| 52 | 405, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 85.1 |
| 53 | 406, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 74.58 |
| 54 | 407, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 110.21 |
| 55 | 408, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 105.06 |
| 56 | 409, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 111.27 |
| 57 | 410, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 61.36 |
| 58 | 426, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 62.36 |
| 59 | 427, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 107.88 |
| 60 | 428, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 151.67 |
| 61 | 429, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 150.33 |
| 62 | 430, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 152.38 |
| 63 | 431, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 99.52 |
| 64 | 432, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 135.72 |
| 65 | 311, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 145.45 |
| 66 | 317, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 115.78 |
| 67 | 318, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 94.69 |
| 68 | 315, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 69.03 |
| 69 | 316, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 86.84 |
| 70 | 319, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 133.33 |

| No. | Name of building | Source | Structure | Measurement unit | GFA |
|-----|--------------------------------------|-----------|----------------|------------------|------------------|
| 71 | 320, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 131.21 |
| 72 | 321, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 147.64 |
| 73 | 322, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 153.82 |
| 74 | 323, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 110.09 |
| 75 | 324, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 62.45 |
| 76 | 325, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 206.86 |
| 77 | Hexin Garden 7-105 | Purchased | Steel concrete | m ² | 295.73 |
| 78 | 211, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 143.44 |
| 79 | 212, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 74.36 |
| 80 | 213, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 112.93 |
| 81 | 214, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 106.69 |
| 82 | 215, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 112.93 |
| 83 | 216, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 68.07 |
| 84 | 217, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 85.64 |
| 85 | 218, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 114.19 |
| 86 | 219, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 93.38 |
| 87 | 220, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 131.49 |
| 88 | 221, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 127 |
| 89 | 222, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 145.6 |
| 90 | 223, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 151.69 |
| 91 | 224, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 108.57 |
| 92 | 225, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 61.59 |
| 93 | 226, 2/F, Hexin Building | Purchased | Steel concrete | m ² | 204 |
| 94 | Pedestrian Street Hexin Garden 12 | Purchased | Steel concrete | m ² | 429.57 |
| 95 | 122, 1/F, Hexin Building | Purchased | Steel concrete | m ² | 108.26 |
| 96 | 411, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 145.25 |
| 97 | 412, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 82.52 |
| 98 | 413, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 114.35 |
| 99 | 414, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 222.38 |
| 100 | 415, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 68.93 |
| 101 | 416, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 86.72 |
| 102 | 417, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 115.62 |
| 103 | 418, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 94.56 |
| 104 | 419, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 133.14 |
| 105 | 420, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 131.03 |
| 106 | 421, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 147.43 |
| 107 | 422, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 153.6 |
| 108 | 423, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 109.94 |
| 109 | 424, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 62.36 |
| 110 | 425, 4/F, Hexin Building | Purchased | Steel concrete | m ² | 206.57 |
| 111 | Hexin Garden 7-104 | Purchased | Steel concrete | m ² | 236.63 |
| 112 | 1-313, 3/F, Hexin Building | Purchased | Steel concrete | m ² | 114.95 |
| 113 | Hexin Garden 7-103 | Purchased | Steel concrete | m ² | 270.96 |
| | Total | | | | 19,731.10 |

Table 2 Jinan Hanyu Jinxin Investment Management Partnership (Limited Partnership) Fixed assets of buildings

| No. | Name of building | Source | Structure | Measurement unit | GFA |
|-----|---------------------|-----------|----------------|------------------|----------|
| 1 | Hexin Garden 8-108 | Purchased | Steel concrete | m ² | 276.07 |
| 2 | Hexin Garden 04 | Purchased | Steel concrete | m ² | 749.2 |
| 3 | Hexin Garden 06 | Purchased | Steel concrete | m ² | 519.08 |
| 4 | Hexin Garden 10-109 | Purchased | Steel concrete | m ² | 517.76 |
| 5 | Hexin Garden 10-110 | Purchased | Steel concrete | m ² | 661.22 |
| | Total | | | | 2,723.33 |

The valuation did not take into account the impact of title defects on the valuation conclusion.

(2) Mortgage guarantees

Nil.

(3) Pending matters and legal disputes

In August 2020, the company filed a lawsuit with the Intermediate People's Court of Qingdao Municipality, Shandong Province against Shenzhen Capstone Industrial Co., Ltd. and other relevant parties for the return of investment funds by Suzhou Datong Qingying Investment Partnership (Limited Partnership), and applied for property preservation with a preservation amount of approximately RMB340 million. On 29 July 2021, the Shandong Higher Court ruled in favour of the company that Shenzhen Capstone Industrial Co., Ltd. shall perform the shortfall makeup agreement. According to the civil judgement (case number: [2020] Lu 02 Min Chu No. 1496) issued by the Intermediate People's Court of Qingdao Municipality, Shandong Province and the civil judgement (case number: [2021] Lu Min Zhong No. 1195) issued by the Shandong Higher People's Court, the company applied to the Intermediate People's Court of Qingdao Municipality, Shandong Province for compulsory enforcement on 13 August 2021. The bank funds of RMB339,005,900 of Shenzhen Capstone Industrial Co., Ltd. which were judicially frozen have been transferred from the Intermediate People's Court of Qingdao Municipality, Shandong Province to the special account of the Intermediate People's Court of Qingdao Municipality, Shandong Province. In particular, on 29 December 2021, the Intermediate People's Court of Qingdao Municipality, Shandong Province implemented the deduction of RMB71,831,100 from the account of Shenzhen Capstone Industrial Co., Ltd. to the account of the company.

On 6 August 2021, Tianjin Tianhe Fuyuan Investment Co., Ltd. filed a lawsuit in the Secondary Intermediate People's Court of Tianjin against Nanjing Datong Business Incubator Co., Ltd., with which it entered into a loan agreement, and its shareholder Suzhou Datong Qingying Investment Partnership and the company (the third defendant), requesting the three defendants to compensate for economic damage of RMB350 million. The company is only a limited partner of Suzhou Datong Qingying Investment Partnership and does not have any contractual relationship or cooperation relationship with Tianjin Tianhe Fuyuan Investment Co., Ltd. The company has engaged lawyers to vigorously defend and safeguard the interests of the company.

Meanwhile, according to the announcement of Shenzhen Capstone Industry Co., Ltd., it has planned to apply to the Supreme People's Court for retrial of the judgement of the Shandong Higher People's Court on the case. Up to now, the company has not received any acceptance notice.

(4) Other explanatory matters

1. It is the legal responsibility for the appraiser and the appraisal agency to make professional judgement on the value of the assets for the valuation purposes depicted in this report, and no judgement whatsoever would be made by the appraiser and the appraisal agency as to the economic activity corresponding to those valuation purposes. To a large extent, the valuation depends on the information provided by the principal and valuation target. Therefore, valuation is premised on the fact that economic activity documents, asset title documents, licence and accounting vouchers and the relevant legal documents provided by the principal and valuation target were authentic and legal.
2. The principal and the valuation target are held responsible for the authenticity and completeness of the data, statements and the relevant information which were provided by the principal and the valuation target and were used within the scope of the valuation.
3. The principal and the valuation target are held responsible for the authenticity and legality of the title documentary proof and relevant information which are provided by the principal and the valuation target and are referred to in the valuation report.
4. In the event that any changes in the quantity and the pricing standard of assets occurred within the term of validity after the valuation benchmark date, the principles set out below shall be followed:
 - (1) In the event that there is a change in the asset quantity, corresponding adjustments shall be made to the quantity of assets according to the original valuation method;
 - (2) In the event that the pricing standard of the assets changes and imposes obvious impacts on the asset valuation results, the principal shall timely employ qualified asset appraisal agency to redetermine the appraised value;
 - (3) After the valuation benchmark date, the principal shall give due consideration to changes in the quantity and the pricing standard of assets and make corresponding adjustment when determining prices.
5. The objectives of the appraiser conducting the asset appraisal are to estimate the value of the valuation target and to express professional advice thereof, and accept no responsibilities for the decision of the relevant party. The valuation conclusion shall not be construed as a guarantee of the realisable value of the valuation target.

12. EXPLANATION ON LIMITATION ON THE USE OF THE VALUATION REPORT

- (1) The valuation report may only be used according to the objectives and purposes as stated herein. Meanwhile, the valuation conclusion reflects the prevailing market fair value under the valuation purpose based on the open market principle, without considering the impact of mortgages and guarantees that the valuation target may be subject to in the future, nor the impact of additional price which may be paid by special trading parties. Meanwhile, the effects of changes in national macro-economic policies, the natural force and other force majeure on the price of assets are not taken into account. In general, if the aforesaid conditions and other situations such as going concern basis changes, valuation conclusion will become invalid. The appraisal agency is not liable for invalidity of the valuation conclusion due to changes of such conditions.

The valuation report is only valid when the economic activity complies with the state laws and regulations and the valuation report is approved by relevant departments.

- (2) The asset appraisal agency and its appraiser shall not bear responsibilities if the principal or other users of the asset valuation report fail to use the asset valuation report in accordance with the provisions of laws and administrative regulations or within scope of use specified in the asset valuation report.
- (3) Except for the principal, other users of this asset valuation report designed in the asset valuation engagement contract and asset valuation users of this report stipulated by laws and administrative regulations, any other institutions or individuals cannot be asset valuation users of this report.
- (4) The valuation report may only be used by users expressly stated herein. The right to use this report is vested in the principal. The appraisal agency will not make the report public without the approval of the principal.
- (5) Save as required by laws and regulations or otherwise agreed upon by relevant parties concerned, the extraction, reference or disclosure of the whole or any part of contents of this valuation report in any public media shall be subject to approval and review of such contents by the appraisal agency.
- (6) Users of the asset valuation report should correctly interpret and use the valuation conclusions, which are not equivalent to the realisable values of the valuation target and should not be considered as a guarantee for the realisable value of the valuation target.

- (7) Validity period of the valuation conclusion: According to the relevant laws and regulations on asset valuation, the asset valuation report involving statutory valuation business must be used by the principal after performing the asset valuation supervision and management procedures in accordance with the requirements of relevant laws and regulations. The valuation results shall be valid for a term of one year from 31 December 2021 to 30 December 2022.

13. DATE OF VALUATION REPORT

The valuation report is dated 16 August 2022.

(no text on this page)

China United Assets Appraisal Group Shandong Co., Ltd.

Asset appraiser: Li Yanchao

Asset appraiser: Li Shuo

16 August 2022

CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE YEARS ENDED 31 DECEMBER 2019, 2020, 2021 AND THE SIX MONTHS ENDED 30 JUNE 2022

Financial information of the Group for each of the years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2022 has been set out in the following documents and is available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.sitic.com.cn>):

- the annual report of the Company for the year ended 31 December 2019 published on 26 April 2020 from pages 155 to 272
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0426/2020042600219.pdf>)
- the annual report of the Company for the year ended 31 December 2020 published on 25 April 2021 from pages 153 to 262
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0425/2021042500081.pdf>)
- the annual report of the Company for the year ended 31 December 2021 published on 19 April 2022 from pages 160 to 273
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0419/2022041901666.pdf>)
- The interim report of the Company for the six months ended 30 June 2022 published on 16 September 2022 from pages 70 to 127
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0916/2022091600355.pdf>)

INDEBTEDNESS

As at the close of business on 31 October 2022, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding unsecured and guaranteed borrowings of approximately RMB2,000 million with accrued interest of RMB15.31 million. The Group (as the lessee) has lease liabilities of approximately RMB63.61 million which were unsecured and unguaranteed.

As a trust company in the PRC, the Company is not allowed to incur any debt in operating its business other than through inter-bank borrowings or otherwise allowed by the CBIRC. Save as disclosed above, as at the close of business on 31 October 2022, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account (i) consideration from the Share Transfer, and (ii) the current internal resources, the Group would have sufficient working capital for its current needs for at least 12 months from the date of this supplemental circular in the absence of unforeseen circumstances.

FINANCIAL AND BUSINESS PROSPECTS

Since 2022, global inflation has remained at a high level. The central banks of major developed economies accelerated and strengthened to tighten their monetary policies. This, coupled with the impact of resurgence of the pandemic, geopolitical conflicts and energy and food crisis, weakened the growth momentum of the world economy and intensified volatility of the international financial market. In the first half of 2022, overwhelming factors such as the complex and changing international environment and the spread of pandemic in China increased the downward pressure on China's economy. In response, China effectively coordinated pandemic prevention and control as well as socioeconomic development, and strengthened adjustment of macro policies. Since May 2022, with the positive results achieved in pandemic prevention and control, a series of growth stabilising measures have also shown results, and the economic operation has shown a trend of stabilisation and recovery.

China's financial industry conscientiously implemented the decisions and deployments of the Party Central Committee, the State Council and regulatory departments, closely focused on the three tasks of serving the real economy, preventing and controlling financial risks and deepening financial reform. In accordance with the requirements of "preventing the COVID-19 outbreak, stabilising the economy, and realising development security", the industry took the initiative to strive forward with the general tone of seeking improvement in stability, and resolutely supported the stabilisation of the economic market for effective prevention and control on financial risks. New achievements were made in all aspects of work by continuous in-depth financial reform and practical improvement in financial services.

2022 is the first year of official launch of the new asset management regulations. Facing the complex and changing external environment, China's trust industry has adhered to the general tone of "pursuing progress while ensuring stability", followed the regulatory guidance, carefully planned business transformation, made great efforts to optimise business structure and actively grasped new opportunities for development, leading to an increase in capital strength of the industry and pressure-resistant size of trust assets and improvement in structure of trust assets in stability. As at the end of the second quarter of 2022, the balance of trust assets managed by China's trust industry was RMB21.11 trillion, the structure of assets, the ways of allocation and the application of the fund has continued to be optimised, capital market business has developed rapidly, the business volume and quality have increased, the ability to serve the real economy has been continuously strengthened, and the business transformation has achieved new progress.

RESPONSIBILITY STATEMENT

This supplemental circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this supplemental circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this supplemental circular misleading.

INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors, Supervisors, senior management or their respective associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including the interests or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance); (ii) to be entered into the register kept by the Company pursuant to section 352 of the Securities and Futures Ordinance; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the Company has been notified by the following persons in relation to their interests or short positions in the Shares and underlying Shares of the Company which are discloseable pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, and such interests or short positions recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance are as follows:

| Name of Shareholder | Class of shares | Nature of interests ⁽¹⁾ | Number of underlying shares held ⁽²⁾ | Approximate percentage of the class of underlying shares ⁽²⁾ | Approximate percentage of total share capital ⁽²⁾ |
|---|-----------------|--------------------------------------|---|---|--|
| Shandong High-Tech ⁽³⁾ | Domestic Shares | Beneficial owner | 125,000,000 | 6.44% | 4.83% |
| Lucion Venture Capital Group Co., Ltd. ⁽³⁾ | Domestic Shares | Interest in a controlled corporation | 125,000,000 | 6.44% | 4.83% |
| Lucion Group ⁽³⁾ | Domestic Shares | Beneficial owner | 2,242,202,580 | 64.17% | 48.13% |
| | Domestic Shares | Interest in a controlled corporation | 225,000,000 | 6.44% | 4.83% |

| Name of Shareholder | Class of shares | Nature of interests ⁽¹⁾ | Number of underlying shares held ⁽²⁾ | Approximate percentage of the class of underlying shares ⁽²⁾ | Approximate percentage of total share capital ⁽²⁾ |
|--|-----------------|--------------------------------------|---|---|--|
| Shandong Provincial Finance Bureau ⁽⁴⁾ | Domestic Shares | Interest in a controlled corporation | 2,467,202,580 | 70.61% | 52.96% |
| CNPC Assets Management ⁽⁵⁾ | Domestic Shares | Beneficial owner | 485,293,750 | 25.00% | 18.75% |
| CNPC Capital Company Limited ⁽⁵⁾ | Domestic Shares | Interest in a controlled corporation | 485,293,750 | 25.00% | 18.75% |
| CNPC Capital Joint Stock Company with Limited Liability ⁽⁵⁾ | Domestic Shares | Interest in a controlled corporation | 485,293,750 | 25.00% | 18.75% |
| China National Petroleum Corporation ⁽⁵⁾ | Domestic Shares | Interest in a controlled corporation | 485,293,750 | 25.00% | 18.75% |
| State-owned Assets Supervision and Administration Commission of Jinan Municipal People's Government ⁽⁶⁾ | H Shares | Interest in a controlled corporation | 252,765,000 | 21.70% | 5.43% |
| Jinan Finance Holding ⁽⁶⁾ | H Shares | Beneficial owner | 252,765,000 | 21.70% | 5.43% |
| Qingdao Global Wealth Center Development and Construction Co., Ltd. ⁽⁷⁾ | H Shares | Beneficial owner | 232,920,000 | 19.99% | 4.99% |
| Qingdao Laoshan District Finance Bureau ⁽⁷⁾ | H Shares | Interest in a controlled corporation | 232,920,000 | 19.99% | 4.99% |
| China Create Capital Limited | H Shares | Beneficial owner | 64,737,000 | 10.00% | 2.50% |
| Chang Xin Asset Management Co., Ltd. ⁽⁸⁾ | H Shares | Trustee | 113,263,200 | 9.72% | 2.43% |
| Shandong Development & Investment Holding Group Co., Ltd. | H Shares | Beneficial owner | 51,272,000 | 9.72% | 1.98% |
| HWABAO TRUST CO., LTD | H Shares | Trustee | 35,974,200 | 5.59% | 1.39% |

Notes:

- (1) All of the interests refer to long positions.
- (2) The Company completed the issue of new shares by way of the transfer of capital reserve to share capital in January 2019. Since the change in number of shares arising from the capitalisation issue did not constitute reporting obligation pursuant to the Securities and Futures Ordinance, the number of shares held by certain Shareholders as disclosed in the forms of disclosure of interests does not reflect the impact of the capitalisation issue.
- (3) Shandong High-Tech is a direct wholly-owned subsidiary of Lucion Venture Capital Group Co., Ltd. (“**Lucion Venture Capital**”). Lucion Venture Capital is a non-wholly owned subsidiary owned as to 69.57% by Lucion Group and therefore is deemed to be interested in all of the shares of the Company held by Shandong High-Tech, and Lucion Group is deemed to be interested in all of the shares of the Company held indirectly by Lucion Venture Capital.

- (4) Lucion Group is owned as to 90.39% by Shandong Provincial Finance Bureau and as to 9.61% by Shandong Caixin Assets Operation Co., Ltd., which is wholly-owned by the Shandong Provincial Finance Bureau. Shandong Provincial Finance Bureau is therefore deemed to be interested in all of the shares of the Company directly and indirectly held by Lucion Group.
- (5) CNPC Assets Management is a direct wholly-owned subsidiary of CNPC Capital Company Limited (“**CNPC Capital**”) and CNPC Capital is wholly-owned by CNPC Capital Joint Stock Company with Limited Liability (“**CNPC**”). CNPC, which is an A share listed company, is held as to 77.35% by China National Petroleum Corporation. Each of CNPC Capital, CNPC and China National Petroleum Corporation are therefore deemed to be interested in all of the shares of the Company held by CNPC Assets Management.
- (6) To the knowledge of the Company, Jinan Finance Holding has been directly held by Jinan Finance Bureau since 14 February 2022. The number of shares reflected their interests as at the Latest Practicable Date. Since the changes in their interests did not constitute reporting obligation pursuant to the Securities and Futures Ordinance, the updated numbers of shares were not reflected in their forms for disclosure of interest.
- (7) Qingdao Global Wealth Center Development and Construction Co., Ltd. is wholly owned by Qingdao Laoshan District Finance Bureau and Qingdao Laoshan District Finance Bureau is therefore deemed to be interested in all of the shares of the Company held by Qingdao Global Wealth Center Development and Construction Co., Ltd.
- (8) Chang Xin Asset Management Co., Ltd. holds the equity of the Company’s shares as a trustee of the trust for the Chang Xin Fund-Dongfang No. 1 Single Asset Management Plan.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

A non-executive Director of the Company, Mr. Wang Zengye is also the chairperson of the Kunlun Trust Co., Ltd. (“**Kunlun Trust**”) whose principal business is to manage assets as trustees for its clients in the PRC, being a competing business to the Company. Kunlun Trust is a non-wholly owned subsidiary of CNPC Assets Management, a substantial shareholder of the Company. Save for (i) the shareholding of CNPC Assets Management in the Company, (ii) Mr. Wang Zengye’s directorship in the Company and Kunlun Trust, and (iii) the positions held by Mr. Chen Yong, a Supervisor (who holds several positions in CNPC Assets Management and Kunlun Trust), the Company does not have any other relationship with CNPC Assets Management or Kunlun Trust. As such, the Directors are of the view that the Company is capable of carrying out its businesses independently from CNPC Assets Management and Kunlun Trust. In addition, the Company has adopted certain corporate governance measures to manage the conflict of interest arising from the competing interests of Mr. Wang Zengye. Save as disclosed above, as at the Latest Practicable Date, each of the controlling shareholders and the Directors confirms that he, she or it does not have any interest in a business, apart from the business of the Company, which competes or is likely to compete, directly or indirectly, with the Group’s businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors and Supervisors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

According to the Articles of Association, the terms of service of both the Directors and the Supervisors are for three years, and all Directors and Supervisors are subject to re-appointment or re-election upon the expiry of their term. Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors has entered into a service contract with the Company for a term of three years. Save as disclosed above, none of the Directors or the Supervisors have entered into, or have proposed to enter into, a service contract with the Company (other than contracts determinable by the Company within one year without the payment of compensation (other than statutory compensation)).

INTERESTS IN CONTRACTS/ARRANGEMENTS OF DIRECTORS AND SUPERVISORS

Since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date, none of the Directors or the Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors and Supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Group.

EXPERTS AND CONSENTS

The qualifications of the experts who have given opinions or advice contained in this supplemental circular are as follows:

| Name | Qualification |
|---|--|
| Gram Capital Limited | a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance |
| China United Assets Appraisal Group Shandong Co., Ltd. (中聯資產評估集團山東有限公司) | independent valuer |

Each of Gram Capital and China United Assets Appraisal Group Shandong Co., Ltd. (collectively the “**Experts**”) has given and has not withdrawn its written consent to the issue of this supplemental circular with the inclusion of, where applicable, its letter(s) of advices and/or report(s) and/or references to its name in the form and context in which they respectively appear.

Each of the Experts was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date.

Since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date, none of the Experts had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sitic.com.cn>) from the date of this supplemental circular up to and including the date of the EGM:

- (a) the Transfer Agreement;
- (b) the letter from the Independent Board Committee;
- (c) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders;
- (d) the Valuation Report, text of which is set out in Appendix I to this supplemental circular;
- (e) the written consents given by the Experts as referred to in the section headed “Experts and Consents” in this appendix; and
- (f) this supplemental circular.

MISCELLANEOUS

- (a) The company secretary of the Company is Mr. He Chuangye.
- (b) The registered office of the Company is at No.166 Jiefang Road, Lixia District, Jinan, Shandong Province, the PRC. The principal place of business of the Company in the PRC is at partial area of 1/F, 2/F and 13/F, 32-35/F and 40/F, Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC. The principal place of business of the Company in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (c) Computershare Hong Kong Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong, is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

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)

SUPPLEMENTAL NOTICE OF 2022 FOURTH EXTRAORDINARY GENERAL MEETING

Reference is made to the notice of the fourth extraordinary general meeting of Shandong International Trust Co., Ltd. (the “**Company**”) dated 14 December 2022 for the year 2022 (the “**Notice**”) which sets out the time and venue of the EGM and contains the resolutions to be proposed at the EGM for shareholders’ consideration and approval. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the supplemental circular of the Company dated 14 December 2022.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the EGM will be held as originally scheduled at Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC on Thursday, 29 December 2022 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution in addition to the resolutions set out in the Notice:

SPECIAL RESOLUTION

- (6) To consider and approve the Share Transfer and the Transfer Agreement:
- (a) the execution of the Transfer Agreement be and is hereby confirmed, ratified and approved and the transaction contemplated thereunder be and is hereby approved; and
 - (b) any one or more directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents (including under the seal of the Company), and to take all such steps which in their opinion may be necessary appropriate, desirable or expedient for the purpose of giving effect to the Transfer Agreement and completing the transaction contemplated thereunder.

By order of the Board
Shandong International Trust Co., Ltd.
Wan Zhong
Chairperson

Jinan, the People’s Republic of China

14 December 2022

SUPPLEMENTAL NOTICE OF EGM

Notes:

1. Details of the above resolution are set out in the supplemental circular of the Company dated 14 December 2022.
2. A supplemental proxy form in respect of the above resolution is enclosed with the supplemental circular.
3. The supplemental proxy form will not affect the validity of any proxy form duly completed and delivered by you in respect of the resolutions set out in the Notice. If you have validly appointed a proxy to attend and act for you at the EGM but do not duly complete and deliver the supplemental proxy form, your proxy will be entitled to vote at the discretion on the resolution set out in this supplemental notice. If you do not duly complete and deliver the original proxy form for the EGM but have duly completed and delivered the supplemental proxy form and validly appointed a proxy to attend and act for you at the EGM, your proxy will be entitled to vote at the discretion on the resolutions set out in the Notice. If the proxy being appointed to attend the EGM under the supplemental proxy form is different from the proxy appointed under the original proxy form and both proxies attended the EGM, the proxy validly appointed under the supplemental proxy form shall be designated to vote at the EGM. If a shareholder of the Company wishes to provide specific instruction to his proxy(ies) regarding the voting of all resolutions set out in the proxy form and the supplemental proxy form, he should duly complete and submit both proxy forms in accordance with the instructions set out therein.
4. The supplemental proxy form together with proxy form with the power of attorney or other authority (if any), must be deposited at the Company's H share registrar for holders of H shares or at the Office of the Board of Directors (Supervisors) of the Company for holders of domestic shares not less than 24 hours before the time appointed for holding the EGM (i.e. by 9:30 a.m. on Wednesday, 28 December 2022) or any adjourned meeting. If the instrument appointing the proxy is signed by a person authorised by the appointor, the power of attorney or other document of authority under which the instrument is signed shall be notarised. The notarised power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Company's H share registrar or at the Office of the Board of Directors (Supervisors) of the Company (as may be applicable).
5. Please refer to the Circular and the Notice for details in respect of other resolutions to be proposed and tabled before the EGM, eligibility for attending the EGM, registration procedures for attending the EGM, appointment by proxy, voting by way of poll and other relevant matters.

As at the date of this supplemental notice, the Board comprises Mr. Wan Zhong and Mr. Fang Hao as executive Directors; Mr. Wang Zengye, Mr. Zhao Zikun and Ms. Wang Bailing as non-executive Directors; Mr. Yen Huai-chiang, Mr. Zheng Wei and Ms. Meng Rujing as independent non-executive Directors.