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If you are in any doubt as to any aspect of this 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 circular and the accompanying proxy form to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser 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)

WORK REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2022
WORK REPORT OF INDEPENDENT DIRECTORS FOR THE YEAR 2022
WORK REPORT OF THE BOARD OF SUPERVISORS FOR THE YEAR 2022
FINANCIAL REPORT FOR THE YEAR 2022
PROFIT DISTRIBUTION PLAN FOR THE YEAR 2022
PROPOSED ARTICLES AMENDMENTS
PROPOSED AMENDMENTS TO THE PROCEDURAL RULES FOR
THE BOARD OF DIRECTORS
PROPOSED RE-APPOINTMENT OF DOMESTIC AUDITOR
AND APPOINTMENT OF OVERSEAS AUDITOR
PROPOSED APPOINTMENT OF SHAREHOLDER
REPRESENTATIVE SUPERVISOR
UPDATE ON RECOVERY PLAN
AND
NOTICE OF 2022 ANNUAL GENERAL MEETING

The notice of the AGM to be held at Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC on Wednesday, 14 June 2023 at 9:30 a.m. are set out on pages 64 to 66 of this circular, and the 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 AGM, you are requested to complete, sign and return the enclosed proxy form in accordance with the instructions printed thereon no less than 24 hours before the time appointed for holding the AGM or any adjournment thereof (Tuesday, 13 June 2023 at 9:30 a.m.). Completion, signing and return of the proxy form will not preclude you from attending and voting in person at the AGM.

25 May 2023

CONTENTS

		Page
DEFINITIONS	1
LETTER FROM THE BOARD OF DIRECTORS	3
APPENDIX I	- WORK REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2022.....	11
APPENDIX II	- WORK REPORT OF INDEPENDENT DIRECTORS FOR THE YEAR 2022.....	18
APPENDIX III	- PROPOSED ARTICLES AMENDMENTS.....	20
APPENDIX IV	- PROPOSED AMENDMENTS TO THE PROCEDURAL RULES FOR THE BOARD OF DIRECTORS.....	26
APPENDIX V	- RECOVERY PLAN.....	30
NOTICE OF 2022 ANNUAL GENERAL MEETING	64

DEFINITIONS

Unless the context otherwise requires, the following expressions in this circular shall have the following meanings:

“AGM”	the annual general meeting for the year 2022 of the Company to be held at Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC on Wednesday, 14 June 2023 at 9:30 a.m. and any adjournment thereof (as the case may be)
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Company” or “SITC”	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)
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“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, subscribed for or credited as paid up in Renminbi
“H Share(s)”	ordinary share(s) of the Company with a nominal value of RMB1.00 each, traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Latest Practicable Date”	23 May 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOF”	the Ministry of Finance of the People’s Republic of China
“PRC” or “China”	the People’s Republic of China but excluding, for the purposes of this circular only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Company Law” or “Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“Procedural Rules for the Board of Directors”	the Procedural Rules for the Board of Directors adopted by the Company, as amended from time to time
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shandong Office of CBIRC”	Shandong Office of China Banking and Insurance Regulatory Commission
“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)
“Supervisor(s)”	the supervisor(s) of the Company
“%”	per cent

Where there is any inconsistency between the Chinese version and the English version of this circular, the Chinese version shall prevail.

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:

Ms. Zhang Haiyan
Mr. Zheng Wei
Ms. Meng Rujing

Registered office:

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
PRC

Principal place of business in Hong Kong:

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

25 May 2023

To the Shareholders

Dear Sir or Madam,

**WORK REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2022
WORK REPORT OF INDEPENDENT DIRECTORS FOR THE YEAR 2022
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UPDATE ON RECOVERY PLAN
AND
NOTICE OF 2022 ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to give you the notice of the AGM, which is set out on pages 64 to 66 of this circular and to provide you with information in respect of the resolutions to be proposed at the AGM to enable you to make informed decision on voting on those resolutions as described below.

LETTER FROM THE BOARD OF DIRECTORS

At the AGM, resolutions concerning the following matters of the Company will be proposed to consider and approve (i) the work report of the Board of Directors for the year 2022; (ii) the work report of independent Directors for the year 2022; (iii) the work report of the Board of Supervisors for the year 2022; (iv) the financial report for the year 2022; (v) the profit distribution plan for the year 2022; (vi) the proposed amendments to the Articles of Association; (vii) the proposed amendments to the Procedural Rules for the Board of Directors; (viii) the proposed re-appointment of domestic auditor and appointment of overseas auditor; (ix) the proposed appointment of shareholder representative Supervisor; and (x) the update on the recovery plan.

2. MATTERS TO BE RESOLVED AT THE AGM

(i) Work Report of the Board of Directors for the Year 2022

An ordinary resolution will be proposed at the AGM to approve the work report of the Board of Directors for the year 2022. The full text of the work report of the Board of Directors for the year 2022 is set out in Appendix I to this circular.

(ii) Work Report of Independent Directors for the Year 2022

An ordinary resolution will be proposed at the AGM to approve the work report of independent Directors for the year 2022. The full text of the work report of independent Directors for the year 2022 is set out in Appendix II to this circular.

(iii) Work Report of the Board of Supervisors for the Year 2022

An ordinary resolution will be proposed at the AGM to approve the work report of the Board of Supervisors for the year 2022. The full text of the work report of the Board of Supervisors for the year 2022 is set out in the 2022 annual report of the Company.

(iv) Financial Report for the Year 2022

An ordinary resolution will be proposed at the AGM to approve the financial report for the year 2022. The audited financial statements which were prepared in compliance with the International Financial Reporting Standards and the full text of the independent auditors' report for the year 2022 are set out in the 2022 annual report of the Company.

(v) Profit Distribution Plan for the Year 2022

An ordinary resolution will be proposed at the AGM in accordance with the Articles of Association to approve the profit distribution plan of the Company.

In order to enhance the Company's risk resistance capability, support and accelerate its transformation, innovation and development, achieve sustainable, stable and healthy development of the Company and better safeguard the long-term interests of all Shareholders, after taking into account the actual business operations of the Company, it is proposed that no profit distribution will be made for the year 2022.

LETTER FROM THE BOARD OF DIRECTORS

(vi) Proposed Articles Amendments

According to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Hong Kong Stock Exchange and the Pilot Work Plan for Accounting Firms Engaged in Audit Business for H Share Enterprises (《會計師事務所從事 H 股企業審計業務試點工作方案》) issued by the MOF and the CSRC, the issuers incorporated in mainland China and listed in Hong Kong are approved to adopt China Accounting Standards for Business Enterprises (“CASBE”) to prepare their financial statements, and China accounting firms recognised by the MOF and the CSRC are approved to adopt CASBE to audit such financial statements.

In light of the above arrangements and in view of the fact that the Company mainly conducts its business in mainland China and for the sake of facilitating the understanding and provision of more concise and understandable accounting information to users of the financial statements (including domestic and overseas investors), the Board of Directors recommends to change the basis of preparation of the financial statements of the Company from both International Financial Reporting Standards (“IFRS”) and CASBE and the applicable laws and regulations to CASBE and the applicable laws and regulations only, subject to the approval by the Shareholders of the proposed consequential amendments to the Articles of Association at the AGM and the approval of such amendments by the Shandong Office of CBIRC.

Subject to the approval by the Shareholders and the Shandong Office of CBIRC of the relevant amendments to the Articles of Association, the Company intends to prepare its interim financial report for the six months ending 30 June 2023 and the financial statements for the year 2023 in accordance with CASBE.

Certain financial items of the Company are expected to be adjusted upon the Company’s adoption of CASBE. In view of this, the Company would like to provide further information to illustrate the major differences between the financial statements of the Company under CASBE and IFRS, and the relevant differences are explained as follows:

(I) Major differences between the financial statements of the Company under CASBE and IFRS

Accounting treatment for changes in shareholding and entitlement of the investor due to capital increase of the investee by other shareholders under the long-term equity investment equity method

Under CASBE, an investor shall adjust the carrying amount of the long-term equity investment according to the proportion of equity held, and at the same time, it shall be included in the capital reserve (other capital reserve); under IFRS, an investor shall adjust the carrying value of the long-term equity investment according to the proportion of equity held, and at the same time, it shall be included in the investment income.

LETTER FROM THE BOARD OF DIRECTORS

(II) Differences between the major items in the financial statements of the Company for the year 2022 under CASBE and IFRS

The Company's capital reserve at the end of 2022 under CASBE and IFRS were RMB160.05 million and RMB143.29 million, respectively, with a difference of RMB16.76 million due to the different accounting treatment of changes in shareholding percentage and entitlement of the investor as a result of capital increase in the investee by other shareholders under the equity method of long-term equity investment.

To the directors' knowledge, information and belief, the preparation of all financial statements of the Company in accordance with CASBE will not have any material impact on the financial position, operating results and cash flow of the Company in 2023 and in the future. The Board of Directors considers that the adoption of CASBE is in the interests of the Company and its Shareholders as a whole.

In addition to the proposed changes in the basis for the preparation of financial statements, the Board of Directors also proposes to make amendments to the relevant provisions of the Articles of Association for the following matters: (i) to indicate the time limit for Shareholders to notify the Company in writing under specified circumstances in accordance with the Interim Measures for Equity Management of Trust Companies; (ii) to strengthen the preventive control of the Company's significant events, improve the corporate governance structure and enhance the quality and efficiency of the Company's decision-making, the Company proposes to no longer set up the business decision committee under the Board of Directors and make corresponding adjustments to the scope of responsibilities of the Board of Directors (the "**Proposed Articles Amendments**").

Details of the Proposed Articles Amendments are set out in the Appendix III to this circular. The Proposed Articles Amendments are subject to the approval by the Shareholders by way of a special resolution at the AGM and the approval by the Shandong Office of CBIRC.

It will be also proposed at the AGM to authorise the Board of Directors to make corresponding amendments to the Articles of Association in accordance with comments or requirements of the regulatory authorities and the relevant departments, handle the approval procedures of the amendments to the Articles of Association and submit filing to the market supervision and management department.

LETTER FROM THE BOARD OF DIRECTORS

(vii) Proposed Amendments to the Procedural Rules for the Board of Directors

In view of the Proposed Articles Amendments, the Board of Directors also proposed to amend the Procedural Rules for the Board of Directors accordingly. Details of the proposed amendments to the Procedural Rules for the Board of Directors are set out in Appendix IV to this circular. The proposed amendments to the Procedural Rules for the Board of Directors are subject to the approval by the Shareholders at the AGM by way of special resolution, and the approval of the Proposed Articles Amendments at the AGM and approval by the Shandong Office of CBIRC.

(viii) Proposed Re-appointment of Domestic Auditor and Appointment of Overseas Auditor

Reference is made to the announcement of the Company date 23 May 2023 in relation to the proposed change of the overseas auditor of the Company.

SHINEWING (HK) CPA Limited currently serves as the overseas auditor of the Company and is responsible for auditing the financial statements of the Company prepared in accordance with IFRS. In view of the above changes in the standards for the preparation of the financial statements of the Company, the Board of Directors also proposed to change the overseas auditor of the Company from SHINEWING (HK) CPA Limited to ShineWing Certified Public Accountants LLP (“**ShineWing**”), subject to the approval of the Shareholders at the AGM and the relevant amendments to the Articles of Association becoming effective.

ShineWing is a certified public accounting firm approved by the MOF and the CSRC and is qualified to adopt CASBE to provide auditing services for enterprises incorporated in mainland China and listed in Hong Kong. ShineWing is currently the domestic auditor of the Company. Upon the proposed change of overseas auditor becoming effective, ShineWing will become the only auditor auditing the financial statements of the Company in accordance with CASBE and will assume the duties of an overseas auditor in accordance with the Listing Rules.

SHINEWING (HK) CPA Limited has confirmed that there are no matters in relation to the proposed change of overseas auditor that need to be brought to the attention of the Shareholders. In relation to the proposed change of overseas auditor, the Board of Directors is not aware of any matters that need to be brought to the attention of the Shareholders. The Board of Directors and the Audit Committee of the Board of Directors confirm that there is no disagreement between the Company and SHINEWING (HK) CPA Limited regarding the proposed change of auditor.

An ordinary resolution will be proposed at the AGM to consider and approve the re-appointment of ShineWing as the Company’s domestic auditor and the appointment of ShineWing as the Company’s overseas auditor to be responsible for the audit of the annual financial statements for the year ending 31 December 2023. The total audit fee is RMB1.50 million (tax inclusive).

LETTER FROM THE BOARD OF DIRECTORS

(ix) **Proposed Appointment of Shareholder Representative Supervisor**

Reference is made to announcement of the Company dated 16 May 2023, in relation to Mr. He Shuguang (“**Mr. He**”)’s nomination as a shareholder representative Supervisor. Such appointment is subject to the approval by the Shareholders at the AGM.

The biographical details of Mr. He are set out as follows:

Mr. He Shuguang (何曙光), aged 36, has nearly 12 years of experience in banking and risk management. He has served as the deputy department chief of the risk and compliance department (legal affairs) at Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司) since December 2020. From July 2011 to December 2020, Mr. He served various positions in China Construction Bank, including savings officer and business clerk of Mingyuan Office of Jinan Shizhong Sub-branch; business clerk of the corporate client department, the corporate business department and account manager of the corporate business department (corporate and institutional businesses) of Jinan Shizhong Sub-branch; account manager and risk manager of the risk and compliance management division of the investment banking business department of Shandong Branch. He has concurrently served as a supervisor of Shandong Investment Company Limited (山東省投資有限公司) since April 2023. Mr. He obtained a bachelor’s degree in economics from Shandong University (山東大學).

The term of office of Mr. He as a shareholder representative Supervisor shall commence from the date of approval of his appointment by the Shareholders until the expiry of the third session of the Board of Supervisors. Upon the approval of his appointment at the general meeting, the Company will enter into a service contract with Mr. He. Mr. He will not receive any remuneration from the Company for serving as a shareholder representative Supervisor. The Company will disclose the remuneration of the Supervisors of the Company in its annual report.

As at the Latest Practicable Date, Mr. He does not hold any positions in the Company. Save as disclosed above, Mr. He confirms that (i) he has not held any other directorships in other listed companies in last three years; (ii) he has no relationship with any other directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company (as defined under the Listing Rules); and (iii) he does not have any equity interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, there is no other information relating to the appointment of Mr. He that needs to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

LETTER FROM THE BOARD OF DIRECTORS

(x) Update on Recovery Plan

In 2022, the Company formulated the Recovery Plan of Shandong International Trust Co., Ltd. (the “**Recovery Plan**”) and the Recommendations on Disposal Plan of Shandong International Trust Co., Ltd. (the “**Recommendations on Disposal Plan**”) in accordance with the regulatory requirements, which were submitted to the general meeting for consideration and approval. According to the Interim Measures for the Implementation of Recovery and Disposal Plans of Banking and Insurance Institutions (Yin Bao Jian Fa [2021] No. 16) (《銀行保險機構恢復與處置計劃實施暫行辦法》), the Recovery Plan shall be updated every year, while the Recommendations on Disposal Plan shall be updated every two years. According to the regulatory requirements and taking into account the actual situation of the corporate governance of the Company, updates are made to the Recovery Plan annually. The full text of the amended Recovery Plan is set out in Appendix V to this circular.

3. OTHERS

In addition, the Shareholders will listen to the net capital report for the year 2022 and the report on repayment upon maturity for trust business and benefits realise for beneficiaries for the year 2022 at the AGM.

4. AGM

The AGM will be held at Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC on Wednesday, 14 June 2023, at 9:30 a.m. The notice of the AGM is set out on pages 64 to 66 of this circular.

The holders of H Shares and Domestic Shares whose names appear on the registers of the members of the Company on Wednesday, 14 June 2023 are entitled to attend and vote at the AGM. The registers of members of the Company will be closed from Friday, 9 June 2023 to Wednesday, 14 June 2023 (both days inclusive), during which no transfer of Shares can be registered. All transfer documents together with the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong (for holders of H Shares) or the Office of the Board of Directors (Supervisors) of the Company at 35/F, Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province of the PRC (for holders of Domestic Shares) not later than 4:30 p.m. on Thursday, 8 June 2023.

The proxy form applicable for the AGM 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 AGM, you are requested to complete, sign and return the enclosed proxy form in accordance with the instructions printed thereon no less than 24 hours before the time appointed for holding the AGM or any adjournment thereof. Completion, signing and return of the proxy form will not preclude you from attending and voting in person at the AGM.

LETTER FROM THE BOARD OF DIRECTORS

5. LISTING RULES REQUIREMENTS

According to Rule 13.39(4) of the Listing Rules, apart from certain exceptions, any vote of Shareholders at the AGM must be taken by poll. All resolutions at the AGM will be voted by way of poll. Therefore, the chairperson of the AGM shall demand voting on the resolutions set out in the notice of the AGM be taken by way of poll as required under 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 AGM in the manner prescribed under the Listing Rules.

6. RECOMMENDATION

The Board of Directors is of view that all resolutions to be proposed respectively at the AGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board of Directors recommends that all Shareholders vote in favour of all resolutions mentioned above.

7. RESPONSIBILITY STATEMENT

This 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 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 circular misleading.

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

**WORK REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2022 OF
SHANDONG INTERNATIONAL TRUST CO., LTD.**

2022 was the high-quality ending year of the three-year action of state-owned enterprise reform and the starting year of the reform of trust business classification. Over the past year, with the repeated impact of the domestic pandemic and the triple pressures of real economy facing demand contraction, supply shocks, and weakening expectations, the Board of Directors of SITC thoroughly implemented major decision of the Party and the State, strictly complied with the laws, regulations and regulatory requirements, conscientiously implemented the resolutions of the general meeting, adhered to the general tone of striving for progress while maintaining stability, adjusted structure, mitigated risks, grasped reform, and advanced management, making every effort to implement the key work. The assets scale has gradually recovered, with optimised business structure and steadily increasing operating results, while the development trend of making progress in the midst of stability has generally been maintained. The major work of the Board of Directors in 2022 is reported as follows:

I. MAJOR WORK OF THE BOARD OF DIRECTORS IN 2022

In 2022, the Board of Directors performed its duties diligently and faithfully and conducted its work in a solid and effective manner to advance the sustainable and stable development of SITC. Throughout the year, five general meetings were convened by the Board of Directors, and 17 topics and two reports were considered. A total of 19 Board of Directors' meetings were held, including 11 on-site meetings and eight communication meetings, and 65 topics and five reports were considered. Combined with the actual situation of the Company's operation and management, in terms of strategic guidance, financial management, risk management, appointment of senior management and organisational structure adjustment, the Board of Directors actively offered advice and suggestions, practically performed its duties empowered by the Articles of Association and effectively secured the scientific decision-making of the Board of Directors and efficient operation of corporate governance.

(I) Steadily promoting reform and continuously improving refined management

In 2022, the Board of Directors implemented a new development concept by adhering to the principle of "deepening reform and innovation management", focused on key points while highlighted difficulties, sought momentum for reform and vitality for management, which effectively promoted the high-quality development of the enterprise. **On one hand, the Company continued to deepen the "three institutional reforms"**. The Company adhered to the market-oriented approach, further improved mechanism for the "promotion and demotion of cadres, the employment or dismissal of employees, and the salary increment or decrement", as well as formulated and revised six fault tolerance and correction measures and special assessment methods and two employee management measures. The Company adhered to target-oriented, problem-oriented, result-oriented and assessment-oriented, and established the "red and yellow cards" early warning mechanism for performance assessment, implemented regular review of performance indicators and phased assessment to strengthen process

management, identify and solve problems in a timely manner, so as to lay a solid foundation with the unleashed innovation and vitality for transformation and development. **On the other hand, the level of refined management gradually improved.** Guided by the problems and suggestions raised by employees, the Company organised and carried out the “Year of Refined Management Improvement” activity, focused on the enterprise reform development and the vital interests of employees, and summarised a total of 58 opinions in eight categories and 43 sub-categories, involving 15 relevant departments and offices. After nearly a year of centralised rectification and improvement, in general, the responsibilities of departments and offices were clearer and the risk management was more scientific with smoother approval procedures, resulting in a more powerful comprehensive guarantee.

(II) Insisting on consolidating the foundation and fostering a business system with diversified development

Based on the actual situation of the enterprise, the Board of Directors flowed with the general trend, grasped the trend and adapted to the situation, fully integrated resources and power, and promoted “strengthening advantages and making up for shortcomings”. **Firstly, the traditional business was upgraded in line with the trend.** Based on the managing and utilising of high-quality non-standard credit, the Company focused on optimising the real estate business, deeply explored opportunity-oriented businesses to stabilise the “fundamentals” of income and hold onto the “ballast” of profits. The Company thoroughly implemented the major strategic decisions of the CPC Central Committee and the State Council on “Carbon Peak, Carbon Neutrality”. Rooted in the province with its advantages, the Company successively issued the first ESG green trust and the first green certified CCER carbon asset green trust with income rights, contributing the trust power to the development of green and low-carbon industries in our province. **Secondly, the original businesses recorded a strong growth.** The Company insisted on taking family trust as an important direction to return to its origins and transform its development, further strengthened team building, broadened cooperation channels and innovated operational models and improved service level. In 2022, the scale of family trust business exceeded RMB26 billion, representing a year-on-year increase of approximately 20%. The newly signed projects and delivered projects increased by 40% and 34% year-on-year, respectively. The independent management capability and system construction level were comprehensively improved. The Company continued to deepen the charity trust business, made full use of the advantages of “Trust +” to build a diversified charity platform, create a “trust model” for financial poverty alleviation, and demonstrate the responsibility of a state-owned enterprise with “warmth and responsibility”. **Thirdly, innovative businesses rose against the trend.** The Company accelerated the layout of the standard product business represented by capital market investment, continued to increase resource allocation, talent support and policy support, and actively cultivate new sources of scale growth and profit growth. In 2022, under the Russia-Ukraine conflict, high inflation and the pandemic disturbance in the capital market, the scale of standard product assets under management reached approximately RMB85 billion, and the active management product line was basically completed. 51 new standardised products were added throughout the year, and the performance was better than that of the market peers. **Fourthly, the Company**

accelerated the transformation of wealth management. It further promoted the transformation of wealth management business, focused on building a new system of wealth management capabilities, and comprehensively promoted the transformation of wealth management business focus to “allocation” by centring on organisational structure, management model, product services and brand building. Strengthening the construction of independent marketing system, it improved the layout of wealth outlets and enriched the marketing talent team. In 2022, the scale of independent marketing amounted to RMB28.349 billion, with a year-on-year increase of 75.3%.

(III) Focusing on governance optimisation and empowering high-quality development

The Board of Directors continued its exploration to improve the corporate governance system, practically enhanced the regularity and effectiveness of corporate governance and the ability of each entity to perform its duties, and prevented corporate governance risks. **Firstly, the Company improved the corporate governance system.** In combination of the actual situation of the Company, six corporate governance systems were revised. The Company implemented the opinions of the regulatory authorities on the amendments to the Articles of Association, further clarified the provisions of the Articles of Association on the functions and powers of the Board of Directors, the principle of authorisation of the general meeting and the duties of the Party organisation, and made corresponding amendments to the procedural rules to consolidate the foundation of the governance system. **Secondly, the Company continued to improve the refined level of equity management.** The Interim Measures for Equity Management of Shandong International Trust Co., Ltd. was developed and the Manual of Rights and Obligations of Shareholders of Trust Companies was compiled to provide clear guidelines for shareholders to exercise their rights and perform their obligations. **Thirdly, the Company strengthened the self-development.** The Directors of the Company fully complied with the Listing Rules and the regulatory requirements in the mainland, continuously studied various regulatory information and the latest regulatory requirements in their daily work, and focused on the continuous improvement of their professional capacity. All Directors have attended special trainings conducted by domestic and overseas lawyers to improve their ability to perform their duties. **Fourthly, the Company made performance evaluation.** The Company has carried out a comprehensive evaluation of the annual performance of Directors and senior management to strengthen the supervision of the performance of duties. Through data analysis, behavioural observation, organisational self-evaluation and mutual evaluation, the Board of Directors believes that the Directors and senior management of the Company are able to fulfil their obligations of loyalty and diligence, have the professionalism, independence and ethical standards required for the performance of their duties, perform their duties in compliance with the law and serve the best interests of the Company and the Shareholders. They are evaluated as competent. The Company evaluated the performance of the operation team for 2021 and proposed the assessment method for 2022.

(IV) Adhering to the bottom-line thinking and continuously consolidating the risk management defence line

The Board of Directors continuously improved the level of risk management and strengthened the construction of internal control and compliance in combination with the new changes and characteristics of regulatory policies, business and risks. **Firstly, the Company continued to increase the level of risk management.** The Company continued to strengthen the construction of a closed-loop system for the whole process of risk management and control, and promoted the institutionalisation of risk control, systematic process and process openness. The Company also prudently carried out various businesses and continuously strengthened risk prevention and in-process monitoring to effectively curb new risks. **Secondly, the Company promoted risk mitigation through diversified measures.** Adhering to the risk control concept of “addressing risk events and keeping risk exposure in check”, the Company made every effort to promote the disposal of risk assets while conducting business prudently. The Company formulated the Risk Disposal Implementation Plan to take the initiative and overcome difficulties. In addition to regular means such as judicial litigation, promoting project resumption and sales, project co-development and asset transfer, the Company also actively accelerated risk disposal through diversified measures such as joint efforts with agency banks to resolve payment pressure and transfer of creditor’s rights of key risk projects. **Thirdly, the Company practically implemented compliance and internal control management.** The Company conscientiously carried out special governance work such as the “Year of Standardised Construction and Consolidation”, formulated plans for activities, conducted self-examination and evaluation, and promoted rectification and reform in a down-to-earth manner. The Company actively implemented anti-money laundering and anti-terrorist financing, and sped up the construction of an anti-money laundering system. The Company adhered to the position of being a trustee, vigorously carried forward the trust culture, deeply carried out the construction of trust culture, and formulated the activity plan of the “Year of Trust Culture Deepening” for active organisation and implementation of multiple measures. **Fourthly, the Company actively carried out public welfare advocacy on promoting the protection of consumers’ rights and interests.** The Company regularly organised financial knowledge presentation activities, and continuously improved the consumer protection system and enhanced the effectiveness of consumer rights protection and education on investors.

(V) Insisting on high-quality information disclosure to convey the value of the Company through active market communication

The Board of Directors diligently discharged its duties on information disclosure and investor relations management, took the responsibility of safeguarding the interests of investors, strictly fulfilled its obligations as a public company and safeguarded the reputation and good image of the Company. **Firstly, the Company fulfilled the obligation of information disclosure in accordance with the law.** In 2022, the Company disclosed 77 announcements on the Hong Kong Stock Exchange and the Company’s website, including 17 periodic reports and 60 ad hoc reports, ensuring timely and full compliance with its information disclosure obligations. **Secondly, the Company proactively strengthened investor relations**

management. The Board of Directors focused on effective communication with the capital market, and flexibly adopted online results announcement and interaction with brokerage analysts to enhance the effectiveness of communication, maintain the good market image of the listed company and continuously enhance its brand reputation and market recognition. The Company was continuously awarded the “Best Financial Company” in the 7th Zhitong Financial Listed Company Selection, demonstrating the high recognition of the Company by the market.

II. 2023 ANNUAL WORK PLAN

2023 is the first year for the full implementation of the spirit of the 20th National Congress of the Communist Party of China, and also a crucial year to implement the “14th Five-Year” Plan. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Board of Directors will fully implement the spirit of the 20th National Congress of the Communist Party of China, firmly grasp the mission and task of comprehensively promoting the great rejuvenation of the Chinese nation with Chinese-style modernisation, adhere to the general tone of making progress while maintaining stability, fully, accurately and comprehensively implement the new development concept, as well as establish the bottom-line thinking to take the initiative for comprehensive management efficiency improvement, actively promoting business transformation and continuously promoting the high-quality development of the Company.

Firstly, the Company will strengthen its strategic leadership and build its core competitiveness. The “14th Five-Year” Plan of the Company has set the goal of “respected wealth management institution based on asset allocation”. In 2023, the Board of Directors will carry out the mid-term evaluation of the “14th Five-Year” Plan, make full use of the experience of peers and analyse the industry situation according to regulatory requirements and policy orientation, so as to revise and improve the “14th Five-Year” Strategic Plan for further clarification of the reform direction and transformation, and build the core competitiveness of SITC. On the basis of adhering to the three major transformation directions of capital market business, wealth management business and family trust business, the Company will continue to explore the social service functions of the trust system and build a sustainable business system to better serve the people for a better life.

Secondly, the Company will follow the regulatory guidance and improve the quality and efficiency of serving the real economy. Financial service for real economy is the historical mission and inevitable requirement of China’s finance. The Board of Directors will closely focus on the reform of the trust business classification, make full use of the institutional advantages, seize the major strategic opportunities to support the high-quality development of the real economy based on its own resource endowment, and actively integrate into the national strategy to guide more social funds to invest in key areas such as green finance, inclusive finance, and specialisation and sophistication, deepen the new and old momentum conversion, and help the ecological protection and high-quality development of the Yellow River Basin. The Company will give full play to the functional advantages of service trusts in property

independence and risk isolation, effectively alleviating the pain points of people's livelihood and social governance difficulties in pre-paid funds supervision and elderly care services, and strengthening the protection of people's livelihood services.

Thirdly, the Company will explore the potential of multi-channels and build a pattern of "one body and two wings". The Company will steadily expand its equity investment trusts and its business coverage around state-owned enterprises and high-quality real estate enterprises, actively carry out customised non-standard product businesses for institutions, and increase the support for enterprises in the province. The trust development of standard product will be accelerated and the profit contribution of transformed business will be improved. Focusing on key areas such as active management products, securities service business and asset securitisation business, the Company will improve the layout of product lines and broaden cooperation channels, and enhance active management capabilities to drive revenue growth through scale expansion, while serving the trust sector and enhancing the business service. The Company will consolidate the industry position of our businesses such as family trust and charitable trust, increase direct sales of products and channel agency sales, complete the family trust product line to assist customers in the inheritance of family wealth, and enhance the brand competitiveness of "De Shan Qi Jia". The Company will also further develop the field of public welfare and charity trust, and strive to guide wealth for good and contribute to common prosperity. While accelerating system development and construction with improved system functions and actively expanding cooperation channels for the increase in the amount of entrusted service trust of pre-paid funds, the Company will build a distinctive brand of wealth management, strengthen the synergy between its proprietary business and trust business, optimising the asset allocation structure of its proprietary business, and increasing the income from direct investment of its proprietary funds.

Fourthly, the Company will deepen the refined management and continue to improve the quality and efficiency of its operation. The Company will insist on promoting the continuous deepening and implementation of refined management, regularly rectifying various new and old frauds, and improving the quality and efficiency of operation. It will deepen the three institutional reforms to establish and perfect the performance-based remuneration distribution mechanism oriented by "position value + performance contribution", with a combination of strong incentives and hard constraints to give full play of the vitality of talents. We will further standardise customer service standards, strengthen training, standardise behaviours, refine processes to cater the needs of high-net-worth customers for standardised and personalised services, as well as reinforce the implementation of work supervision, establish the implementation mechanism of key work supervision, and regularly dispatch supervision according to the requirements of "lists of items, responsibilities of lists, and timeliness of responsibilities" to ensure implementation.

Fifthly, the Company will adhere to high-quality risk control and continuously improve the comprehensive risk management system. The Company will build a comprehensive risk management system to encourage the risk management culture of "comprehensive, full staff and whole process", and build and improve the comprehensive risk

management system based on the “four lines of defence” of business development, risk compliance, audit and discipline inspection and supervision. The Company will strictly control the access of projects with careful selection of counterparties and improved prevention and control of risks in advance. It will also work hard on the concentration risk management and control of projects, regularly carry out risk investigation by means of solid project oversight to effectively enhance the foresight of risk disposal.

**WORK REPORT OF THE INDEPENDENT DIRECTORS FOR THE YEAR 2022 OF
SHANDONG INTERNATIONAL TRUST CO., LTD.**

In 2022, Mr. Yen Huai-chiang, Ms. Meng Rujing, Mr. Ding Huiping and Mr. Zheng Wei served as independent Directors of SITC, among which, the term of office of Mr. Ding Hui Ping ended on 5 August 2022 and the term of office of Mr. Zheng Wei commenced on 5 August 2022. The independent Directors of the Company actively overcame the impact of the adverse factors such as the COVID-19 pandemic, performed its duties seriously and rigorously, exercised its rights in a prudent and diligent manner, and actively attended shareholders' general meetings, meetings of Board of Directors and special committees. Meanwhile, they expressed professional, objective and impartial opinions independently on proposals and major matters, giving full play to the function of independent Directors, so as to promote the enhancement of the Company's governance capacity effectively and safeguarded the overall interests of the Company and the legitimate rights and interests of all shareholders and stakeholders.

**I. ATTENDANCE OF MEETINGS OF THE BOARD OF DIRECTORS AND
GENERAL MEETINGS**

In 2022, each of the independent Directors attended all the 19 meetings of the Board of Directors and the meetings of the Board of Directors' committees in person or by way of correspondence and five general meetings. For proposals subject to consideration and approval, such matters were considered independently and prudent decisions were made. The independent Directors are prepared to make decisions for the Board of Directors by earnestly reviewing the meeting materials to fully understand relevant details before the meetings; at the meetings, the independent Directors carefully considered various subjects, actively participated in subject discussion, and provided pertinent and reasonable suggestions and expressed independent opinions. Therefore, the independent Directors played important roles in ensuring the operation of the Board of Directors according to law and improving corporate governance level.

II. FULFILMENT OF DUTIES

During the year 2022, the independent Directors worked diligently and faithfully performed their duties and effectively exerted the due functions to practically safeguard the interests of the Company and the Shareholders as a whole. The background of the independent Directors of the Company and rich experience in financial management, accounting, wealth management, financial investment provide sufficient guarantee for their fulfilment of duties.

In 2022, regarding a number of important proposals and matters, including the preparation and disclosure of periodic reports, engagement of external auditors, major related party transactions, establishment of internal audit and internal control system, the independent Directors carefully reviewed relevant materials, made independent judgement, and expressed independent opinions. Focusing on the introduction of new regulations for three classifications of trust industry, corporate risk resolution, business transformation, establishment of an independent marketing system, compliance management and risk prevention and control, the independent Directors actively participated in meeting discussions and provided many constructive opinions and suggestions based on their respective professional background and work experience. The independent Directors focused on strengthening communication and collaboration with the Board of Supervisors and management. Through work surveys, queries of information, forums, interviews and other means, the independent Directors understood the details on business operation, financial position, risk management and other operation and management information of the Company, so as to promote standardised and efficient corporate governance operations.

III. STUDY AND TRAINING

In order to better adapt to the changes in regulatory policies and industry development, the independent Directors focused on strengthening the research on domestic and overseas regulatory policies, continuously followed up the latest changes in regulatory policies, performed their duties in compliance with the laws and regulations, and continuously improved their performance capabilities. The Company actively participated in the special training on the continuing obligations of directors of listed companies in Hong Kong organised by the Company, including the positioning and key performance of duties of independent Directors in the corporate governance structure, the rights and responsibilities of independent Directors, inside information, related party transactions, discloseable transactions and other regulatory requirements.

IV. WORK PLAN FOR THE YEAR 2023

In 2023, the independent Directors will continue to uphold the independent, objective and professional principles and will be accountable to all Shareholders, in particular the minority Shareholders. Leveraging on the functions and powers as assigned by the Company Law, Articles of Association and domestic and overseas regulations, the independent Directors will discharge their duties as independent Directors according to the law in a prudent and objective way. The independent Directors will closely communicate with the Board of Directors, the Board of Supervisors and senior management and give full effect to their respective professional advantages and independent decision-making functions in terms of continuous improvement of corporate governance, development of the standard product business and family trust business, information disclosure, management of related party transactions, assets disposal and other aspects; in the meantime, the independent Directors will continue to strengthen their researches and studies of domestic and overseas regulatory rules, trust industry supervision and industry development, and continue to enhance their work capacity and fulfilment of duties so as to better safeguard the interests of the Company and the Shareholders, and to make greater contributions to improving the science, robustness and effectiveness of corporate governance.

The Articles of Association is prepared in Chinese and there is no official English version. Any English translations are for informational purposes only. Where there is any inconsistency between the Chinese version and English version, the Chinese version shall prevail.

The Proposed Articles Amendments are as follows:

Article 58. A shareholder whose qualifications are verified by the CBIRC or its local office shall notify the Company in writing within 15 **working** days upon the occurrence of any of the following events:

- (i) that the shares of the Company he/she/it holds are under preservative measures or other enforcement measures;
- (ii) to pledge the trust company's equity or establish trust and other financial products with equity and his/her/its rights to receive benefit (income) in violation of the commitments;
- (iii) to pledge the equity of the shareholder's company by his/her/its controlling shareholders and de facto controllers or establish trust and other financial products with the equity of the shareholder's company and his/her/its rights to receive benefit (income);
- (iv) that there are difficulties to complete the relevant procedures for equity changes within the legal time limit after obtaining the administrative permits from the banking regulatory and administrative authorities under the State Council or their local offices to change the equity or adjust the shareholding structure;
- (v) to changes his/her/its name;
- (vi) to engage in any merger or division;
- (vii) any other circumstances that may affect the qualifications and conditions of shareholders or lead to changes of the shares of the Company he/she/it holds.

Article 59. Where the substantial shareholders of the Company, their controlling shareholders and de facto controllers are prohibited from being the substantial shareholders of the trust company, such substantial shareholders shall notify the Company in writing within 15 **working** days from the date of occurrence of the relevant circumstances. The details are as follows:

- (i) having a large number of affiliates and a complex or insufficiently transparent equity ownership structure, and frequently engaging in unusual related party transactions;
- (ii) being listed as a target of joint punishment for dishonesty by relevant authorities;

- (iii) any record of inappropriate investment in the open market;
- (iv) frequently changing their equities or de facto controllers;
- (v) committing any act of seriously evading or cancelling the due debts;
- (vi) providing false materials or making misstatements, or having invested in the trust industry and providing false materials or making misstatements;
- (vii) assuming major responsibility for business failure or major violation of laws and regulations of the trust company invested before, or assuming major responsibility for business failure or major violation of laws and regulations of other financial institutions invested before within five years;
- (viii) failing to actually carry out business for a long period of time, suspending their business or undergoing bankruptcy liquidation, or having guarantee, litigation, arbitration or other significant matters that may seriously affect their sustained operation;
- (ix) rejecting or obstructing financial management departments from implementing regulation in accordance with the laws;
- (x) having been investigated and punished by any financial management department or relevant government department for violation of laws and regulations which resulted in adverse impact;
- (xi) other circumstances that may have a material adverse impact on the performance of shareholders' responsibilities or on the Company.

Where the controlling shareholders or de facto controllers of the Company's substantial shareholders change, the substantial shareholders shall provide the Company with relevant materials accurately and completely within 15 **working** days after such change, including the background of the change, the changed controlling shareholders, de facto controllers, related parties, parties acting in concert, ultimate beneficiaries and other information, as well as the explanation on whether the controlling shareholders and de facto controllers have any of the circumstances specified in the preceding paragraphs.

The substantial shareholders of the Company shall report their capital replenishment capacity to the banking regulatory and administrative authorities under the State Council or their local offices through the Company on an annual basis.

Article 124. The Board shall be accountable to the general meeting and shall exercise the following powers:

- (i) to convene general meetings and to report its work to the general meeting;
- (ii) to implement the resolutions of the general meeting;
- (iii) to decide on the operation plans and investment plans of the Company;
- (iv) to formulate the annual financial budgets and final accounts of the Company;
- (v) to formulate the profit distribution plans and loss recovery plans of the Company;
- (vi) to formulate proposals for the increase or reduction of the registered capital of the Company;
- (vii) to prepare plans for the material acquisition or merger, division, dissolution or change of corporate form of the Company;
- (viii) to prepare plan for repurchase of the shares of the Company because of the circumstances under items (i) and (ii) as required in Article 30;
- (ix) to pass resolutions on repurchase of the shares of the Company because of the circumstances under items (iii), (v) and (vi) as required in Article 30;
- (x) to formulate plans for the issuance of corporate bonds, any types of shares, warrants or other marketable securities and listing;
- (xi) to decide on the establishment of internal management departments of the Company and the establishment or revocation of the branches and other subbranches of the Company;
- (xii) to elect the chairman and vice chairman of the Board of the Company;
- (xiii) to appoint or dismiss the general manager of the Company and secretary to the Board pursuant to the nominations by the chairman of the Board of the Company; to appoint or dismiss vice general manager, chief financial officer and other senior management members pursuant to the nominations by the general manager and to decide on their remunerations, incentives and punishments; and to supervise senior management in performing their duties;
- (xiv) to formulate the basic management system of the Company and terms of reference of all special committees under the Board;

- (xv) to prepare plans for amendments to the Articles of Association, Procedural Rules for the General Meeting and Procedural Rules for the Board;
- (xvi) to formulate the share incentive schemes of the Company;
- (xvii) to be responsible for the matters in relation to the information disclosure of the Company and assume ultimate responsibility for the truthfulness, accuracy, completeness and timeliness of accounting and financial reports;
- (xviii) to decide on the establishment of special committees and to elect their members;
- (xix) to decide on the risk management system of the Company which covers risk assessments, financial control, internal audit, money laundering risk management and legal risk control and monitor its implementation; to determine the Company's risk tolerance, risk management and internal control policies, and assume the ultimate responsibility for comprehensive risk management;
- (xx) to propose the appointment or replacement of the accounting firm that provides the Company with auditing services for annual financial statements to the general meeting, and decide on its audit fees;
- (xxi) to listen to the regular or non-regular work reports from the general manager of the Company or the senior management members of the Company appointed by the general manager, and to approve the work reports of the general manager;
- (xxii) to consider and approve the major financial accounting policies and changes to accounting estimates;
- (xxiii) to decide on the staffing arrangement, plan on remuneration and performance appraisal of the senior management members;
- (xxiv) to consider the material equity investments, bond investments, acquisition of assets, disposal of assets, write off of assets and external guarantee and other transaction matters in the proprietary business except for those which shall be approved by the general meetings in accordance with the Articles of Association;
- (xxv) to consider the material related party transactions which shall be approved by the Board pursuant to laws, regulations and listing rules of the place where the securities of the Company are listed;
- (xxvi) to consider and approve the matters related to data governance in accordance with the laws, regulations, regulatory provisions and the Articles of Association;
- (xxvii) to determine the development strategies of the Company and oversee their implementation;

- (xxviii) to determine capital plans of the Company and assume ultimate responsibility for capital or solvency management;
- (xxix) to regularly assess and improve corporate governance of the Company;
- (xxx) to safeguard the legitimate interests of financial consumers and other stakeholders;
- (xxxi) to establish a mechanism for identifying, reviewing and managing conflicts of interest between the Company and shareholders, especially substantial shareholders;
- (xxxii) to assume responsibility for the management of shareholders' affairs;
- (xxxiii) **to decide on the Company's significant own funds loan granting business, significant own funds subscription trust plan business and significant actively managed pooled fund trust business;**
- (xxxiv) to exercise other functions and powers conferred by laws, regulations, listing rules of the stock exchange of the place where the shares of the Company are listed, regulatory provisions, the general meetings and the Articles of Association.

Except that the matters set out in sub-paragraphs (v), (vi), (vii), (viii), (ix), (x), (xiii), (xv) and (xxiv) shall require the approval of more than two-thirds of the directors and shall not be voted on by way of written resolution, the adoption of resolutions by the Board on the matters set out in the preceding paragraph shall require the approval by more than half of the directors. The Board shall perform its duties in accordance with the PRC laws, regulations, listing rules of the stock exchange of the place where the shares of the Company are listed, the Articles of Association and resolutions of the general meetings.

The Board of the Company shall explain to the general meeting in respect of auditor's report with a qualified opinion issued by the certified public accountants regarding the financial report of the Company.

Article 138. Special committees including strategies and risk management committee, ~~business decision committee~~, audit committee, trust committee, nomination and remuneration committee and related party transaction control committee are established under the Board.

~~**Article 140.** The business decision committee shall be comprised of at least three members, and the members shall be elected by the Board.~~

~~There shall be a chairman for the committee and such position shall be held by the chairman of the Board. The chairman shall be responsible for taking charge of the work of the committee.~~

Article ~~145~~144. The specific duties and terms of reference of the strategies and risk management committee, ~~business decision committee, audit committee, trust committee, nomination and remuneration committee and related party transaction control committee~~ shall be formulated by the Board.

Article ~~207~~206. The financial statements of the Company shall, ~~in addition to being~~ be prepared in accordance with the **China Accounting Standards for Business Enterprises and the applicable laws and regulations** ~~PRC accounting standards and regulations, be prepared in accordance with either the international accounting standards or the accounting standards of the overseas place where the shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, explanations shall be made in the notes to the financial statements. When the Company is to distribute its after-tax profits for the relevant fiscal year, the lower of the after-tax profits as shown in the two financial statements shall be adopted.~~

Article ~~208~~207. Any interim results or financial information published or disclosed by the Company shall be prepared in accordance with the **China Accounting Standards for Business Enterprises and the applicable laws and regulations** ~~PRC accounting standards and regulations and may also be prepared in accordance with either the international accounting standards or the accounting standards of the overseas place where the shares are listed.~~

APPENDIX IV PROPOSED AMENDMENTS TO THE PROCEDURAL RULES FOR THE BOARD OF DIRECTORS

The Procedural Rules for the Board of Directors is prepared in Chinese and there is no official English version. Any English translations are for informational purposes only. Where there is any inconsistency between the Chinese version and English version, the Chinese version shall prevail.

The proposed amendments to the Procedural Rules for the Board of Directors are as follows:

Article 4 The Board shall be accountable to the general meeting and shall exercise the following powers:

- (i) to convene general meetings and to report its work to the general meeting;
- (ii) to implement the resolutions of the general meeting;
- (iii) to decide on the operation plans and investment plans of the Company;
- (iv) to formulate the annual financial budgets and final accounts of the Company;
- (v) to formulate the profit distribution plans and loss recovery plans of the Company;
- (vi) to formulate proposals for the increase or reduction of the registered capital of the Company;
- (vii) to prepare plans for the material acquisition, or merger, division, dissolution or change of corporate form of the Company;
- (viii) to prepare plans for repurchase of corporate shares arising from the conditions required under items (1) and (2) of Article 30 of the Articles of Association of the Company;
- (ix) to resolve in respect of repurchase of the shares of the Company because of the circumstances under items (3), (5) and (6) of Article 30 of the Articles of Association of the Company;
- (x) to formulate plans for the issuance of corporate bonds, any types of shares, warrants or other marketable securities and listing;
- (xi) to decide on the establishment of internal management departments of the Company and the establishment or revocation of the branches and other sub-branches of the Company;
- (xii) to elect the chairman and vice chairman of the Board of the Company;

**APPENDIX IV PROPOSED AMENDMENTS TO THE PROCEDURAL
RULES FOR THE BOARD OF DIRECTORS**

- (xiii) to appoint or dismiss the general manager of the Company and secretary to the Board pursuant to the nominations by the chairman of the Board of the Company; to appoint or dismiss vice general manager, chief financial officer and other senior management members pursuant to the nominations by the general manager and to decide on their remunerations, incentives and punishments; and to supervise senior management in performing their duties;
- (xiv) to formulate the basic management system of the Company and terms of reference of all special committees under the Board;
- (xv) to prepare plans for amendments to the Articles of Association, Procedural Rules for the General Meeting and Procedural Rules for the Board;
- (xvi) to formulate the share incentive schemes of the Company;
- (xvii) to be responsible for the matters in relation to the information disclosure of the Company and assume ultimate responsibility for the truthfulness, accuracy, completeness and timeliness of accounting and financial reports;
- (xviii) to decide on the establishment of special committees and to elect their members;
- (xix) to decide on the risk management system of the Company which covers risk assessments, financial control, internal audit, money laundering risk management and legal risk control and monitor its implementation; to determine the Company's risk tolerance, risk management and internal control policies, and assume the ultimate responsibility for comprehensive risk management;
- (xx) to propose the appointment or replacement of the accounting firm that provides the Company with auditing services for annual financial statements to the general meeting, and decide on its audit fees;
- (xxi) to listen to the regular or non-regular work reports from the general manager of the Company or the senior management members of the Company appointed by the general manager, and to approve the work reports of the general manager;
- (xxii) to consider and approve the major financial accounting policies and changes to accounting estimates;
- (xxiii) to decide on the staffing arrangement, plan on remuneration and performance appraisal of the senior management members;

APPENDIX IV PROPOSED AMENDMENTS TO THE PROCEDURAL RULES FOR THE BOARD OF DIRECTORS

- (xxiv) to consider the material equity investments, bond investments, acquisition of assets, disposal of assets, write off of assets and external guarantee and other transaction matters in the proprietary business except for those which shall be approved by the general meetings in accordance with the Articles of Association;
- (xxv) to consider the material related party transactions which shall be approved by the Board pursuant to laws, regulations and the Hong Kong Listing Rules;
- (xxvi) to consider and approve the matters related to data governance in accordance with the laws, regulations, regulatory provisions and the Articles of Association;
- (xxvii) to determine the development strategies of the Company and oversee their implementation;
- (xxviii) to determine capital plans of the Company and assume ultimate responsibility for capital or solvency management;
- (xxix) to regularly assess and improve corporate governance of the Company;
- (xxx) to safeguard the legitimate interests of financial consumers and other stakeholders;
- (xxxi) to establish a mechanism for identifying, reviewing and managing conflicts of interest between the Company and shareholders, especially substantial shareholders;
- (xxxii) to assume responsibility for the management of shareholders' affairs;
- (xxxiii) **to decide on the Company's significant own funds loan granting business, significant own funds subscription trust plan business and significant actively managed pooled fund trust business;**
- (xxxiv) to exercise other functions and powers conferred by laws, regulations, the Hong Kong Listing Rules, regulatory provisions, the general meetings and the Articles of Association, including but not limited to:
- (1) to formulate and check the policies and practice of corporate governance, and propose recommendations on the Board;
 - (2) to check and monitor the training of directors and senior management personnel and sustainable professional development;
 - (3) to check and monitor the policies and practice in respect of the compliance of requirements of laws and regulations of the Company;

**APPENDIX IV PROPOSED AMENDMENTS TO THE PROCEDURAL
RULES FOR THE BOARD OF DIRECTORS**

- (4) to formulate, check and monitor the code of conduct and compliance manual (if any) of employees and directors;

- (5) to check the compliance of Corporate Governance Code and the disclosures in the Corporate Governance Report of the Company.

Article 18 Strategies and Risk Management Committee, ~~Business Decision Committee~~, Audit Committee, Trust Committee, Nomination Committee, and Remuneration and Related Party Transaction Control Committee are established under the Board as required. Each special committee is accountable to the Board. Directors who serve as the chairman of Strategies and Risk Management Committee and Audit Committee shall work at the Company no less than 25 working days annually.

RECOVERY PLAN OF SHANDONG INTERNATIONAL TRUST CO., LTD.

Note: Pursuant to the Interim Measures for the Implementation of Recovery and Disposal Plans of Banking and Insurance Institutions (Yin Bao Jian Fa [2021] No. 16) (《銀行保險機構恢復和處置計劃實施暫行辦法》) and relevant regulatory requirements, Shandong International Trust Co., Ltd (hereinafter referred to as the “**Company**” or “**SITC**”) revised the Recovery and Disposal Plan of SITC (approved at the 2018 second extraordinary general meeting of SITC), formulated the Recovery Plan of Shandong International Trust Co., Ltd. (hereinafter referred to as the “**Recovery Plan**” or the “**Plan**”, approved at the 2022 first extraordinary general meeting of SITC) and the Recommendations on Disposal Plan of Shandong International Trust Co., Ltd. (approved at the 2022 first extraordinary general meeting of SITC). The Recovery Plan is formulated in advance by the Company and approved by the CBIRC and its local office. When the Recovery Plan is triggered, the Company mainly addresses the shortage of capital and liquidity through market-oriented channels such as its own and shareholders’ subsidies, so as to restore its sustainable operating capacity in accordance with the relevant arrangements of this plan. The Recovery Plan is the Company’s action guidance in crisis scenarios, but does not rule out the possibility of the implementation of other recovery measures in crisis scenarios.

1. SUMMARY**1.1 Institutional Condition***1.1.1 Business condition*

Shandong International Trust Co., Ltd. (hereinafter referred to as “**SITC**” or the “**Company**”) was established as a non-banking financial institution in 1987, with the approval of the People’s Bank of China and the People’s Government of Shandong Province, and is currently a director of China Trustee Association. The de facto controller of SITC is the People’s Government of Shandong Province, and Shandong Lucion Investment Holdings Group Co., Ltd., the controlling shareholder, is an important main body of investment and financing and assets management platform in Shandong Province. In December 2017, SITC was listed on the H-share main board in Hong Kong (Stock Code: 1697.HK), being the first domestic trust company listed on international capital market.

Since establishment, SITC has always adhered to the position of trustee, adhered to the general work tone of “making progress and improving quality while maintaining stability”, constantly optimised the structure of modern corporate governance, served economic and social development by utilising various financial instruments, promoted effective interconnection between monetary market, capital market with industrial market, established three business divisions, namely capital market business division, wealth management business division, and family trust business division. SITC has established six regional business centres, namely business centres directly under the Company, in the Northern China, Eastern China, Southern China, Western China and Central China, and established the development pattern of “taking root in Shandong, spreading to the whole country and establishing presence across the globe”. As at the end of 2022, consolidated assets of the Company amounted to RMB14.458 billion with liabilities of RMB3.528 billion. In 2022, the operating income of the year amounted to RMB1.445 billion with the total consolidated profit of RMB591 million.

1.1.2 Organisational Structure

1.1.2.1 Corporate governance structure

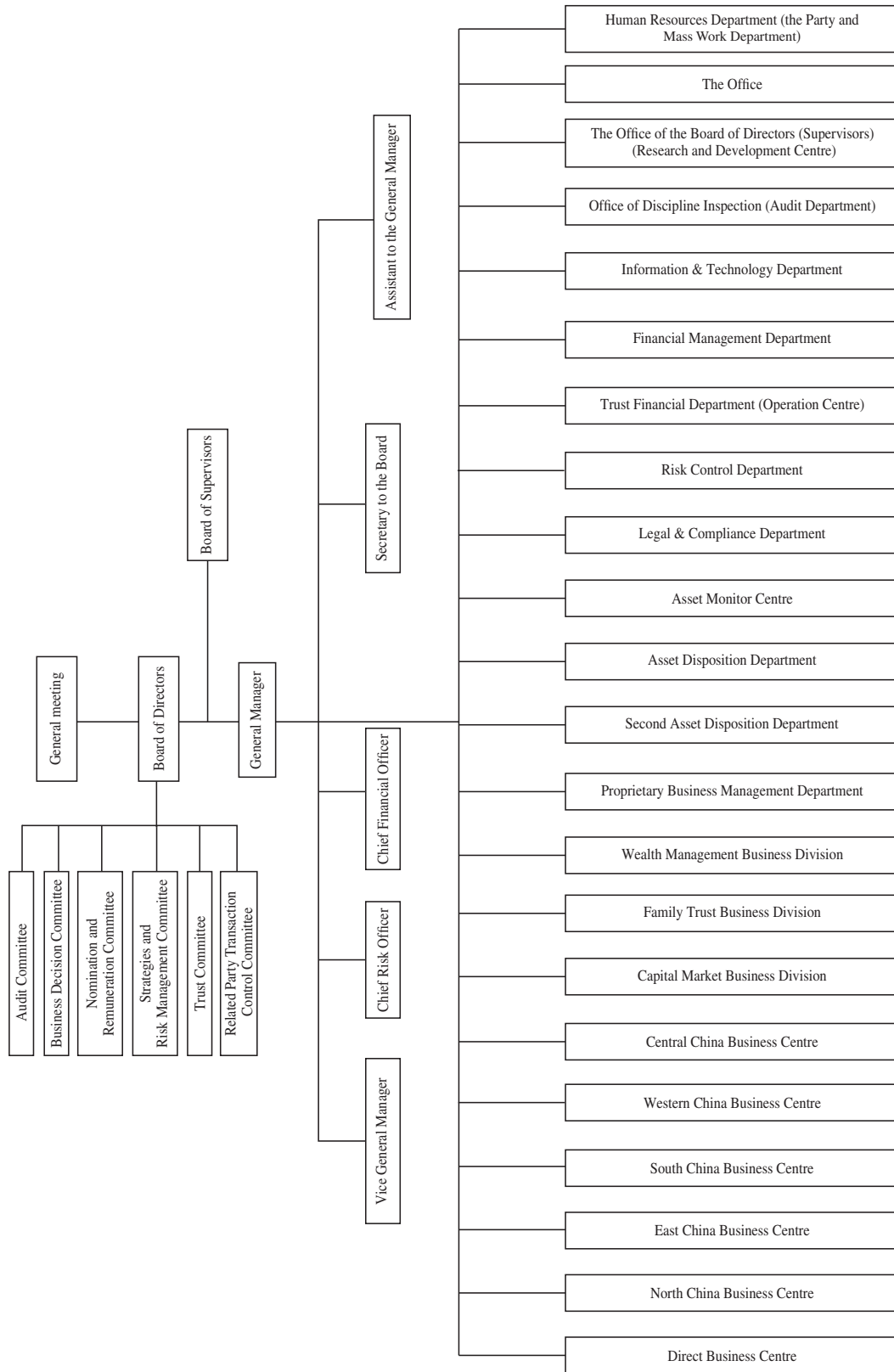
In accordance with the requirements of domestic and overseas regulations, the Company continues to strengthen corporate governance, establishing a corporate governance structure with clear powers and responsibilities of the general meeting, the Board of Directors, the Board of Supervisors and management, without excess or insufficiency or inaccuracy at all management levels to ensure professional corporate governance, and scientific and efficient decision-making.

The Company clearly classifies the responsibilities among the Shareholders' general meeting, the Board of Directors, the Board of Supervisors and senior management. The general meeting of the Company consisting of all Shareholders is the organ of authority of the Company. The Board of Directors is accountable to the general meeting, and is an operating decision-making authority of the Company. The Board of Directors is currently comprised of eight Directors, which meets the requirements on corporate governance under domestic and overseas regulations. The Directors have a diversity of professional backgrounds and offers greater complementarity. Six special committees including strategies and risk management committee, business decision committee, audit committee, trust committee, nomination and remuneration committee and related party transaction control committee are established under the Board of Directors. The special committee operates under the leadership of the Board of Directors and provides professional advice on the scientific decision-making of the Board of Directors. The Board of Supervisors shall be comprised of nine supervisors, accountable to the general meeting, and responsible for supervising the financial and operating situation of the Company in accordance with the laws, and supervising the performance of the duties of directors, supervisors and senior management personnel. The senior management of the Company shall be responsible for implementing the resolutions of the Board of Directors and the daily operation and management of the Company, and reporting to the Board of Directors and the Board of Supervisors regularly.

The shareholding structure of SITC is as follow:

Name of Shareholder	Number of Shares (share)	Shareholding	Nature of Shares
Shandong Lucion Investment Holdings Group Co., Ltd.	2,242,202,580	48.13%	Domestic shares (non-circulating share)
CNPC Assets Management Co., Ltd.	873,528,750	18.75%	
Shandong High-Tech Venture Capital Co., Ltd.	225,000,000	4.83%	
Shandong Gold Group Co., Ltd.	80,073,468	1.72%	
Weifang Investment Group Co., Ltd.	60,055,101	1.29%	
Jinan Energy Investment Co., Ltd.	13,255,101	0.28%	
Jinan Finance Holding Group Co., Ltd.	252,765,000	5.43%	H shares (circulating share)
Other H Share public Shareholders	911,970,000	19.57%	
Total	4,658,850,000	100.00%	

1.1.2.2 Organisational structure



1.1.2.3 Major branches and subsidiaries

As at 31 December 2022, the Company's long-term equity investments were as follows:

No.	Name of investment enterprise	Shareholding	Book value (RMB)
1	Sinotruk Auto Finance Co., Ltd.	6.52%	218,078,660.68
2	Dezhou Bank Co., Ltd.	2.37%	122,823,350.45
3	Taishan Property & Casualty Insurance Co., Ltd. (“ Taishan Property & Casualty ”)	7.40%	171,033,112.06
4	Anhui Luxin Equity Investment Fund Management Co., Ltd.	25.00%	3,767,632.67
5	Huangshi Liangsheng Real Estate Development Co., Ltd.	28.00%	152,320,000.00
6	Nanyang Zhongliang Chengtong Real Estate Co., Ltd.	20.00%	60,104,224.00
7	Yunnan Hongshan City Investment Co., Ltd.	15.00%	49,571,500.00
8	Weifang Hengru Real Estate Co., Ltd.	15.00%	27,823,600.00
9	Nanyang Liangheng Real Estate Co., Ltd.	49.00%	97,585,100.00
	Total		903,107,179.86

2. RECOVERY PLAN GOVERNANCE STRUCTURE

2.1 Division of responsibility

- (1) The Recovery Plan shall be subject to the approval of the general meeting, and the substantial shareholders shall assume responsibilities of the substantial shareholders in accordance with the laws and regulations, the Articles of Association and the Recovery Plan.
- (2) The Board of Directors of the Company is the highest leading body in formulating, approving, updating and implementing the Recovery Plan, and shall bear the ultimate responsibility for the effectiveness of the Recovery Plan and the formulation and updating of the recommendations on the Recovery Plan. The Board of Directors is responsible for planning, examining and approving the recovery plan mechanism; assessing, confirming and announcing risks whose alert levels reach a certain threshold; decision-making in relation to the recovery measures and specific proposals adopted, and authorising the Company's task force for execution. The strategies and risk management committee of the Board of Directors is responsible for the specific management of the Company's Recovery Plan.

- (3) The Board of Supervisors is responsible for supervising the performance of their respective duties by the Board of Directors and senior management, and reporting to the general meeting and regulatory authorities on the diligence and due diligence of the Board of Directors and senior management.
- (4) The senior management shall be responsible for formulating, maintaining and, if necessary, implementing the Recovery Plan. The senior management shall be responsible for evaluating the continuing applicability of the Recovery Plan annually, regularly updating the Recovery Plan based on the actual operations and risk exposure of the Company and reported to the regulatory authorities for approval. The Recovery Plan shall be updated at least once a year. If the regulatory authorities consider that the Company's Recovery Plan cannot adapt to the development needs or regulatory requirements, the Company shall also update the same in a timely manner in accordance with the requirements of the regulatory authorities.
- (5) The Company's human resources department, the office of the Board of Directors, the financial management department, the risk control department, the compliance and legal department and other relevant departments shall be responsible for drafting the corresponding content of the Recovery Plan according to the division of responsibilities, and regularly put forward revisions according to the actual situation of the Company.
- (6) The formulation and revision of the Recovery Plan shall be submitted to the general meeting of the Company, the Party Committee and the Board of Directors for study and consideration, and shall take effect after being submitted to the general meeting for approval.
- (7) The People's Government of Shandong Province is the de facto controller of SITC, and Shandong Provincial Department of Finance performs the duties of investor to Shandong Lucion Investment Holdings Group Co., Ltd., the controlling shareholder of SITC. Two directors of the Board of Directors of SITC is nominated by Lucion Group. Lucion Group exercises shareholders power through the general meeting, the Board of Directors and relevant requirements of state-owned enterprise management. The formulation and implementation of the Recovery Plan shall be reported to and communicated with Shandong Provincial Financial Regulatory Bureau, Shandong Provincial Department of Finance and other relevant competent authorities via Lucion Group in a timely manner.

2.2 Management Mechanism

2.2.1 Target of the Recovery Plan

The Company focuses on the Disposal Plan for business risks and capital losses in order to ensure that when the crisis comes, the Company can, in accordance with the established Recovery Plan, rely on its own and shareholder subsidies and other channels to ensure that all parties involved in the Recovery Plan fulfil their responsibilities and respond quickly, alleviate the negative spillovers of disorderly response, reduce rescue costs, and minimise the adverse impact on investors and financial stability so as to resume the normal operation of the Company in a relatively short period of time.

2.2.2 Activation and execution of mechanism

- (1) The Company has set up a task force for emergency response to risk incidents; it is responsible for specific organisation and implementation of the Company's Recovery Plan. The team is led by the chairman of the Company who is then in charge of the Recovery Plan; the general manager of the Company acts as the deputy leader, being the specific person-in-charge of the Recovery Plan; the members comprise senior management and the heads of the relevant departments of the Company responsible for the implementation of the Recovery Plan. The team has set up an office, carrying out its daily office work at the risk control department. The CFO of the risk control department concurrently serves as the director of the office of the team.
- (2) When the circumstances that trigger off the Recovery Plan take place, the risk control department of the Company and the relevant departments shall immediately report the relevant circumstances to the task force for emergency response.
- (3) The team will review on the risk incident submitted by the risk control department and report to the strategies and risk management committee of the Board of Directors for consideration to study and implement the Recovery Plan, and report the Board of Directors for deliberation.
- (4) Regulators may also recommend or require trust companies to implement the Recovery Plan based on the actual risk situations or out of prudential regulatory considerations. Under such circumstances, the strategies and risk management committee of the Board of Directors shall, as soon as possible, apply for the activation of the implementation of the Recovery Plan according to the requirements of the regulatory authorities, and report to the regulatory authorities for filing after the consideration of the Board of Directors.
- (5) After the activation of the Recovery Plan, the implementation will be carried out in an orderly manner in accordance with the recovery measures listed in the plan.

2.2.3 Termination mechanism

After 90 days after the early warning of the Recovery Plan is lifted, the Recovery Plan shall be terminated with the application of the task force for emergency response and the approval of the strategies and risk management committee of the Board of Directors, and report to the Board of Directors and regulatory authorities.

2.3 Accountability Mechanism

If the Company activates the Recovery Plan due to the ineffective performance of the relevant personnel of the Company, and if the relevant personnel fail to implement the Recovery Plan, the Company shall hold the relevant responsible personnel accountable in accordance with the relevant provisions, and the specific accountability mechanism is as follows:

- (1) **Accountability Objects:** the division of the relevant responsible person who lead to the ineffectiveness of the activation and implementation of the Recovery Plan shall be the direct responsibility born by the personnel who is within the scope of direct work responsibilities; the responsible person in charge of the department shall bear the management responsibility; the business directors or leaders in charge who fails to perform or fail to effectively perform their management responsibilities, resulting in the failure of internal control in the relevant points shall bear the responsibility of leadership; personnel who fails to perform or effectively perform the duties of supervision and inspection shall bear the responsibility of supervision if they should have found but fail to find and report mistakes in a timely manner.
- (2) **Accountability methods:** they include disciplinary decision (warning, demerit, major demerit, demotion, dismissal, retaining for examination of actions, dismissal, etc.), economic treatment (deduction of performance pay, performance commission, bonus, reduction of salary level, compensation for economic losses, performance pay recourse and deduction etc.) and other treatment methods (suspension of duties for investigation, removal from positions, proposed dismissal, etc.), the above accountability methods can be used alone or in combination.
- (3) **Accountability degree:** If it causes the Company to activate the Recovery Plan, the circumstance is severe or particularly severe.
- (4) **Accountability procedure:** The Company forms an accountability leading group, with the chairman as the group leader and the general manager as the deputy leader. The chairman of the Board of Supervisors, the secretary of the commission for discipline inspection, the chief risk officer and the head of the office of the commission for discipline inspection (audit department), the compliance and legal department, risk control department, financial management department and human resources department are members of the group.

In the stage of recovery of the Company, the accountability work leading group confirms the start of accountability. The audit department shall take the lead in organising the investigation and collection of evidence in accordance with the opinions of the Proposal Letter on Activating the Accountability Process, and all departments shall coordinate with the group in the process of investigation and collection. Among them, the leader of the general internal accountability investigation and evidence collection team is the head of the audit department, and the leader of the case accountability investigation and evidence collection team is the main responsible person of the Company. The investigation and evidence collection team shall submit the preliminary conclusions and investigation and evidence collection materials to the accountability leading group for consideration on the basis of responsibility identification, and after the examination and approval, the consideration and approval of the general manager office and the party committee, the audit department shall make a written notice to the responsible person and his department. If the responsible person involves senior management of the Company, it should be reported to the Board of Directors for approval. The office of the commission for discipline inspection, the human resources department, the office of the Board of Directors, the financial management department shall coordinate together to complete the execution of the penalty decision.

3. KEY FUNCTIONS, CORE BUSINESS AND IMPORTANT ENTITY IDENTIFICATION

Identifying key functions, key shared service, core business lines and important entities play an important role in defining key business of trust companies, formulating appropriate recovery measures and disposal strategies, ensuring operational continuity, reducing the impact of recovery or disposal measures on the market, and effectively protecting the legitimate rights and interests of financial consumers.

3.1 Key Functions

The key functions of the Company are trust business and proprietary business. Trust business refers to the business behaviour of trust companies to undertake trust and deal with trust matters as trustee for the purpose of business and remuneration in accordance with the laws and regulations including The Trust Law of the People's Republic of China and Measures for the Administration of Trust Companies. The proprietary business is the business in which the trust companies utilise the capital, such as activate the Recovery Plan, and the key function of the proprietary business is to maintain the Company's liquidity.

3.2 Key Shared Services

The key shared services of the Company are shared services of trust companies include services related to trust business and proprietary business and services related to operation. Trust business related services include risk management and valuation, transaction and assets management, accounting treatment, etc.; operation related services include human resources support, information technology, transaction processing, legal and compliance services, etc.

3.3 Core Business Lines

The core business lines of the Company are proprietary business and trust business.

Trust companies may engage in the business under the proprietary business such as deposits at banks and other financial institutions, placements with and loans to banks and other financial institutions, loans, leasing, and investment, etc. Investment business is limited to equity investments in financial institutions, investments in financial products and investments in fixed assets for self-use. For example, activating the Recovery Plan, the proprietary core business is the utilisation of the capital, loans to external parties, etc., to deal with all kinds of risk events, and to maintain the Company's continuous operation and reasonable liquidity.

Trust business is divided into financing business, investment business and administrative management business. As at the end of 2022, the structure of corporate trust business and the income structure of trust business are shown in the following table:

Trust business type	Trust business scale		Trust business income	
	Amount (RMB100 million)	Percentage (%)	Amount (RMB100 million)	Percentage (%)
Financing	472.14	22.54	5.65	57.07
Investment	634.71	30.30	1.28	12.93
Administrative management	987.92	47.16	2.97	30.00
Total	2,094.77	100.00	9.90	100.00

Note: The disclosed "trust business scale" in the above table does not include the scale of the insurance trusts (basic insurance amount basis) managed by the Company as at the corresponding date, which amounted to RMB5.923 billion.

Specifically, the trust business of the Company includes the following types:

- (1) Real estate trusts. Real estate trusts refers to the business in which the trustor entrusts his legally owned funds to the Company based on his trust in the Company, and the Company invests the funds in real estate enterprises or real estate projects and carries out management, application and disposal in his own name according to the wishes of the trustor. The models of real estate trust business mainly include loan financing, equity investment, and innovative business models such as real estate investment trust (REITs), etc.
- (2) Capital market trusts. Capital market trusts business is the business that the Company invests the legally raised trust funds directly or indirectly in the securities publicly issued according to the law and provides entrusted services for securities investment and securities issuance. The investment scope of capital market business usually includes: stocks listed and traded on stock exchanges, public securities investment funds, private securities investment funds, financial derivatives,

corporate bonds, treasury bonds, convertible corporate bonds, asset-backed securities, treasury reverse repurchase, bank deposits and other varieties allowed by regulatory authorities. In terms of business model, there are two main business models: (1) actively-managed: directly invests the trust funds into stocks, bonds, public funds and other securities, or indirectly invests through the establishment of TOF and MOM. The Company is specifically responsible for the whole process core work such as the construction, research, trading, liquidation and valuation of the product pool; (2) administrative management: the Company invests the trust funds in the capital market trading varieties according to the investment suggestions of the investment consultant (such as the manager of private securities funds) designated by the trustor or selected by the Company. The Company provides investment consultants with trust services including account opening, property custody, trading, executive supervision, liquidation, valuation, equity registration, interest distribution, information disclosure, performance attribution and contract custody.

- (3) Industrial and commercial enterprise trusts. Industrial and commercial enterprises trusts refer to the business that the Company, as the trustee, accepts the trust property of the trustor in the form of single or collective trust, and applies the trust capitals to industrial and commercial enterprises such as production, service and trade enterprises according to the wishes of the trustor to manage, apply and dispose of the trust property. Industrial and commercial enterprises trust can solve the capital needs of enterprises in the process of operation, such as liquidity capital needs, M&A capital needs, etc. Industrial and commercial enterprises trust is an important business for the Company to comply with the guidance of national policies and guide social funds to invest in the real economy and to meet the capital needs of enterprises through equity, creditor's rights, stock debt linkage, industrial funds and other ways.
- (4) Infrastructure trusts. Infrastructure trusts refer to a business in which the Company, as a trustee, accepts the trustor's funds in the form of single or collective trust, and uses the trust funds for infrastructure projects such as transportation, communication, energy, municipal administration and environmental protection, and carries out management, application or disposal. In the actual business process, the infrastructure trusts mainly include electric power, water conservancy, road traffic, municipal engineering, etc. The Company can provide financial support for infrastructure projects through loans, account receivables and asset securitisation. Infrastructure trust usually takes business operation income and government financial investment as repayment sources.
- (5) Consumer finance trusts. Consumer financial trusts refer to the financial products and services provided by the Company to meet the consumption needs of different customer groups in society, which mainly focus on consumer credit. Specifically, it mainly refers to consumer loans or instalment services provided by the Company in cooperation with commercial banks, consumer finance companies, auto finance companies and other institutions. Compared with the trust business serving

enterprises, consumer financial trust mainly serves natural persons and belongs to the scope of inclusive financial business. The consumer finance trusts developed by the Company is mainly a “loan assistance” model, that is, the Company entrusts consumer financial service institutions to obtain customers, and the Company issues consumer loans to customers after independent review. In this model, the Company directly signs a personal consumption trust loan contract with the borrower, and the consumer financial service institution, as the service institution engaged by the trust company, on the one hand recommends the borrower to the trust company, and on the other hand assists the trust company in loan management.

- (6) Family trusts. Family trusts refer to the trust business in which the Company accepts the entrustment of a single person or family, with the protection, inheritance and management of family wealth as the main trust purpose, and provides customised affairs management and financial services such as property planning, risk isolation, asset allocation, children’s education, family governance, public welfare (charity) undertakings, etc. The core function of family trust is to serve the trustor’s family interests and pursue the realisation of family goals, i.e. to maintain the security of family property, protect the needs of family members, inherit family businesses and protect family privacy through the management and application of family property; in addition, it can also serve family children’s education, family governance, family charity and many other family affairs.

The family trusts are not only an important form for the Company to return to its origin, but also the strategic direction that SITC adheres to and focuses on. The Company continues to promote business model innovation, research and development and landed the equity family trust, insurance trust, family charity trust, foreign beneficiaries trust and other innovative services as well as other mature business models to meet the personalised, diversified and customised service needs of customers.

- (7) Charitable/charities trusts. Charities trusts belong to public interest trust, which refers to the business that the trustor entrusts his property to the Company according to the law for charitable purposes according to the wishes of the trustor, and carries out charitable activities. The service areas of charitable trust mainly include poverty alleviation, poverty relief, supporting the elderly, rescuing orphans, rescuing from natural disasters, accident and public health events. The state has always encouraged and supported the development of charitable trusts, and has provided many policy supports in venture capital withdrawal, Trust Industry Protection Fund subscription, etc. The Company has actively carried out charities trust and has initiated the establishment of a business model of collaborative linkage with family trust.

- (8) Service trusts. Service trusts refer to the professional trust services such as wealth planning, custody, bankruptcy isolation and risk disposal which are entrusted by the trustors according to the legal relationships and are tailored by the trust company to meet the needs of trustors. The Company's service trusts include wealth management service trusts, asset securitisation trust and pre-paid fund service trusts.

3.4 Important Entity

The important entities of the Company include: the trust company itself. The trust company has no branches, SITC has no holding subsidiaries, and the trust business is carried out by the trust company headquarters, so the important entity is the trust company itself. As at 31 December 2022, the Company held a total of nine long-term equity investment enterprises, with a total book value of RMB903,107,179.86 (please refer to 1.1.2.3 Major branches and subsidiaries for details).

4. TRIGGER MECHANISM OF THE RECOVERY PLAN

4.1 Trigger Indicators

The Company's Recovery Plan sets early warning indicators and trigger indicators, and the Recovery Plan will be activated when the following circumstances reach the trigger value:

1. Circumstance 1

Early-warning value: the results of the mild liquidity stress tests (Under the circumstance of mild pressure, consider the cash flow gap after mitigating risks of the first-tier assets) reach *30% of the Company's net capital on the test base date.

Trigger value: the results of the mild liquidity stress tests (Under the circumstance of mild pressure, consider the cash flow gap after mitigating risks of the first-tier assets) reach *50% of the Company's net capital on the test base date.

2. Circumstance 2

Early-warning value: the ratio of net capital to total risk-based capital at less than 110%, or the ratio of net capital to net asset at less than 50%;

Trigger value: the ratio of net capital to total risk-based capital at no less than 100%, or the ratio of net capital to net asset at less than 40%.

4.2 Trigger Mechanism

The Company conducts liquidity stress tests quarterly, formulates and gradually improves risk appetite and risk monitoring indicators system, and monitors relevant capital indicators and liquidity indicators on a monthly/quarterly basis. The stress tests shall include the

inflow/outflow of cash within six months, and measure the net capital. If the above early-warning value is triggered, the Company's financial management department and risk control department will report to the Company's task force for emergency response. If the monitoring indicators reach the trigger value, the Company's financial management department and risk control department shall, on the basis of the report, formulate the liquidity risk emergency plan in accordance with the requirements of the Recovery Plan, and report to the Company's task force for emergency response to risk incidents for consideration, timely report the relevant situation to the strategies and risk management committee of the Board of Directors for study, and report to the Board of Directors for consideration. The Company shall report to the CBIRC and its local offices within 24 hours after the approval and implementation in accordance with relevant regulations.

5. RECOVERY MEASURES

5.1 Summary of Recovery Measures

5.1.1 *Incentive remuneration deferral system*

- (1) Remuneration structure of employees: basis remuneration + incentive remuneration (performance remuneration).

- a) Basis remuneration

Basic remuneration is the basic salary paid to guarantee the employee's basic living standard, the amount of which shall be determined by the employee's job responsibilities, level of contribution, years of work experience, etc.

- b) Incentive remuneration

Incentive remuneration is an incentive income that is linked with the Company's operational performance and is distributed in the form of performance remuneration. The distribution and assessment of employees' incentive remuneration shall be implemented in strict compliance with the assessment method of remuneration distribution of the Company and shall always adhere to the principle of "the more efforts are given, the more results are obtained, and the better the performance, the higher the reward".

- (2) Assessment method for the distribution of incentive remuneration in the recovery stage

- a) Increase the proportion of incentive remuneration deferred payment

In the recovery stage, the Company will increase the proportion of incentive remuneration deferred payment. In general, the proportion of the performance remuneration deferred payment of the main senior management should be higher

than 50%, and 40% of the performance remuneration of employees who have a significant influence over risks shall be deferred payment. In the recovery stage, the proportion of deferred payment of incentive remuneration for senior management will increase to no less than 60%, and the proportion of deferred payment for performance remuneration in the business department that has a significant influence on risks will be increased to no less than 50%.

Before the deferred remuneration is paid, In the event of an improper performance of duties or other misconduct, any distribution of deferred payment to the relevant personnel shall be ceased immediately. If it is necessary to recourse and deduction, the performance remuneration can be retroactively deducted.

b) Other events

The Company shall have the right to adjust and update the description of deferred payment system (such as time and proportion of payment) in accordance with the requirements of regulatory authorities.

(3) Life-long Accountability for Projects

Where risks arise in execution of projects or violations of rules and regulations arise, causing losses to the Company, the Company shall, depending on the degree of losses or negative impacts caused, impose penalties on the responsible person of such risk-taking projects in accordance with the relevant requirements of the Company.

(4) The Board of Directors and the senior management shall perform their respective duties according to their terms of reference. The Board of Directors shall determine the remuneration proposal and the performance assessment proposal of senior management of the Company. The senior management shall arrange for assessment and evaluation of employees in accordance with the laws and regulations as well as the management system of the Company, and shall determine remuneration, rewards and penalties, etc.

5.1.2 Profit distribution restriction mechanism

- (1) The Company's profits after tax shall be distributed in the following order of priority:
 - a) offsetting the losses in the preceding year;
 - b) allocating 10% of such profits to the statutory reserve fund; no further contribution to the Company's statutory reserve fund is required when the aggregate balance in the statutory reserve fund has exceeded 50% of the Company's registered capital;
 - c) allocating 5% (or higher as approved by the Board of Directors) of such profits to the trust compensation reserve fund; no further contribution to the trust compensation reserve fund is required when the aggregate balance in the trust compensation reserve fund has reached 20% of the Company's registered capital;
 - d) allocating such profits to the discretionary reserve fund in accordance with the resolutions of the general meeting;

After recovery of losses and allocation of profits to the reserve fund, the Company may distribute its profits after tax to the shareholders in proportion to their shareholdings, except for those which shall not be distributed in such manner as provided by the Articles of Association.

Any distribution of the Company's profits to any shareholder before recovery of losses and appropriation of the reserve fund by the general meeting in violation of the above requirements shall forthwith be returned by the shareholders to the Company.

No profit shall be distributed in respect of the shares which are held by the Company.

For more information on the principle of profit distribution of the Company, please refer to Article 216 to Article 218 under the Articles of Association.

- (2) The Shareholders applicable to profit distribution restriction mechanism are the substantial Shareholders defined in the Interim Measures for Equity Management of Trust Companies (《信託公司股權管理暫行辦法》), namely, those shareholders holding or controlling over 5% of the shares or voting rights of the trust companies, or holding less than 5% of the total capital or the total shares but have a significant influence on the operation and management of the trust companies. The term "significant influence" referred to in the preceding paragraph includes but is not limited to delegating directors, supervisors or senior management to the trust

companies, affecting the financial and operational decisions of the trust companies by entering into agreements or by other means, and other circumstances identified by the banking regulatory and administrative authorities under the State Council or their local offices.

- (3) When there is critical risks and the trigger indicators reach the early-warning value, the Company may hold off the profit distribution in order to enhance the Company's ability to withstand risks. The Company may also take into account the business operation and the actual situation of transformation development, propose to reduce or hold off the profit distribution for the purpose of safeguarding the long-term interests of all Shareholders. The regulatory authorities may also recommend or require the Company to reduce or hold off the profit distribution according to the actual risks situation or subject to prudent regulatory consideration.

5.1.3 Liquidity support provided by substantial shareholders

When there is liquidity risk, substantial shareholders of the Company are required to provide the necessary liquidity support. If the Company's operating losses erode its capital, it shall be deducted in full in net capital, and the business scale shall be reduced accordingly. When circumstances of a shortage of capital or affecting the sound operation of the Company occur, the substantial Shareholders shall fulfil their undertaking and replenish capital to the trust companies through capital increase. If the undertaking cannot be fulfilled, other shareholders or qualified investors shall be allowed to adopt reasonable plans to increase capital.

5.1.4 Business carve-out and recovery

- (1) The business risks faced by the company are divided into inherent business risks and trust business risks, including but not limited to: credit risk, market risk, operational risk, liquidity risk, fiduciary liability risk, reputation risk, etc. For the above possible risks, the Company establishes a comprehensive risk management system and a comprehensive risk management process, and formulates corresponding risk management strategies according to the nature and characteristics of various risks on the basis of the identification, assessment and monitoring of various risks.
- (2) In case of risks in the trust project, the Company shall, based on the principle of maximizing the interests of the beneficiaries, carry out risk disposal according to the specific conditions of the project, including but not limited to the following measures:
 - a) Communication with counterparties

Specific measures: To urge counterparties to formulate repayment options; to declare advance maturity of the debt and take measures, such as litigation and preservation, so as to dispose of collaterals and pledge in a timely manner, and request the guarantor to undertake the guarantee obligations.

Implementation approaches: The Company monitors the operating performance of the counterparties by way of physical and non-physical presence on a daily basis. When the repayment capabilities of the counterparties decline, the Company urges the counterparties to formulate repayment options in the first instance, including requiring the counterparties to sell assets, refinance or provision of liquidity support by related parties, and the Company deploys of personnel for off-site supervision if necessary; If the business of the counterparties continues to deteriorate, the Company will declare advance maturity of the debt in the first instance and send full-time professional personnel to settle and collect the creditors' rights, and at the same time take measures, such as litigation and preservation, to dispose of value of collaterals and/or pledges in a timely manner and request the guarantor to undertake its guarantee obligation, etc.

b) Introduction of external funds

Specific measures: credit insurance fund support, shareholder support, issuance of preferred shares, etc.

Implementation approaches: On the basis of strengthening the risk identification, the Company arranges the trust projects that are not expected to be paid normally upon maturity in advance, formulates plans, and actively gains the external financial support to secure that no liquidity risk occurs.

c) Transfer of assets to third parties

Specific measures: actively dispose of the property under the trust plan through market-oriented methods, and actively accelerate the disposal progress of non-performing assets by means of overall transfer of debts.

Implementation approaches: The Company will actively connect the third-party institutions to promote the transfer of creditor's rights after the trust projects has substantial risks. On the one hand, the Company will do better in the management and control of collateral assets under the trust projects in the first instance through the preliminary communication with counterparties, so as to provide effective ways for the transfer of creditor's rights. On the other hand, the Company simultaneously strengthened risk identification, timely summarised and reported, maintained communication with shareholders, regulatory authorities and relevant government departments, and gained external supports for the transfer of creditor's rights.

d) Do well in monitoring public opinion and comforting investors

Specific measures: setting up a task force, paying close attention to public opinion, unifying the responses' standard, strengthening positive guidance, and strengthening security and comforting.

Implementation approaches: After the emergence of public opinion on counterparties, the Company set up a task force for public opinion and stability maintenance at the first time, clarified the division of responsibilities, conduct “7 * 24-hour” monitoring of relevant public opinion through a combination of self-organisation and hiring professional institutions, and reported the monitored public opinion to the supervisory and superior units in a timely manner. Make it clear that the press spokesman is the only external channel of expression. All employees shall not be interviewed by the media without authorisation, and shall not publish information related to the Company’s projects on Weibo, WeChat or other platforms without authorisation. Pay close attention to the trend of investors, do well in reception and communication for visitors, fully mobilise resources, enhance security forces, and establish communication mechanisms to ease the pressure of letters and visits.

- e) Task force system to control key risk disposal and resolution work

Specific measures: Establish a task force for risk disposal and resolution, refine the division of labour and manage the responsibilities, and control key risk disposal and resolution work.

Implementation approaches: The Company will hold a task force meeting on risk disposal and resolution, focusing on the task of key risk disposal and resolution work and the division of labour, keeping an eye on the time node, refining the division of labour and managing the responsibilities. According to the “timetable” and “roadmap” formulated by the task force meeting, the Company will spare no effort to carry them out, promote the risk disposal and resolution work with quality and quantity, and control the key risk disposal and resolution work throughout the process.

- (3) If the Company’s proprietary business investment has significant risks or significant losses, or if the risk of default occurs in a concentration of trust projects and may cause the Company to assume significant fiduciary liability, and the Company’s own risk mitigation means fail to effectively mitigate the risks, and the accumulated risks are sufficient to affect the Company’s continuous operations, in order to restore the Company’s overall operating capacity as soon as possible, the Company may take a combination of recovery measures including but not limited to the following:

- a) Maintain high liquidity of inherent funds

Specific measures: Adhere to the core of safety and liquidity, and the inherent funds are mainly invested in high liquidity assets in principle.

Implementation approaches: Prior to the resolution of the Company’s major risk projects, in order to deal with liquidity risk, the Company invested its inherent funds in highly liquid assets in strict accordance with the requirements.

b) Sale or disposal of assets

Specific measures: Transfer of high-quality assets, transfer of trust beneficiary rights, transfer of trust creditor's rights, etc.

Implementation approaches: To effectively respond to liquidity risk, the Company will, on the basis of a comprehensive risk identification, dispose of the relevant assets for approval at appropriate time.

c) Business carve-out

Specific measures: Strict separation of trust property from proprietary assets.

Implementation approaches: After the payment risk of risk projects occurs, according to the requirements of the New Regulations on Asset Management, the risk control shall be strictly implemented, the trust property shall be strictly separated from the proprietary assets, the fiduciary duties shall be performed in accordance with the contract, and the transmission path of off-balance-sheet risks to on-balance-sheet risks shall be blocked.

5.2 Analysis of the Recovery Measures

5.2.1 Analysis of the incentive remuneration deferral system

The Company has established the incentive remuneration deferral system and the performance pay recourse and deduction mechanism. In the recovery stage, the proportion of the incentive remuneration deferral were appropriately increased to align remuneration incentives with the Company's operations and changes in risk. By increasing the proportion of the incentive remuneration deferral, the Company is able to use remuneration as a guide for our staff to develop an awareness of risk prevention and control in the daily work.

5.2.2 Analysis of the profit distribution restriction mechanism

The application of the profit distribution restriction mechanism will effectively achieve capital replenishment when the Company is at serious risk. According to the stage of the risk of the Company, the proportion of dividends should be reduced until dividends are stopped, which can obtain the support and help of shareholders and replenish capital in a timely and effective manner. The implementation of this measure requires good communication and explanation with substantial shareholders. According to the calculation of the Company's profit realisation in recent years, the capital appropriation can be reduced by about RMB200 million by taking profit distribution restriction measures.

The Board of Directors of the Company shall make suggestions of profit distribution on taking the profit distribution restriction measures and submit them to the general meeting of shareholders for approval. After the resolution on the profit distribution plan is made at the general meeting of shareholders, the Board of Directors of the Company shall implement the specific plan as soon as possible within two months after the general meeting. The adoption of such measures requires good communication and explanation with substantial shareholders in advance to obtain the support and understanding of substantial shareholders.

5.2.3 Analysis of liquidity support from the substantial shareholders

The six substantial shareholders of the Company are all enterprises/central enterprises with stable operation. When the Company has liquidity risk, the substantial shareholders will give necessary liquidity support and perform their shareholder obligations, which will effectively help the Company mitigate or even resolve the short-term liquidity risk and enhance the Company's ability to resist and resolve risk. When the Company has insufficient capital or other circumstances affecting stable operation, the substantial shareholders perform their commitment to replenish capital to SITC by means of capital increase, which will effectively improve the capital strength of the Company. According to the provisions of the Listing Rules of Hong Kong Stock Exchange that the percentage of public shareholding in listed companies shall not be less than 25%, the issuance of additional shares from abroad may be restricted by the share price, market conditions and requirements relating to the management of state-owned assets, resulting in the poor progress of the capital increase procedure.

5.2.4 Analysis of the business carve-out and recovery mechanism

(1) Communication with counterparties

The Company can fundamentally safeguard the liquidity safety of the Company by urging the implementation of the counterparties' repayment options, and can effectively safeguard the creditor's rights and interests of the Company by initiating litigation procedures. However, affected by the real economy, there are large uncertainties in the refinancing ability of the counterparties. There are certain cycles in the sale of assets, the revitalisation of value of collaterals and/or pledges and the project litigation of counterparties, and the corresponding liquidity management of the Company is significantly affected.

(2) Introduction of funds

The issuance of preference shares to the capital market and the introduction of external funds support will be instrumental in easing the liquidity pressure of the Company and buying time for substantial resolution of risk projects. In view of the need for the sustainable operation of the Company, the preference share is a common refinancing instrument in the capital market. The trust industry protection fund is established for the purpose of resolving and disposing the risks of the trust industry, which provides a certain possibility for the company's financing. Considering the

concentration of market risk projects, the support of trust industry protection fund to the Company may be affected to some extent. As at 31 December 2022, the Company raised RMB2.0 billion through credit insurance funds companies. The Company will plan to continue before the borrowings expires, and strive to appropriately expand the scale of borrowings, so as to further enhance the Company's financial strength.

(3) Transfer of assets to third parties

The Company's transfer of creditor's rights to a third party is one of the effective ways to mitigate risk projects. The value of collaterals and/or pledges of the Company's trust projects is relatively sufficient, which also provides effective ways for the transfer of creditor's rights. Most of the risk projects are transferred at discount, which has a certain adverse impact on the operation of the Company. In addition, considering the concentration of risk projects, the timeliness of the transfer of third-party creditor's rights also has a significant impact on the company's liquidity management. Under the support and guidance of the regulatory authorities, the Company has established stable cooperation with the four major asset management companies and credit insurance funds companies, and can implement the transfer of creditor's rights in a timely and market-oriented manner according to the risk disposal needs of the Company.

(4) Business segregation

The Company implements business segregation, which can directly and effectively block the transmission path of off-balance-sheet risks to on-balance sheet risks. If the risk projects cannot be substantially resolved and the external financing is insufficient, the business segregation may lead to payment risk, which will lead to substantial damages to the legitimate rights and interests of financial consumers. It is the requirement of the New Regulations on Asset Management and the trend of industry development for the trust industry to remove rigid repayment. At present, some trust companies have gradually removed rigid repayment. Over the years of operation, the Company has strictly performed for its fiduciary duties, actively disposed of the payment risk of the trust business, and received high recognition from customers. However, once the Company initiates the recovery and implementation plan, it will implement business segregation measures. For the trust business with liquidity risk, it will negotiate with the appointor to dispose of the trust property, so as to realise the interests of the appointor through the disposal of the trust property, cut off the transmission path of trust risk to inherent risk.

(5) *Disposal of asset and maintaining high liquidity of inherent funds*

The Company holds the equity investments with large book value are as follows:

Investees	Percentage of shareholdings	Capital contribution (RMB100 million)	Book value (RMB100 million)
Sinotruk Auto Finance Co., Ltd.	6.52%	1.51	2.18
Taishan Property & Casualty	7.40%	2.00	1.71
Shandong Luxin Xinjiu Kinetic Energy Conversion Venture Capital Parent Fund	18.2%	1.73	2.19
Total		5.24	6.08

Note 1: Data as of 31 December 2022.

Note 2: Since it no longer has a significant impact, the Company adjusted Shandong Luxin Xinjiu Kinetic Energy Conversion Venture Capital Parent Fund from equity to financial assets held for trading at the end of 2021.

From the perspective of book value, the Company's equity interests in Sinotruk Auto Finance Co., Ltd., Taishan Property & Casualty, Shandong Luxin Xinjiu Kinetic Energy Conversion Venture Capital Parent Fund and other equities are valued at approximately RMB608 million in aggregate. Besides, the Company has transferred the equity interests in Fullgoal Fund Management Co., Ltd. through the public listing procedure in 2022 and received an equity transfer payment of approximately RMB4.039 billion; the Company has started the equity transfer procedure of Shandong Provincial Financial Asset Management Co., Ltd. in 2022, and received the equity transfer payment of approximately RMB675 million in January 2023, and the equity delivery procedures have been completed in February 2023. The Company's capital and capital strength have improved significantly. At the same time, the safety and high liquidity of the inherent capital is maintained, which is conducive to dealing with the Company's liquidity risk.

5.2.5 *Financial infrastructure services and consumers' rights and interests protection scheme*

The fundamental purpose of the implementation of the recovery plan is to fully safeguard the legitimate rights and interests of all parties and the public interest of society, and to achieve an orderly recovery, which is consistent with the principles and purposes of financial consumer rights and interests protection.

The recovery plan is implemented in the event that a significant risk does occur. Since the risk conditions are directly related to the vital interests of investors, investors' focus and behavioural response will be directly related to the Company's risk conditions and disposal measures. Due to the extensive penetration of financial relations, we must do well in the protection of consumers' rights and interests at this stage, so as to effectively avoid the spread of the impact of significant risks outside the enterprise and among consumers, resulting in social impact and even regional risk under the linkage and self-enhanced communication characteristics of financial risks.

- (1) To formulate specific emergency response plans for consumer rights protection during the implementation of the recovery plan in accordance with the Company's Administrative Measures on Risk Management Plans, Management Measures for Emergency and Major Event Reporting, Customer Service Management Approach, Management Measures for Consumption Complaint Handling, Administrative Measures for the Protection of Consumers' Rights and Interests, Work Rules for Public Opinion Management and Management Measures for Reputation Risk, etc. To set up a special working group led by the Consumer Rights Protection Committee of Shandong International Trust Co., Ltd., led by the Consumer Rights Protection Office, with the relevant departments taking responsibility for each item, integrated leadership, multi-level accountability and collaborative response to do well in comprehensive consumer opinion management and the disposal of emergencies in the implementation of the recovery plan.
- (2) The special working group should be familiar with the emergency handling process, timely be aware of the Company's risk conditions and recovery plan measures and target, the scope of impact of business services, sort out the concerns of investors, and make specific analysis and plan preparation. Do well in the explaining of consumer rights and interests protection according to certain standards. Enhance consumer confidence, maintain stable financial order, prevent and resolve the company's business operation risks, prevent or minimise the loss or impact of risk emergencies on the Company, trustor and beneficiaries, and mitigate the risk of self-operated business.
- (3) Establish the risk management awareness among all employees, practice the risk management culture among all employees, achieve the identification, monitoring, control and resolution of the risks in the implementation stage of the recovery plan by establishing a positive, reasonable and effective risk management mechanism, and enable the Company to recover the normal operation and development and maintain the Company's image by taking relevant measures in case of major risks in accordance with the principle of self-rescue.
- (4) The special working group is the executive agency involved in the management and disposal of consumer rights and interests emergencies, and should accurately publish the information on risk events to the public and do well in the daily management work related to risk events according to the Company's decisions and deployments during the implementation stage of the recovery plan; coordinate and organise the unified external publicity and explanation standard for financial consumers during the risk disposal process.

6. STRESS TEST

6.1 Scenario setting and scenario indicators

The Company conducts liquidity stress tests under three stress indicators: light, medium and severe, of which the main scenarios and indicators under light stress are included in the recovery plan, and the details are as follows:

6.1.1 Cash outflows

Main scenario	Light stress indicator	Medium stress indicator	Severe stress indicator	Remarks on relevant indicators
1. Debt repayment outflows	100%	100%	100%	Scale of debt repayment during the test period
2. Financing and investment business outflows	100%	100%	100%	Scale of loan of financing and investment business during the test period
3. Contingencies outflows	3.1+3.2+3.3	3.1+3.2+3.3	3.1+3.2+3.3	–
Where: 3.1 outflow of liquidity support of trust products	Maturity asset scale during the period * Liquidity support rate * 5%	Maturity asset scale during the period * Liquidity support rate * 7%	Maturity asset scale during the period * Liquidity support rate * 10%	Liquidity support rate = the Company's liquidity support for actively managed trust products maturing in the past 24 months/Total actively managed trust risk assets balance maturing in the past 24 months
3.2 Liquidity support outflow for open-ended product	Actively managed open-ended product scale during the period * Single-month redemption rate * Single-month liquidity support rate	Actively managed open-ended product scale during the period * (Single-month redemption rate + 80%)/2 * (Single-month liquidity support rate + 100%)/2	Actively managed open-ended product scale during the period * 80% * 100%	Single-month redemption rate = single-month redemption amount/Trust balance paid at the beginning of the month for trust products with redemptions; Single-month liquidity support rate = liquidity support provided to open-ended actively managed trust products in a single month/single-month redemption amount of open-ended actively managed trust products

Main scenario	Light stress indicator	Medium stress indicator	Severe stress indicator	Remarks on relevant indicators
3.3 Probable outflow of default guarantee	Off-balance sheet guaranteed balance * Single-month default rate	Off-balance sheet guaranteed balance *(Single-month default rate + 10%)	Off-balance sheet guaranteed balance * (Single-month default rate + 20%)	Single-month default rate = Monthly average amount of default in the past 24 months/Average of off-balance sheet guarantee balances at the beginning of the month in the past 24 months
4. Other cash outflows	100%	100%	100%	Including employee remuneration payables, dividends payable, other payables, etc.

6.1.2 Cash inflows

Main scenario	Light stress indicator	Medium stress indicator	Severe stress indicator	Remarks on relevant indicators
1. Borrowings during the period	1.1+1.2	1.1+1.2	1.1+1.2	–
Where: 1.1 Interbank borrowing	80%	50%	0%	Interbank borrowing balance at the test base date
1.2 Trust Industry Protection Fund Corporation Liquidity Support	100%	100%	100%	Liquidity support from the Trust Industry Protection Fund Corporation determined to arrive during the test period
2. Normal performance non-standard creditor's rights	2.1+2.2+2.3	2.1+2.2+2.3	2.1+2.2+2.3	–
Where: 2.1 Financial institutions	100%	100%	100%	Recoverable principal and interest during the test period
2.2 Industrial and commercial enterprises	50%	45%	40%	Recoverable principal and interest during the test period
2.3 Natural person	45%	40%	35%	Recoverable principal and interest during the test period

Main scenario	Light stress indicator	Medium stress indicator	Severe stress indicator	Remarks on relevant indicators
3. Normal maturity bonds within the period	3.1+3.2	3.1+3.2	3.1+3.2	–
Where: 3.1 Enterprise or corporate bonds with maturity within the test period and rating above AA- (inclusive)	85%	80%	75%	Recoverable principal or earnings during the test period
3.2 Enterprise or corporate bonds with maturity within 6 months and rating below AA-	75%	70%	65%	Recoverable principal or earnings during the test period
4. The underlying asset of normal performance is SPV of non-standard creditor's rights	4.1+4.2+4.3	4.1+4.2+4.3	4.1+4.2+4.3	–
Where: 4.1 Financial institutions	100%	100%	100%	Recoverable principal and interest during the test period
4.2 Industrial and commercial enterprises	50%	45%	40%	Recoverable principal and interest during the test period
4.3 Natural person	45%	40%	35%	Recoverable principal and interest during the test period
5. Due within the period, the underlying asset of normal performance is securities SPV	70%	65%	60%	Recoverable principal or earnings during the test period

Main scenario	Light stress indicator	Medium stress indicator	Severe stress indicator	Remarks on relevant indicators
6. Due within the period, normal performance of other types of SPVs	50%	45%	40%	Recoverable principal or earnings during the test period
7. Fees and commissions received during the period	90%	80%	70%	Fee and commission income during the test period
8. Other cash inflows received during the period	50%	45%	40%	–

6.1.3 Mitigation assets

Main scenario	Light stress indicator	Medium stress indicator	Severe stress indicator	Remarks on relevant indicators
1. Tier-one assets	100%	100%	100%	Cash and bank deposits, bonds issued or guaranteed by the state and bonds issued or guaranteed by the central bank
2. Tier-two assets	2.1+2.2+2.3	2.1+2.2+2.3	2.1+2.2+2.3	–
Where: 2.1 Money markets funds and tradable interbank deposits	95%	90%	85%	Test base date scale
2.2 Normal maturity bonds after the period	2.2.1+2.2.2	2.2.1+2.2.2	2.2.1+2.2.2	–
Where: 2.2.1 Enterprise or corporate bonds maturing after the test period and rated above AA- (inclusive)	85%	80%	75%	Enterprise or corporate bonds that perform normally do not include enterprise or corporate bonds that default

Main scenario	Light stress indicator	Medium stress indicator	Severe stress indicator	Remarks on relevant indicators
2.2.2 Enterprise or corporate bonds maturing after the test period and rated below AA-	75%	70%	65%	Enterprise or corporate bonds that perform normally do not include enterprise or corporate bonds that default
2.3 Stocks normally traded at the test time point	2.3.1+2.3.2	2.3.1+2.3.2	2.3.1+2.3.2	–
Where: 2.3.1 Shares whose shareholding ratio is less than 5% of the total market value of the shares	2.3.1.1+2.3.1.2 +2.1.3.3	2.3.1.1+2.3.1.2 +2.1.3.3	2.3.1.1+2.3.1.2 +2.1.3.3	–
Where: 2.3.1.1 CSI 300 Index constituent stocks	50%	30%	10%	Test base date scale
2.3.1.2 Other Main Board and SME Board stocks	45%	25%	5%	Test base date scale
2.3.1.3 GEM stocks	40%	20%	0%	Test base date scale
2.3.2 Shares with shareholding ratio higher than 5% (inclusive) of the total market value of the shares	2.3.2.1+2.3.2.2 +2.3.2.3	2.3.2.1+2.3.2.2 +2.3.2.3	2.3.2.1+2.3.2.2 +2.3.2.3	–
Where: 2.3.2.1 CSI 300 Index constituent stocks	40%	20%	0%	Test base date scale

Main scenario	Light stress indicator	Medium stress indicator	Severe stress indicator	Remarks on relevant indicators
2.3.2.2 Other Main Board and SME Board stocks	35%	15%	0%	Test base date scale
2.3.2.3 GEM stocks	30%	10%	0%	Test base date scale
3. Redemption of open-ended securities investment SPV shares	45%	25%	0%	SPV investment balance of open-ended securities investment open for redemption during the test period
4. Equity transfer of unlisted enterprises	40%	30%	20%	Balance of equity assets of unlisted enterprises available for transfer on the test base date

6.2 Stress test results

In combination with the requirements of the regulatory authorities and the actual conditions of the Company, the liquidity stress test of the Company at the end of 2023 is as follows:

Stress test results at the end of 2023

Unit: RMB100 million

Stress scenario	Light stress	Medium stress	Severe stress
Cash outflows	27.52	31.93	41.28
Cash inflows	7.64	7.06	6.47
Net gap	19.88	24.87	34.81
Mitigation assets	26.94	24.67	22.06
Delayed gap	-7.06	0.21	12.75

According to the above stress test results, under light stress, the cash flow gap of the Company after considering the risk mitigation of Tier-one assets is RMB-706 million (a negative value indicates no liquidity gap), which does not touch the early warning value of the start-up recovery plan.

6.3 Effectiveness test of recovery measures

By taking the above recovery measures, it is expected to enrich the Company's capital and capital scale and replenish the Company's liquidity, and the Company will stop continuing the recovery plan after all monitoring indicators reach above the warning value. When the early warning of the recovery plan is released for 90 days, the recovery plan is terminated upon the application of the emergency disposal leading group and the approval of the Strategies and Risk Management Committee of the Board of Directors. The matter shall be reported to the Board of Directors and regulatory authorities.

7. COMMUNICATION STRATEGIES

During the implementation of the recovery plan, the Company shall, in accordance with the actual circumstances, communicate effectively with the regulatory authorities, local governments, shareholders, customers, employees and the public in a timely manner and formulate special communication plans to improve the feasibility of recovery and reduce the impact on the outside.

Reporting procedures: In the event that the Company has significant risks, after the trigger value of the recovery plan is reached and the Board of Directors decides to initiate the recovery plan, the Company shall comprehensively assess the risk event and its internal and external impacts, and shall promptly report the risk circumstances and specific response plan

to the corresponding supervisory office of Shandong Office of CBIRC and the relevant departments of Lucion Group, the controlling shareholder, in a timely manner. Depending on the specific circumstances of the risk, Lucion Group will continue to report to the superior competent unit – Shandong Provincial Department of Finance.

The Company shall also make timely reports to the Company's substantial shareholders, the Jinan Branch of the People's Bank of China, the Shandong Financial Supervision Bureau and other authorities in accordance with the actual circumstances, and make proper disclosure of information in accordance with regulatory laws and regulations and the listing rules of the place of listing.

For the major risks that may cause negative external public opinion, the Company's public opinion management department shall make adequate plans in a timely manner to avoid, minimise and eliminate various negative impacts caused by public opinion emergencies to the greatest extent.

8. PERFORMANCE HURDLE AND SUGGESTIONS FOR IMPROVEMENT

8.1 Performance hurdle

The Company may encounter hurdles from the internal and external environment in the implementation of the recovery plan, mainly as follows:

- (1) Macroeconomic and regulatory environment under greater pressure. Under the influence of COVID-19 pandemic, the pace of global economic recovery has slowed down further, economic and financial uncertainties have increased and the aggregated continuation of the trend of strong financial regulation has increased the test on the Company's business development and risk management.
- (2) Trust industry infrastructure construction still needs further improvement. In recent years, the industry has achieved remarkable results in infrastructure construction, but there are much to do and a long way to go. The "one body, three wings" framework supporting the development of trust industry has been fully completed, but the Trust Act is in urgent need of revision and improvement, and the lack of trust tax and registration systems restricts business development.
- (3) The means to resolve the Company's non-performing assets need to be urgently enriched. The Company, as a state-owned enterprise and a listed company, can adopt most of the conventional disposal measures, with individual disposal means, difficult asset disposal, long cycle and difficult risk resolution, resulting in hidden dangers and uncertainties in the Company's asset quality and results of operations.

- (4) Financial technology capability needs to be improved. The construction of the Company's information system started late and the investment is low. It mainly depends on external procurement and lacks the necessary independent research and development ability, resulting in the unreasonable structure of some systems and cannot be effectively resolved in the long term.
- (5) The Company is subject to dual regulation by domestic and foreign laws, regulations and regulatory provisions. If the decision implementation of some recovery measures (such as asset disposal) needs to be submitted to the general meeting of shareholders for approval, the approval cycle will be long and the results are uncertain. In the case of disposal of financial assets, it may also involve the approval of industry regulatory authorities such as the CBIRC, the CSRC. In the case of capital increase by shareholders, pursuant to the provisions under the Listing Rules of the Hong Kong Stock Exchange that the percentage of public shareholding in a listed company shall not be less than 25%, the issuance of additional shares outside PRC may be subject to restrictions on share prices, market conditions and requirements relating to the management of state-owned assets, which may hinder the progress in the capital increase process. The above factors may affect the timeliness and even the effectiveness of the implementation of the recovery and disposal measures. If necessary, the local government, competent departments and regulatory authorities shall be consulted and coordinated to resolve hurdles in the execution of the recovery and disposal measures, including but not limited to restrictions on capital increase, dividend reversal, progress of approval, etc.

8.2 Suggestions for improvement

- (1) The Company should continue to carry out "trust culture construction", return to the trustee's position, integrate good trust culture into corporate governance, operation and development, internal control and other aspects, and form a corporate culture system with "trust culture as the core" to fundamentally change the way of development and achieve sustainable and healthy development.
- (2) To further strengthen the analysis and judgement of the macroeconomic, regulatory environment and industry situation, strengthen the construction of risk control capabilities, standardise the post-investment and post-lending management of projects, and perform the fiduciary obligations prudently and effectively.
- (3) It is recommended that the regulatory authorities should speed up the top-level design of the trust industry, strengthen the industry's front-line investigation and research, and enhance the leadership and guidance in industry planning, supporting policies and market coordination, so as to care for the healthy growth of the industry.

- (4) Continuously improve risk management level, strengthen the construction of a closed-loop system for the whole process of risk management and control, gradually improve the multi-dimensional and multi-level risk management mechanism. Fully implement the disposal responsibility of risk projects, actively connect with counterparties and their peers and specialised asset disposal institutions, and promote the resolution of risk projects as soon as possible through legal litigation, pledges disposal and third-party acceptance.
- (5) The Company comprehensively strengthens information construction and empower risk control by relying on information technology. The Company has upgraded its risk management system with financial technology to restructure business processes and improve management efficiency; it has integrated its data system to integrate internal information with external data to gradually realise intelligent investment research, intelligent approval and intelligent early warning.
- (6) The Company further strengthens communication with shareholders and improves the quality of information disclosure so that shareholders can fully understand the necessity of recovery measures and improve decision-making efficiency.

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)

NOTICE OF 2022 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting for the year 2022 of Shandong International Trust Co., Ltd. (the “**Company**”) will be held at 9:30 a.m. on Wednesday, 14 June 2023 at Tower A, No. 2788 Aoti West Road, Lixia District, Jinan, Shandong Province, the PRC to consider and, if thought fit, to pass the following resolutions. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 25 May 2023.

ORDINARY RESOLUTIONS

- (1) To consider and approve the work report of the Board of Directors for the year 2022;
- (2) To consider and approve the work report of the independent Directors for the year 2022;
- (3) To consider and approve the work report of the Board of Supervisors for the year 2022;
- (4) To consider and approve the financial report for the year 2022;
- (5) To consider and approve the profit distribution plan for the year 2022;
- (6) To consider and approve the re-appointment of ShineWing Certified Public Accountants LLP as the Company’s domestic auditor and the appointment of ShineWing Certified Public Accountants LLP as the Company’s overseas auditor;
- (7) To consider and approve the appointment of Mr. He Shuguang as a shareholder representative Supervisor of the Company;
- (8) To consider and approve the update on the recovery plan of the Company;

NOTICE OF 2022 ANNUAL GENERAL MEETING

SPECIAL RESOLUTIONS

- (9) To consider and approve the Proposed Articles Amendments, and authorise the Board of Directors to make corresponding amendments to the Articles of Association in accordance with comments or requirements of the regulatory authorities and the relevant departments, handle the approval procedures of the amendments to the Articles of Association and submit filing to the market supervision and management department;
- (10) To consider and approve the proposed amendments to the Procedural Rules for the Board of Directors;

OTHER MATTERS

- (11) To listen to the net capital report for the year 2022; and
- (12) To listen to the report on repayment upon maturity for trust business and benefits realised for beneficiaries for the year 2022.

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

Jinan, the People's Republic of China
25 May 2023

NOTICE OF 2022 ANNUAL GENERAL MEETING

Notes:

1. The holders of H Shares and Domestic Shares whose names appear on the register of the members of the Company on Wednesday, 14 June 2023 are entitled to attend and vote at the AGM. The register of members of the Company will be closed from Friday, 9 June 2023 to Wednesday, 14 June 2023 (both days inclusive), during which no transfer of Shares can be registered. All transfer documents together with the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for holders of H Shares) or the Office of the Board of Directors (Supervisors) of the Company (for holders of Domestic Shares) not later than 4:30 p.m. on Thursday, 8 June 2023.
2. Any Shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote at the meeting on his/her behalf. A proxy need not be a Shareholder.
3. A proxy shall be appointed by an instrument in writing (including the proxy form). Such instrument shall be signed by the appointer or his/her attorney duly authorised in writing. If the appointer is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorised in writing. The instrument appointing the proxy shall be deposited at the Company's H share registrar for holders of H Shares or at the address of 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 AGM or any adjourned meeting (Tuesday, 13 June 2023 at 9:30 a.m.). If the instrument appointing the proxy is signed by a person authorised by the appointer, 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 the address of the Office of the Board of Directors (Supervisors) of the Company (as may be applicable).
4. Shareholders or their proxies are required to produce their identification documents when attending the AGM.
5. Miscellaneous
 - i. It is expected that the AGM will last for half a day. All attending Shareholders shall arrange for their transportation and accommodation and shall bear all their own expenses in connection with their attendance.
 - ii. Details on the abovementioned resolutions to be considered and approved at the AGM are set out in the circular of the Company in respect of the AGM dated 25 May 2023.
 - iii. The address of Computershare Hong Kong Investor Services Limited is:

17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990
 - iv. The address of the Office of the Board of Directors (Supervisors) of the Company is:

35/F, Tower A, No. 2788 Aoti West Road
Lixia District, Jinan
Shandong Province, the PRC
Tel: +86 (531) 8656 6593
Fax: +86 (531) 8656 6593

As at the date of this notice, the Board of Directors 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; Ms. Zhang Haiyan, Mr. Zheng Wei and Ms. Meng Rujing as independent non-executive Directors.