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# **LUCION**

**Shandong International Trust Co., Ltd.**

**山東省國際信託股份有限公司**

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

**(Stock Code: 1697)**

## **DISCLOSEABLE TRANSACTION ENTERING INTO THE AGREEMENT ON THE ACQUISITION OF ASSETS BY ISSUANCE OF SHARES SUPPLEMENTAL ANNOUNCEMENT**

Reference is made to the announcement of the Company dated 8 August 2024 (the “**Announcement**”) in relation to the Agreement on the Acquisition of Assets by Issuance of Shares entered into between the Company and Guolian Securities, pursuant to which the Company and Guolian Securities have conditionally agreed that Guolian Securities shall acquire 132,715,017 shares of Minsheng Securities held by the Company through the acquisition of assets by issuing A shares at a consideration of RMB346.7124 million. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

Based on the unaudited financial results of the Company for the six months ended 30 June 2024 prepared in accordance with the China Accounting Standards for Business Enterprises, the Board hereby provides the Shareholders and potential investors with further information on the financial impact of the Transaction and the valuation method of the Target Assets as stated in the Announcement for better understanding of the Transaction:

The shares of Minsheng Securities held by the Company have been accounted for under “financial assets held for trading”. Based on the unaudited financial results of the Company as at 30 June 2024, the book value of the Target Assets was RMB346.7124 million, which is the same as the consideration for the transfer of the Target Assets. Based on the mechanism for determining the issue price of A shares of Guolian Securities as prescribed in the Agreement on the Acquisition of Assets by Issuance of Shares, the market value of the 31,039,606 A shares of Guolian Securities to be issued under the Transaction was RMB346.7124 million, which was the same as the consideration for the disposal of the Target Assets.

The 31,039,606 A shares of Guolian Securities to be acquired under the Transaction will be accounted for under “financial assets held for trading” in the financial statements of the Company upon completion of the Transaction. The Company has recognised corresponding gains from changes in fair value of the Target Assets of approximately RMB125.92 million (excluding cash dividend of approximately RMB1.99 million received from Minsheng Securities for the year 2023) in the first half of 2024, which was calculated based on the valuation of the Target Assets (taking into account the impact of cash dividend distribution and share repurchase conducted by Minsheng Securities after the Valuation Benchmark Date) of approximately RMB346.71 million minus the book value of the Target Assets as at 31 December 2023 of approximately RMB220.79 million. Please refer to the Appendix to this announcement for further information on the valuation method of the Target Assets. On the assumption that the Transaction was completed on 8 August 2024, being the date of the Agreement on the Acquisition of Assets by Issuance of Shares, the book value of the 31,039,606 A shares of Guolian Securities acquired by the Company under the Transaction would be approximately RMB285.9 million, and it is expected that the Company will recognise a gain of approximately RMB65.1 million after taking into account the corresponding gains from changes in fair value of the Target Assets recognised in the first half of 2024. The actual gain or loss arising from the Transaction will be determined and recognised upon completion of the Transaction with reference to the trading price of the A shares of Guolian Securities on the SSE and subject to the final audited figures.

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

Jinan, the People’s Republic of China  
5 September 2024

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

## APPENDIX – VALUATION METHOD

### Valuation approaches

An independent valuer (“**Valuer**”) has been engaged to carry out a valuation on the market value of the entire shareholders’ equity of Minsheng Securities as at the Valuation Benchmark Date (i.e. 31 March 2024) (the “**Valuation**”). The Valuer has considered the following valuation approaches in respect of the Valuation:

As the asset-based approach reflects an enterprise’s value by putting business acquisition and construction into perspective and serves as the basis for enterprise operation, management and assessment after the economic activity, the asset-based approach is used for the Valuation. Prior to and after the Valuation Benchmark Date, there are many equity transaction cases with similar business scope, business scale and development stage as the valuation entity in the market with stronger comparability. Therefore, the market approach can be selected for the Valuation. According to the profitability of Minsheng Securities, the valuation entity, in recent years, it has been affected by a number of factors such as the state of economic development, economic policies and the international securities market conditions in recent years, resulting in significant fluctuations in revenue and profit. Through communication and interviews between the Valuer and the management of Minsheng Securities, it is difficult to accurately predict the scale and revenue of the brokerage business and investment banking business in the future under the prevailing market conditions, the overall profit expectation is uncertain, and it is not possible to reliably predict the future cash flows, therefore, the income approach has not been selected for the Valuation. Given the above, the market approach and asset-based approach are adopted for the Valuation.

According to the asset valuation report issued by the Valuer (“**Asset Valuation Report**”), the market value of the entire shareholders’ equity of Minsheng Securities as at the Valuation Benchmark Date (i.e. 31 March 2024) was assessed using the market approach and the asset-based approach. As at the Valuation Benchmark Date, the book value of the net assets of the parent company of Minsheng Securities was RMB15,293,215,600. The appraised value of the entire shareholders’ equity of Minsheng Securities as at the Valuation Benchmark Date arrived at by adopting the asset-based approach was RMB16,358,741,200, representing an appreciation of RMB1,065,525,600 or 6.97% as compared with the book value of the net assets of the parent company of Minsheng Securities. The appraised value of the entire shareholders’ equity of Minsheng Securities as at the Valuation Benchmark Date arrived at by adopting the market approach was RMB29,888,785,700, representing an appreciation of RMB14,595,570,100 or 95.44% as compared with the book value of the net assets of the parent company of Minsheng Securities.

According to the Asset Valuation Report, the securities industry is subject to the influence to a larger extent of the overall economic environment with stronger cyclicity. The market approach directly reflects the exchange value of the equity interests of the enterprise in terms of the recognition of the securities company by market participants, and the valuation results of the market approach can reflect the value of the valuation subject more directly in the context of fair and orderly market transactions. Therefore, the valuation results of the market approach can relatively better reflect the overall value of the enterprise and was adopted as the final valuation conclusion, i.e. the appraised value of the entire shareholders' equity of Minsheng Securities as at the Valuation Benchmark Date was RMB29,888,785,700, which have been filed with the competent state-owned asset supervisory and regulatory authorities.

The consideration of RMB346.7124 million was determined after negotiation between the parties based on the valuation results of the Asset Valuation Report issued by the Valuer using the market approach and filed with the competent state assets supervisory and regulatory authority. Since the appraised value of the entire shareholders' equity of Minsheng Securities as at the Valuation Benchmark Date arrived at by adopting the market approach was RMB29,888,785,700, the appraised value of the Target Assets, representing approximately 1.17% of the entire shareholders' equity of Minsheng Securities, was approximately RMB348.7851 million. Given that Minsheng Securities has conducted cash dividend distribution and share repurchase after the Valuation Benchmark Date, the consideration has been determined as RMB346.7124 million after negotiation between the parties.

## **Valuation assumptions**

In the Valuation, the valuers followed the following valuation assumptions:

### ***(I) General assumptions***

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

2. *Open market assumption.* In the open market assumption, it is assumed that for assets to be traded or intended to be traded in the market, the parties to an asset transaction shall have equal status, and also have the opportunity and time to gain sufficient market information to make a rational judgment on functions, purpose and trading prices of assets, etc. The open market assumption is based on the fact that assets can be publicly traded on the market.
3. *Going concern assumption for the enterprise.* The going concern assumption for the enterprise is a valuation assumption made by taking the overall assets of the enterprise as the valuation subject. That is, the enterprise, as the main body of operation, will continue as a going concern under the external environment according to the business objectives. The enterprise operator is responsible and capable of assuming the responsibility. The enterprise operates legally and can obtain appropriate profits to maintain its ability to continue as a going concern. For various operating assets of the enterprises, such assets can be used continuously based on the current purpose, method of operation, scale, frequency and environmental conditions, etc., or can be used on a changed basis.

## ***(II) Special assumptions***

The Valuation assumed that the external economic environment remains unchanged and the current national macro-economy did not change significantly from that as of the Valuation Benchmark Date; there would be no significant change in the social and economic environment where the enterprise operated and the applicable policies on tax and tax rate, etc.; the future operation and management team of the enterprise would be diligent and would continue the existing operation and management models; each asset under the Valuation was based on the actual stock on the Valuation Benchmark Date, and the current market price of the relevant asset was based on the domestic effective price on the Valuation Benchmark Date; the value of each parameter measured in the Valuation did not take into account the effect of inflation; the information disclosure of comparable enterprises is true, accurate, and complete, and there are no false statements, erroneous records or major omissions that affect the value judgment; the valuers select comparison dimensions and indicators only based on the relevant information of the publicly disclosed comparable enterprises and do not consider the impact of other non-public matters on the value of the valuation entity.

When the above conditions change, the valuation results may usually become invalid.

## **Selection of the comparison method of transaction cases**

The two commonly used specific methods in market approach are the comparison method of listed companies and the comparison method of transaction cases.

The comparison method of listed companies refers to a specific method of determining the value of the valuation subject based on obtaining and analysing the operation and financial data of comparable listed companies, calculating the value ratio, and making comparative analyses with the valuation entity.

The comparison method of transaction cases refers to a specific method of determining the value of the valuation subject based on obtaining and analysing information on the transaction, acquisition and merger cases of comparable transaction cases, calculating the value ratio, and making comparative analyses with the valuation entity.

Although there are currently a large number of securities companies listed on the A share market in the PRC, the securities industry is subject to multi-level influences such as policies and the market, and the A share market has been in a turbulent downward trend since 2018, resulting in greater volatility in the share prices of listed companies. Prior to and after the Valuation Benchmark Date, there are many equity transaction cases with similar business scope, business scale and development stage as the valuation entity in the market, which has strong comparability. Given the above, the comparison method of transaction cases is selected to evaluate in this valuation.

### ***Selection and reasons for the value ratio***

The value ratio is a “ratio multiplier” of asset value to its operating profitability indicator, asset value or other specific non-financial indicators. The value ratios commonly used include: price-to-earnings (PE) ratio, price-to-book (PB) ratio and price-to-sales (PS) ratio, etc.

Through the regression analysis of the correlation between each value ratio and market value of 41 listed companies in the securities industry, the correlation, goodness of fit and standard deviation between PB ratio and market value show the best performance, therefore, PB ratio is adopted as the value ratio.

### ***Selection of comparable cases***

The valuation entity belongs to the securities industry, and the selection of cases is analysed as follows:

#### ***1. Consistent company type***

The case companies should all be in the securities industry with similar business operations to the valuation entity and have similar future growth expectations basically.

#### ***2. Similar time span***

The dates of first announcement of the selected cases are all after 1 January 2020, and the transactions have been approved by the CSRC or have been completed.

3. *Transaction consideration and financial data can be obtained through public channels*

Given the above, according to public information inquiries, there are currently a total of 15 cases in the market where the first announcement date was after 1 January 2020 and the transactions have been completed as at the date of the Asset Valuation Report and the transaction consideration can be obtained through public information. The details are as follows:

*Unit: RMB100 million*

No.	Subject company short name	Transaction subject	First announcement date	Transaction amount	Transaction method	Benchmark date	PB ratio
1	Minsheng Securities	30.30% equity interests	2023/03/15	91.05	Judicial auction	2022/06/30	1.95
2	Yingda Securities	3.33% equity interests	2022/08/26	2.91	Transfer by agreement	2021/12/31	1.31
3	JZ Securities	72.50% equity interests	2022/04/25	48.87	Transfer by agreement	2021/09/30	1.77
4	New Times Securities	98.24% equity interests	2021/10/08	131.35	Transfer through bidding	2020/12/31	1.40
5	Zhongshan Securities	4.49% equity interests	2021/10/13	2.90	Capital increase by agreement	2021/06/30	1.12
6	Huarong Securities	71.99% equity interests	2021/09/29	109.33	Transfer through bidding	2021/09/30	1.51
7	Donghai Securities	9.3860% equity interests	2021/03/10	12.02	Transfer by agreement	2020/09/30	1.45
8	Shanghai Securities	51% equity interests	2020/01/14	104.68	Capital increase by agreement	2019/08/31	1.93
9	Wangxin Securities	100% equity interests	2022/03/17	15.00	Bankruptcy reorganisation investments	2021/12/31	5.74
10	Morgan Securities	39% equity interests	2021/12/30	5.70	Transfer through bidding	2020/12/31	2.69
11	China Dragon Securities	0.1578% equity interests	2020/07/01	0.28	Acquisition by agreement	2019/12/31	1.22
12	Tianfeng Securities	7.85% equity interests	2022/04/02	21.24	Transfer by agreement		
13	First Capital	11.0576% equity interests	2022/09/10	37.55	Transfer by agreement		
14	Pacific Securities	10.29% equity interests	2022/04/25	17.26	Judicial auction		
15	Western Securities	5.74% equity interests	2021/10/08	21.36	Transfer by agreement		



*Notes:*

- (i) Since No.12-15 are equity transfers of listed companies, the pricing is based on the average price or closing price of transactions in a certain interval, and there is no definite base date, therefore, the Valuation Benchmark Date and PB ratio value on the benchmark date have not been presented.
- (ii) All of the above companies are securities companies operating in the PRC, of which Yingda Securities, Tianfeng Securities, First Capital, Pacific Securities and Western Securities are listed companies in the PRC and the remaining are unlisted companies.
- (iii) The above cases are all market transaction cases that satisfy the aforesaid three bases of selection (i.e., consistent company type, similar time span, and transaction consideration and financial data can be obtained through public channels).

*4. Exclusion of cases with small transaction amounts or equity transaction ratios*

The Valuation excludes transaction cases with a small equity ratio (less than 15%) or a transaction amount of less than RMB1 billion.

Since the equity ratio and transaction amount of Yingda Securities, Zhongshan Securities, Donghai Securities, China Dragon Securities, Tianfeng Securities, First Capital, Pacific Securities and Western Securities are relatively small, they are excluded from the selection of cases.

*5. Exclusion of cases with PB ratio seriously higher than the average level*

Upon analysis, as Wangxin Securities is under bankruptcy reorganisation due to its economic behaviour, Compass Investment's 100% equity acquisition price premium was relatively high, with a PB ratio of 5.74 times, which was seriously higher than the industry average and was, therefore, excluded from the Valuation;

Morgan Stanley Huaxin Securities, the scale of the case company is relatively small, and the equity transfer price premium is high, with a PB ratio of 2.69 times, which is seriously higher than the industry average and was, therefore, excluded from the Valuation.

As a result of the above analysis, Minsheng Securities itself and a total of five securities industry transaction cases with the same transaction conditions and similar business models with the enterprise were finally selected as comparable transaction cases ("**Comparable Transactions**").

The Valuer applied (i) price adjustment to the Comparable Transactions based on difference in transaction dates and transaction methods; and (ii) comparability adjustment based on the difference in business and assets scale of the underlying transaction targets (in terms of revenue, total assets and number of subsidiaries, branches and operating departments), to arrive at the adjusted PB ratio of the Comparable Transactions.

Set out below are details of the Comparable Transactions, as extracted from the Asset Valuation Report:

No.	First announcement date	Name of target company	Business scope	Percentage of interest		Transaction progress	PB ratio	Price adjustment	Comparability adjustment	Adjusted PB ratio
				sought						
1	2023/03/15	Minsheng Securities	Securities Brokerage	30.30%		Completed	1.95	0.9909	1.0176	1.97
2	2022/04/25	JZ Securities Co., Ltd.	Securities Brokerage	72.50%		Completed	1.77	0.9659	1.2038	2.06
3	2021/10/08	New Times Securities Co., Ltd.	Securities Brokerage	98.24%		Completed	1.40	0.9642	1.2211	1.65
4	2021/09/29	Huarong Securities Co., Ltd.	Securities Brokerage	71.99%		Completed	1.51	0.9659	1.0722	1.56
5	2020/01/14	Shanghai Securities Company Limited	Securities Brokerage	51.00%		Completed	1.93	0.9876	1.1120	2.12
		<b>Average</b>								<b>1.87</b>

*Note:*

Adjusted PB ratio = PB ratio x price adjustment x comparability adjustment

Having arrived at the average adjusted PB ratio of the Comparable Transactions of approximately 1.87 times, the Valuer then multiplied that by Minsheng Securities' adjusted consolidated net assets attributable to shareholders (adjusted for the share repurchase and share cancellation conducted by Minsheng Securities subsequent to the Valuation Benchmark Date) to arrive at the Valuation of RMB29,888,785,700.