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首惠产融

首惠產業金融服務集團有限公司*

CAPITAL INDUSTRIAL FINANCIAL SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 730)

**MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION
MASTER SERVICES AGREEMENT**

MASTER SERVICES AGREEMENT

On 28 April 2023, the Company entered into the Master Services Agreement with Shougang in relation to the provision of the Deposit Services, Information Technology Services, Property Leasing Services, Management and Financial Advisory Services, Financial Technical Services and Other Financial Services by the Shougang Group to the Group or by the Group to the Shougang Group (as the case may be) during the Term.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shougang is the controlling shareholder of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Services Agreement constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Master Services Agreement is more than 5%, the transactions contemplated under the Master Services Agreement are subject to the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the aggregate of the Daily Deposit Cap and the Lease Caps is more than 25%, the provision of the Deposit Services and the Property Leasing Services by the Shougang Group to the Group may also constitute a major transaction for the Company subject to the requirements of notification, announcement, and Shareholders' approval under Chapter 14 of the Listing Rules. Since the transactions under the Deposit Services and the Property Leasing Services will also constitute continuing connected transactions for the Company as described above, these transactions will also be subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as aforesaid.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The independent board committee (comprising all the independent non-executive Directors) will be formed to advise the Independent Shareholders on the terms of and the transactions contemplated under the Master Services Agreement. An independent financial adviser will be appointed by the Company to advise the independent board committee and the Independent Shareholders on the terms of the transactions contemplated under the Master Services Agreement.

DESPATCH OF CIRCULAR

The Company will convene a special general meeting for the Independent Shareholders to consider and, if thought fit, approve the Master Services Agreement and the transactions contemplated thereunder. A circular containing details of the Master Services Agreement, a letter from the independent board committee and a letter from the independent financial adviser, both advising on the terms of and the transactions contemplated under the Master Services Agreement, will be despatched to the Shareholders in compliance with the Listing Rules on or before 22 May 2023.

MASTER SERVICES AGREEMENT

The Board announces that, on 28 April 2023, the Company entered into the Master Services Agreement with Shougang in relation to the provision of the Deposit Services, Information Technology Services, Property Leasing Services, Management and Financial Advisory Services, Financial Technical Services and Other Financial Services by the Shougang Group to the Group or by the Group to the Shougang Group (as the case may be) during the Term.

The Principal Terms of the Master Services Agreement

Date

28 April 2023

Parties

1. the Company; and

2. Shougang

Effective date and Term

The Master Services Agreement shall be effective conditional upon:

- (i) compliance with all necessary requirements under the Listing Rules, including but not limited to obtaining the approval of the Independent Shareholders of the terms of the Master Services Agreement, the proposed Annual Caps and the transactions contemplated under the Master Services Agreement; and
- (ii) obtaining any other relevant approvals as may be required for the Master Services Agreement to take effect.

The term of the Master Services Agreement commences on the date on which it becomes effective and ends on 31 December 2025.

Scope of services provided by the Shougang Group or the Group

Pursuant to the Master Services Agreement, the Shougang Group or the Group (as the case may be) shall provide the Deposit Services, Information Technology Services, Property Leasing Services, Management and Financial Advisory Services, Financial Technical Services and Other Financial Services, the details of which are set out as follows:

(i) Deposit Services

The Group shall open a deposit account in a financial institution, which is a member of the Shougang Group, and deposit funds into the said account in return for interest income.

The deposit interest rate provided by the Shougang Group to the Group shall be not lower than the interest rate of the same type of deposits placed by the Group with the major domestic commercial banks in the PRC under the same conditions and shall be determined on arm's length negotiations in accordance with normal commercial terms.

The daily maximum balance of deposits placed by the Group shall be not more than RMB306,000,000 during the Term.

(ii) Information Technology Services

The Shougang Group shall provide the Information Technology Services to the Group, which include but are not limited to cloud computing, cybersecurity services, information system integration and other related services.

The Group and the relevant subsidiary(ies) in the Shougang Group will enter into separate agreement(s) setting out the specific scope of services, service fees, manner and method of payment of service fees, and the terms and conditions thereunder, which shall be determined after arm's length negotiations between the parties, fair and reasonable and on normal commercial terms, and consistent with the principles, terms and conditions set out in the Master Services Agreement in relation to the Information Technology Services.

(iii) Property Leasing Services

The Group (as lessee) shall lease certain properties in the PRC from the Shougang Group (as lessor) from time to time. The Group and Shougang (and/or the relevant subsidiary(ies) in the Shougang Group) will enter into individual agreements in respect of each relevant leased property setting out the specific rental amount, manner and method of rent payment, and the terms and conditions thereunder, which shall be fair and reasonable and on normal commercial terms, and consistent with the principles, terms and conditions set out in the Master Services Agreement in relation to the Property Leasing Services.

The rental amount will be determined after arm's length negotiations between the parties with reference to the following factors: (i) the gross floor area, condition, geographical location and types of the leased properties; (ii) rents charged by independent third parties for similar properties in the vicinity; and (iii) shall, in any event, not exceed the amount of rent payable by or to be charged by an independent third party in respect of properties similar to the leased properties under the Property Leasing Services.

(iv) Management and Financial Advisory Services

The Group shall provide the Management and Financial Advisory Services to the Shougang Group, which cover areas in business and operational management, investment management and financial management disciplines, treasury and risk management, supply chain financial business, accounting, financial advisory and other related areas.

The Group and the relevant subsidiary(ies) in the Shougang Group will enter into separate agreement(s) setting out the specific scope of services, service fees, manner and method of payment of service fees, and the terms and conditions thereunder, which shall be determined after arm's length negotiations between the parties, fair and reasonable and on normal commercial terms, and consistent with the principles, terms and conditions set out in the Master Services Agreement in relation to the Management and Financial Advisory Services.

(v) Financial Technical Services

The Group shall provide the Financial Technical Services to the Shougang Group, which include but are not limited to online factoring services, factoring business management and control, financial information technology management and consultation services.

The Group and the relevant subsidiary(ies) in the Shougang Group will enter into separate agreement(s) setting out the specific scope of services, service fees, manner and method of payment of service fees, and the terms and conditions thereunder, which shall be determined after arm's length negotiations between the parties, fair and reasonable and on normal commercial terms, and consistent with the principles, terms and conditions set out in the Master Services Agreement in relation to the Financial Technical Services.

(vi) Other Financial Services

The Group and/or the Shougang Group (as the case may be) shall provide the Other Financial Services, which comprise of corporate credit certification services, payment and settlement services and other related services. Corporate credit certification and settlement of funds via the platform provided by the Group shall be conducted according to the instructions of the Shougang Group, with the relevant certification fees and settlement expenses being borne by the Shougang Group.

The Group and the relevant subsidiary(ies) in the Shougang Group will enter into separate agreement(s) setting out the specific scope of services, service fees, manner and method of payment of service fees, and the terms and conditions thereunder, which shall be determined after arm's length negotiations between the parties, fair and reasonable and on normal commercial terms, and consistent with the principles, terms and conditions set out in the Master Services Agreement in relation to the Other Financial Services.

Right to obtain services from other service providers or financial institutions

The Group may obtain services from other service providers or financial institutions in addition to those provided by the Shougang Group pursuant to the Master Services Agreement, and the Shougang Group may obtain services from other service providers or financial institutions in addition to those provided by the Group pursuant to the Master Services Agreement (as the case may be).

Pricing Policy and Annual Caps

Services provided by the Shougang Group or the Group

Deposit Services

Pricing policy

The deposit interest rate provided by the Shougang Group to the Group shall be not lower than the interest rate of the same type of deposits placed by the Group with the major domestic commercial banks in the PRC under the same conditions and shall be determined on arm's length negotiations between the parties in accordance with normal commercial terms. Please also refer to the details of the internal control measures to be implemented by the Group for determining and monitoring the deposit interest rate as set out in the paragraph headed "Internal Control — Services provided by the Shougang Group or the Group — Deposit Services" below in this announcement.

Proposed annual caps

The Company proposes to set the Daily Deposit Cap during the Term as follows:

From the commencement date of the Term to 31 December 2023	RMB306,000,000
From 1 January 2024 to 31 December 2024	RMB306,000,000
From 1 January 2025 to 31 December 2025	RMB306,000,000

The above proposed Daily Deposit Cap was determined after taking into account the following:

1. the existing level of cash and cash equivalents held by the Group;
2. the cash position of the Group and the expected growth of the business operation of the Group;
3. the financial needs of the Group during the term of the Master Services Agreement;
4. expected daily deposit balances of the Group; and
5. basis of determining the deposit interest rate as disclosed above in this section.

The Directors (excluding (i) the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser; and (ii) the Directors who have material interests in the transactions contemplated hereunder as described in the section headed “Listing Rules Implications” of this announcement below) consider that the above proposed Daily Deposit Cap in respect of the provision of the Deposit Services are fair and reasonable and in the interests of the Shareholders as a whole.

Information Technology Services

Pricing policy

The service fees for the Information Technology Services shall be determined according to the following principles:

- (a) the service fees shall be determined after arm’s length negotiations between the parties on normal commercial terms with reference to the (i) scope of services; (ii) remuneration of the relevant staff members of the Shougang Group who will be involved in providing the Information Technology Services to the Group; (iii) costs incurred by the Shougang Group in providing the Information Technology Services to the Group; and (iv) market rate of service fees for comparable services;
- (b) the Group shall obtain quotations from independent third party service providers for similar services and compare the quotations offered by such independent third party service providers; and
- (c) the service fees payable by the Group to the Shougang Group shall not exceed the service fees offered by independent third party service providers for similar services.

Please also refer to the details of the internal control measures to be implemented by the Group in relation to the Information Technology Services as set out in the paragraph headed “Internal Control — Services provided by the Shougang Group or the Group — Information Technology Services” below in this announcement.

Proposed annual caps

The Company proposes to set the Information Technology Service Fee Caps during the Term as follows:

From the commencement date of the Term to 31 December 2023	RMB6,000,000
From 1 January 2024 to 31 December 2024	RMB6,000,000
From 1 January 2025 to 31 December 2025	RMB6,000,000

The above proposed Information Technology Service Fee Caps were determined after taking into account of the following:

1. the pricing basis of service fees as disclosed above in this section;
2. the expected scope and service specifications of the Information Technology Services; and
3. the Group's expected demand for the Information Technology Services with reference to the existing scale of the Group's operations and its anticipated growth.

The Directors (excluding (i) the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser; and (ii) the Directors who have material interests in the transactions contemplated hereunder as described in the section headed "Listing Rules Implications" of this announcement below) consider that the above proposed Information Technology Service Fee Caps in respect of the Information Technology Services are fair and reasonable and in the interests of the Shareholders as a whole.

Property Leasing Services

Pricing policy

The rental amount will be determined after arm's length negotiations between the parties with reference to the following factors: (i) the gross floor area, condition, geographical location and types of the leased properties; (ii) rents charged by independent third parties for similar properties in the vicinity; and (iii) shall, in any event, not exceed the amount of rent payable by or to be charged by an independent third party in respect of properties similar to the leased properties under the Property Leasing Services.

Please also refer to the details of the internal control measures to be implemented by the Group in relation to the Property Leasing Services as set out in the paragraph headed "Internal Control — Services provided by the Shougang Group or the Group — Property Leasing Services" below in this announcement.

Proposed annual caps

The proposed Lease Caps in respect of the fees payable on the Property Leasing Services are as follows:

From the commencement date of the Term to 31 December 2023	RMB4,526,000
From 1 January 2024 to 31 December 2024	RMB7,526,000
From 1 January 2025 to 31 December 2025	RMB7,526,000

The above proposed Lease Caps were determined after taking into account the following: (i) the pricing basis of the rental amount as disclosed above in this section; and (ii) the Group's expected demand for entering into new leasing arrangements for lease of office premises during the Term to satisfy its business development needs. The Directors (excluding (i) the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser; and (ii) the Directors who have material interests in the transactions contemplated hereunder as described in the section headed "Listing Rules Implications" of this announcement below) consider that the proposed Lease Caps in respect of the Property Leasing Services are fair and reasonable and in the interests of the Shareholders as a whole.

Management and Financial Advisory Services

Pricing policy

The service fees for the Management and Financial Advisory Services shall be determined according to the following principles:

- (a) the service fees shall be determined after arm's length negotiations between the parties on normal commercial terms with reference to the (i) scope of services; (ii) remuneration of the relevant staff members of the Group who will be involved in providing the Management and Financial Advisory Services to the Shougang Group; (iii) costs incurred by the Group in providing the Management and Financial Advisory Services to the Shougang Group; and (iv) (to the extent applicable) market rate of service fees for comparable services, and where it would be impracticable to make reference to the market rate of the service fees for comparable services, the Group will take into consideration the service specifications, cost structure, profit margin, historical transaction amounts, market conditions, past performance of the Shougang Group and the Shougang Group's development strategy;
- (b) if the Group had provided similar services to other independent third party customers, the Group shall compare the service fees with those payable by independent third party customers to the Group for similar services; and
- (c) if the Group had provided similar services to other independent third party customers, the service fees payable by the Shougang Group to the Group shall not be lower than the service fees payable by independent third party customers to the Group for similar services.

Please also refer to the details of the internal control measures to be implemented by the Group in relation to the Management and Financial Advisory Services as set out in the paragraph headed “Internal Control — Services provided by the Shougang Group or the Group — Management and Financial Advisory Services, Financial Technical Services and Other Financial Services” below in this announcement.

Proposed annual caps

The Company proposes to set the Management and Financial Advisory Service Fee Caps during the Term as follows:

From the commencement date of the Term to 31 December 2023	RMB7,000,000
From 1 January 2024 to 31 December 2024	RMB7,000,000
From 1 January 2025 to 31 December 2025	RMB7,000,000

The above proposed Management and Financial Advisory Service Fee Caps were determined after taking into account the following:

1. the pricing basis of service fees as disclosed above in this section;
2. the expected scope and service specifications of the Management and Financial Advisory Services; and
3. the Shougang Group’s expected demand for the Management and Financial Advisory Services with reference to the existing scale of the Shougang Group’s operations and its anticipated growth.

The Directors (excluding (i) the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser; and (ii) the Directors who have material interests in the transactions contemplated hereunder as described in the section headed “Listing Rules Implications” of this announcement below) consider that the above proposed Management and Financial Advisory Service Fee Caps in respect of the provision of the Management and Financial Advisory Services are fair and reasonable and in the interests of the Shareholders as a whole.

Financial Technical Services

Pricing policy

The service fees for the Financial Technical Services shall be determined according to the following principles:

- (a) the service fees shall be determined after arm’s length negotiations between the parties on normal commercial terms with reference to the (i) scope of services; (ii) remuneration of the relevant staff members of the Group who will be involved in providing the Financial Technical Services to the Shougang Group; (iii) costs incurred by the Group in providing the Financial Technical Services to the Shougang Group; and (iv) market rate of service fees for comparable services;

- (b) the Group shall compare the service fees with those payable by independent third party customers to the Group for similar services; and
- (c) the service fees payable by the Shougang Group to the Group shall not be lower than the service fees payable by independent third party customers to the Group for similar services.

Please also refer to the details of the internal control measures to be implemented by the Group in relation to the Financial Technical Services as set out in the paragraph headed “Internal Control — Services provided by the Shougang Group or the Group — Management and Financial Advisory Services, Financial Technical Services and Other Financial Services” below in this announcement.

Proposed annual caps

The Company proposes to set the Financial Technical Service Fee Caps during the Term as follows:

From the commencement date of the Term to 31 December 2023	RMB15,000,000
From 1 January 2024 to 31 December 2024	RMB15,000,000
From 1 January 2025 to 31 December 2025	RMB15,000,000

The above proposed Financial Technical Service Fee Caps were determined after taking into account the following:

1. the pricing basis of service fees as disclosed above in this section;
2. the expected scope and service specifications of the Financial Technical Services; and
3. the Shougang Group’s expected demand for the Financial Technical Services with reference to the existing scale of the Shougang Group’s operations and its anticipated growth.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser; and (ii) the Directors who have material interests in the transactions contemplated hereunder as described in the section headed “Listing Rules Implications” of this announcement below) consider that the above proposed Financial Technical Service Fee Caps in respect of the provision of Financial Technical Services are fair and reasonable and in the interests of the Shareholders as a whole.

Other Financial Services

Pricing policy

The service fees for the Other Financial Services shall be determined according to the following principles:

- (a) the service fees shall be determined after arm's length negotiations between the parties on normal commercial terms with reference to the (i) scope of services; (ii) remuneration of the relevant staff members who will be involved in providing the Other Financial Services; (iii) costs incurred in providing the Other Financial Services; and (iv) market rate of service fees for comparable services;
- (b) in respect of the Other Financial Services to be provided by the Group to the Shougang Group, the Group shall compare the service fees with those payable by independent third party customers to the Group for similar services, and the service fees payable by the Shougang Group to the Group shall, in any event, not be lower than the service fees payable by independent third party customers to the Group for similar services; and
- (c) in respect of the Other Financial Services to be provided by the Shougang Group to the Group, the Group shall obtain quotations from independent third party service providers for similar services and compare the quotations offered by such independent third party service providers, and the service fees payable by the Group to the Shougang Group shall, in any event, not exceed the service fees offered by independent third party service providers for similar services.

Please also refer to the details of the internal control measures to be implemented by the Group in relation to the Other Financial Services as set out in the paragraph headed "Internal Control — Services provided by the Shougang Group or the Group — Management and Financial Advisory Services, Financial Technical Services and Other Financial Services" below in this announcement.

Proposed annual caps

The Company proposes to set the Other Financial Service Fee Caps during the Term as follows:

From the commencement date of the Term to 31 December 2023	RMB35,000,000
From 1 January 2024 to 31 December 2024	RMB39,000,000
From 1 January 2025 to 31 December 2025	RMB46,000,000

The above proposed Other Financial Service Fee Caps were determined after taking into account the following:

1. the pricing basis of service fees as disclosed above in this section;
2. the expected scope and service specifications of the Other Financial Services; and

3. the expected demand for the Other Financial Services by the Group or the Shougang Group (as the case may be) with reference to their respective existing scale of operations and anticipated growth.

The Directors (excluding (i) the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser; and (ii) the Directors who have material interests in the transactions contemplated hereunder as described in the section headed “Listing Rules Implications” of this announcement below) consider that the above proposed Other Financial Service Fee Caps in respect of the provision of the Other Financial Services are fair and reasonable and in the interests of the Shareholders as a whole.

INTERNAL CONTROL

Services provided by the Shougang Group or the Group

Deposit Services

The internal control measures on the determination of deposit interest rate for the Deposit Services are as follows:

1. Before entering into any deposit arrangements with the Shougang Group, the Group will obtain and review the deposit interest rates for the same type of deposits quoted by at least four other major domestic commercial banks in the PRC.
2. The Group will enter into supplemental agreement(s) with Shougang (and/or its relevant subsidiary(ies)) as and when necessary to ensure that the Deposit Interest Rate of the Deposit Services under the Master Services Agreement will be no less favourable to the Group than the highest of the deposit interest rates for the same type of deposits quoted by the other major domestic commercial banks in the PRC.

The internal control measures on monitoring the proposed Daily Deposit Cap in relation to the Deposit Services are as follows:

1. The finance department of the Company will monitor the amount of funds deposited into the designated account of the Shougang Group on a daily basis to ensure that the proposed Daily Deposit Cap will not be exceeded. If the deposits of the Group placed with the Shougang Group are expected to exceed the Daily Deposit Cap, the Shougang Group shall inform the Company in a timely manner and the Group will arrange for the transferring of funds to other deposit accounts of the Group.
2. The finance department of the Company will report to the management of the Company and provide updates on the deposit arrangements with the Shougang Group on a monthly basis.

3. The independent non-executive Directors and auditors of the Company will conduct an annual review with respect to the continuing connected transactions conducted by the Group throughout the preceding financial year (including the transactions relating to the Deposit Services) and will provide annual confirmations pursuant to the requirements under the Listing Rules to ensure that the continuing connected transactions (including the transactions relating to the Deposit Services) are in accordance with the terms of the Master Services Agreement and other relevant agreements governing such transactions, on normal commercial terms, fair and reasonable, and in accordance with the pricing policies and the proposed Daily Deposit Cap.

The capital risk control measures on the Deposit Services are as follows:

1. The Shougang Group will provide the Group with the reviewed financial report, compliance risk report and fund security and other statements of its subsidiary(ies) in which the relevant deposits are placed regularly.
2. The Shougang Group will ensure the safe operation of the fund management information systems. All fund management information systems of the Shougang Group or its subsidiary(ies) in which the relevant deposits are placed have passed the security test in respect of the interface of online banking of commercial banks and have reached the security standards for domestic commercial banks.
3. The Shougang Group will ensure that it or its subsidiary(ies) in which the relevant deposits are placed is/are operated in strict compliance with the risk monitoring indicators for financial institutions issued by the CBIRC and that its major regulatory indicators such as capital adequacy ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC.

Information Technology Services

The internal control measures on monitoring the proposed Information Technology Service Fee Caps under the Master Services Agreement are as follows:

1. The finance department of the Group shall fill in and submit statistical charts for the continuing connected transactions at least quarterly. In the event that the service fees incurred and to be incurred in respect of the Information Technology Services is expected to reach the Information Technology Service Fee Caps, the finance department will follow up forthwith by reporting and proposing a response to the management of the Company, and in the event that an amendment to the Information Technology Service Fee Caps is required, report particulars to the Board and hold a Board meeting for considering the matters in relation thereto to ensure compliance with the requirements under the Listing Rules.
2. The independent non-executive Directors and auditors of the Company will conduct an annual review with respect to the continuing connected transactions conducted by the Group throughout the preceding financial year (including the transactions relating to the Information Technology Services) and will provide annual confirmations pursuant to the requirements under the Listing Rules to ensure that the continuing connected transactions (including the transactions relating to the Information Technology Services) are in accordance with the terms of the Master Services Agreement and other

relevant agreements governing such transactions, on normal commercial terms, fair and reasonable, and in accordance with the proposed Information Technology Service Fee Caps.

Property Leasing Services

The internal control measures on monitoring the proposed Lease Caps are as follows:

1. The Company has designated specific personnel to monitor the market price of the rent under the Property Leasing Services, including checking (a) the rental amount of the properties leased by the Group from independent third parties from time to time; and (b) the market price of the properties within the same or similar geographical location and, so as to ensure that the transactions under the Property Leasing Services are conducted in accordance with normal commercial terms.
2. The finance department of the Company will provide to the Board information on the actual rental amounts on a monthly basis. The finance department will be responsible for monitoring the actual rental amounts to ensure that they do not exceed the Lease Caps. If the finance department estimates that the Lease Caps will likely be exceeded, the finance department will follow up forthwith by reporting and proposing a response to the management of the Company, and in the event that an amendment to the Lease Caps is required, report particulars to the Board and hold a Board meeting for considering the matters in relation thereto to ensure compliance with the requirements under the Listing Rules.
3. The independent non-executive Directors and auditors of the Company will conduct an annual review with respect to the continuing connected transactions conducted by the Group throughout the preceding financial year (including the transactions relating to the Property Leasing Services) and will provide annual confirmations pursuant to the requirements under the Listing Rules to ensure that the continuing connected transactions (including the transactions relating to the Property Leasing Services) are in accordance with the terms of the Master Services Agreement and other relevant agreements governing such transactions, on normal commercial terms, fair and reasonable, and in accordance with the pricing policies and proposed Lease Caps.

Management and Financial Advisory Services, Financial Technical Services and Other Financial Services

The internal control measures on monitoring the proposed Management and Financial Advisory Service Fee Caps, Financial Technical Service Fee Caps and Other Financial Service Fee Caps under the Master Services Agreement are as follows:

1. The finance department of the Group shall fill in and submit statistical charts for the continuing connected transactions relating to the Management and Financial Advisory Services, the Financial Technical Services and Other Financial Services at least quarterly. In the event that the service fees incurred and to be incurred in respect of the Management and Financial Advisory Services, Financial Technical Services and Other Financial Services are expected to reach the relevant proposed annual caps, the finance department will follow up forthwith by reporting and proposing a response to the management of the Company, and in case that an amendment to the relevant proposed

annual caps is required, report particulars to the Board and hold a Board meeting for considering the matters in relation thereto to ensure compliance with the requirements under the Listing Rules.

2. The independent non-executive Directors and auditors of the Company will conduct an annual review with respect to the continuing connected transactions conducted by the Group throughout the preceding financial year (including the transactions relating to the Management and Financial Advisory Services, the Financial Technical Services and Other Financial Services) and will provide annual confirmations pursuant to the requirements under the Listing Rules to ensure that the continuing connected transactions (including the transactions relating to the Management and Financial Advisory Services, the Financial Technical Services and Other Financial Services) are in accordance with the terms of the Master Services Agreement and other relevant agreements governing such transactions, on normal commercial terms, fair and reasonable, and in accordance with the pricing policies and the proposed Management and Financial Advisory Service Fee Caps, Financial Technical Service Fee Caps and Other Financial Service Fee Caps.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SERVICES AGREEMENT

Given the transaction history between the Group and the Shougang Group, a close and mutually beneficial cooperative relationship between the parties has been formed which allows the parties to negotiate on good commercial terms in respect of the transactions contemplated under the Master Services Agreement.

In respect of the Deposit Services, the Deposit Interest Rate in relation to the Deposit Services will be not lower than the rates the Group would receive from major domestic commercial banks in the PRC, which would enable the Group to generate interest income therefrom. Deposits placed with the Shougang Group would also be conducive to realising centralised fund collection and management of subsidiaries of the Group and could satisfy the flexible needs of funds of the Group. Meanwhile, obtaining the Information Technology Services from the Shougang Group will enable the Group to optimise its overall information technology infrastructure, enhance its core technology capabilities, improve the operation and maintenance of its data management systems and hence increasing the operational efficiency of the Group as a whole. The service fees payable by the Group in respect of the Information Technology Services will be determined after arm's length negotiations between the parties and shall, in any event, not exceed the service fees offered by other service providers who are independent third parties and provide similar services. In respect of the Property Leasing Services, the Group anticipates the continuing need to lease certain properties from the Shougang Group in light of its business growth, therefore the lease of properties from the Shougang Group for use as office spaces will facilitate the Group's administration and daily operation and satisfy the Group's business development needs. The rental amount will be determined after arm's length negotiations between the parties and shall, in any event, not exceed the amount of rent payable by or to be charged by an independent third party in respect of properties similar to the leased properties under the Property Leasing Services.

As for the provision of the Management and Financial Advisory Services, Financial Technical Services and the Other Financial Services, since the Company has maintained a good working relationship with the Shougang Group over the years and developed a good mutual understanding in terms of business nature and scope of operations, higher work efficiency could be better achieved by carrying on the continuous cooperation between the Group and the Shougang Group compared with other independent third-party institutions. Furthermore, the service fees in respect of the provision of the Management and Financial Advisory Services, Financial Technical Services and the Other Financial Services by the Group to the Shougang Group will be determined after arm's length negotiations between the parties and shall, in any event, not be lower than the service fees offered to customers of the Group who are independent third parties in the provision of similar services; whereas, in respect of the provision of the Other Financial Services by the Shougang Group to the Group, the service fees payable by the Group shall, in any event, not exceed the service fees offered by independent third party service providers for similar services.

In view of the above reasons, the Directors (excluding (i) the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser; and (ii) the Directors who have material interests in the transactions contemplated hereunder as described in the section headed "Listing Rules Implications" of this announcement below) consider that the Master Services Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Company

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of financial services and property investment and management.

Shougang and the Shougang Group

Shougang is a company established in the PRC and a state-owned enterprise wholly-owned by Beijing State-owned Capital Operation and Management Centre (北京國有資本經營管理中心) which is in turn wholly-owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會).

Shougang is one of the largest steel production enterprises in the PRC and is principally engaged in a wide range of business including steel and iron production, overseas business, property development, mining resources and other businesses. As at the date of this announcement, Shougang is interested in 2,025,736,972 shares of the Company, representing approximately 60.88% of the Company's total issued share capital as at the date of this announcement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shougang is the controlling shareholder of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Services Agreement constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Master Services Agreement is more than 5%, the transactions contemplated under the Master Services Agreement are subject to the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the aggregate of the Daily Deposit Cap and the Lease Caps is more than 25%, the provision of the Deposit Services and the Property Leasing Services by the Shougang Group to the Group may also constitute a major transaction for the Company subject to the requirements of notification, announcement, and Shareholders' approval under Chapter 14 of the Listing Rules. Since the transactions under the Deposit Services and the Property Leasing Services will also constitute continuing connected transactions for the Company as described above, these transactions will also be subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as aforesaid.

Ms. Sun Yajie (an executive director), Mr. Liang Hengyi (an executive director) and Ms. Qiao Yufei (a non-executive director), who are also directors or officers of, or have shareholding interests in, Shougang, its subsidiaries and/or its associates (as the case may be), are considered to be directors who have material interests in the transactions contemplated under the Master Services Agreement and had voluntarily abstained from voting on the Board resolutions approving the Master Services Agreement and the transactions contemplated thereunder. Save as disclosed above, to the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, none of the Directors has any material interest in the Master Services Agreement and was required to abstain from voting on the Board resolutions approving the Master Services Agreement.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The independent board committee (comprising all the independent non-executive Directors) will be formed to advise the Independent Shareholders on the terms of the transactions contemplated under the Master Services Agreement.

An independent financial adviser will be appointed by the Company to advise the independent board committee and the Independent Shareholders on the terms of and the transactions contemplated under the Master Services Agreement.

DESPATCH OF CIRCULAR

The Company will convene a special general meeting for the Independent Shareholders to consider and, if thought fit, approve the Master Services Agreement and the transactions contemplated thereunder. A circular containing details of the Master Services Agreement, a letter from the independent board committee and a letter from the independent financial

adviser, both advising on the terms of and the transactions contemplated under the Master Services Agreement, will be despatched to the Shareholders in compliance with the Listing Rules on or before 22 May 2023.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“associate”	has the meaning ascribed to it under the Listing Rules
“Annual Caps”	collectively, the Daily Deposit Cap, Management and Financial Advisory Service Fee Caps, Financial Technical Service Fee Caps, Information Technology Service Fee Caps, Lease Caps and the Other Financial Service Fee Caps
“Board”	the board of Directors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission
“Company”	Capital Industrial Financial Services Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Daily Deposit Cap”	the proposed maximum daily balance of deposits (including the corresponding interest accrued thereon) placed by the Group with the Shougang Group in the amount of RMB306,000,000 during the Term pursuant to the Master Services Agreement
“Deposit Interest Rate”	the deposit interest rate to be negotiated between the Group and the Shougang Group that is not lower than the deposit interest rates for the same type of deposits quoted by the four other major domestic commercial banks in the PRC

“Deposit Services”	the deposit and related services provided by the Shougang Group to the Group under the Master Services Agreement, details of which are set out in the paragraph headed “MASTER SERVICES AGREEMENT — The Principal Terms of the Master Services Agreement — Scope of services provided by the Shougang Group or the Group — (i) Deposit Services” in this announcement
“Director(s)”	the director(s) of the Company
“Financial Technical Services”	the financial technical services provided by the Group to the Shougang Group under the Master Services Agreement, details of which are set out in the paragraph headed “MASTER SERVICES AGREEMENT — The Principal Terms of the Master Services Agreement — Scope of services provided by the Shougang Group or the Group — (v) Financial Technical Services” in this announcement
“Financial Technical Service Fee Caps”	the proposed annual caps in respect of the service fees payable by the Shougang Group to the Group in relation to the Financial Technical Services pursuant to the Master Services Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholder(s)”	Shareholder(s) other than Shougang, its associates and any other Shareholder(s) with a material interest in the transactions contemplated under the Master Services Agreement
“Information Technology Services”	the information technology services provided by the Shougang Group to the Group under the Master Services Agreement, details of which are set out in the paragraph headed “MASTER SERVICES AGREEMENT — The Principal Terms of the Master Services Agreement — Scope of services provided by the Shougang Group or the Group — (ii) Information Technology Services” in this announcement
“Information Technology Service Fee Caps”	the proposed annual caps in respect of the service fees payable by the Group to the Shougang Group in relation to the Information Technology Services pursuant to the Master Services Agreement
“Lease Caps”	the proposed annual caps in respect of the fees payable on the lease of properties to the Group under the Master Services Agreement in relation to the Property Leasing Services

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management and Financial Advisory Services”	the management and financial advisory services provided by the Group to the Shougang Group under the Master Services Agreement, details of which are set out in the paragraph headed “MASTER SERVICES AGREEMENT — The Principal Terms of the Master Services Agreement — Scope of services provided by the Shougang Group or the Group — (iv) Management and Financial Advisory Services” in this announcement
“Management and Financial Advisory Service Fee Caps”	the proposed annual caps in respect of the service fees payable by the Shougang Group to the Group in relation to the Management and Financial Advisory Services pursuant to the Master Services Agreement
“Master Services Agreement”	the Master Services Agreement entered into between the Company and Shougang on 28 April 2023
“Other Financial Services”	certain financial services provided by the Shougang Group or the Group (as the case may be) under the Master Services Agreement, details of which are set out in the paragraph headed “MASTER SERVICES AGREEMENT — The Principal Terms of the Master Services Agreement — Scope of services provided by the Shougang Group or the Group — (vi) Other Financial Services” in this announcement
“Other Financial Service Fee Caps”	the proposed annual caps in respect of the total service fees payable by the Shougang Group and/or the Group (as the case may be) in relation to the Other Financial Services pursuant to the Master Services Agreement
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China
“Property Leasing Services”	the property leasing services provided by the Shougang Group to the Group under the Master Services Agreement, details of which are set out in the paragraph headed “MASTER SERVICES AGREEMENT — The Principal Terms of the Master Services Agreement — Scope of services provided by the Shougang Group or the Group — (iii) Property Leasing Services” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company

“Shougang”	Shougang Group Co., Ltd., a state-owned enterprise established in the PRC and the controlling shareholder of the Company, which through its wholly owned subsidiaries, held 2,025,736,972 shares of the Company, representing approximately 60.88% of the issued share capital of the Company as at the date of this announcement
“Shougang Group”	Shougang and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the term commencing from the date on which the Master Services Agreement becomes effective and ending on 31 December 2025
“%”	per cent

By Order of the Board
Capital Industrial Financial Services Group Limited
Sun Yajie
Chairman

Hong Kong, 28 April 2023

As at the date of this announcement, the Board comprises Ms. Sun Yajie (Chairman); Mr. Liang Hengyi (Managing Director); Mr. Tian Gang (Executive Director); Mr. Huang Donglin (Non-executive Director); Ms. Qiao Yufei (Non-executive Director); Mr. Tam King Ching, Kenny (Independent Non-executive Director); Mr. Ng Man Fung, Walter (Independent Non-executive Director) and Ms. On Danita (Independent Non-executive Director).

* *For identification purpose only*