
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 **CAPITAL INDUSTRIAL FINANCIAL SERVICES GROUP LIMITED** you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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**

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



瓏盛資本有限公司
Draco Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Board is set out on pages 6 to 29 of this circular. A letter from the Independent Board Committee is set out on pages 30 to 31 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 62 of this circular.

* *For identification purpose only*

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	30
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	32
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — GENERAL INFORMATION	II-1
NOTICE OF SPECIAL GENERAL MEETING	SGM-1

DEFINITIONS

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

“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
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 (stock code: 730)
“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 circular
“Director(s)”	the director(s) of the Company

DEFINITIONS

“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
“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 circular
“Group”	the Company and its subsidiaries
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company, comprising all independent non-executive Directors, namely Mr. Tam King Ching Kenny, Mr. Ng Man Fung, Walter and Ms. On Danita, which has been formed to advise the Independent Shareholders on the terms of the provision of deposit services under the Master Services Agreement
“Independent Financial Adviser” or “Draco Capital Limited”	Draco Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the provision of deposit services under the Master Services Agreement
“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 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

DEFINITIONS

“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 circular
“Latest Practicable Date”	5 June 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Lease Caps”	the proposed annual caps in respect of the lease payments payable on the lease of properties to the Group under the Master Services Agreement in relation to the Property Leasing Services which will be recognised as right-of-use assets of the Group under HKFRS 16
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“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 circular
“Master Services Agreement”	the Master Services Agreement entered into between the Company and Shougang on 28 April 2023
“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

DEFINITIONS

“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 circular
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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 circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to consider and, if thought fit, to approve, among others, the Master Services Agreement
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital 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, representing approximately 60.88% of the issued share capital of the Company as at the Latest Practicable Date
“Shougang Group”	Shougang and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Term” the term commencing from the date on which the Master Services Agreement becomes effective and ending on 31 December 2025

“%” per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Ms. Sun Yajie (*Chairman*)
Mr. Liang Hengyi (*Managing Director*)
Mr. Tian Gang

Non-executive Directors:

Mr. Huang Donglin
Ms. Qiao Yufei

Independent Non-executive Directors:

Mr. Tam King Ching Kenny
Mr. Ng Man Fung, Walter
Ms. On Danita

Registered office:

Victoria Place
5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

*Head office and principal place of
business in Hong Kong:*

6/F.,
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

12 June 2023

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 28 April 2023 in respect of, among other things, the Master Services Agreement.

* *For identification purpose only*

LETTER FROM THE BOARD

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 purposes of this circular are to, among other things:

- (i) provide you with details of the Master Services Agreement;
- (ii) set out the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the terms of and transactions contemplated under the Master Services Agreement; and
- (iii) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the provision of Deposit Services under the Master Services Agreement.

MASTER SERVICES AGREEMENT

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.

LETTER FROM THE BOARD

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, office-software updates and other related services in support of the administration, human resources management and general business management of the 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 Information Technology Services.

(iii) Property Leasing Services

The Group (as lessee) shall lease certain properties 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. It is expected that the lease terms of the individual agreements to be entered into under the Property Leasing Services will be not less than 12 months.

LETTER FROM THE BOARD

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 comprise of consultancy and advisory services covering 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 are mainly technical support services in nature, including but not limited to online factoring services, factoring business management and control, computing cloud basic platform services and network security co-management services in support of the financial service business, sale and lease back arrangement business and supply chain management business operated by the Shougang Group from time to time. The Group shall also provide management and consultation services to the Shougang Group in relation to financial information technology management as well as the said technical support 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.

LETTER FROM THE BOARD

(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 (a) corporate credit certification services and payment and settlement services which shall be provided by the Group to the Shougang Group, and (b) payment collection services and other related services, which shall be provided by the Shougang Group to the Group. Corporate credit certification and payment 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 payment and settlement expenses being borne by the Shougang Group. On the other hand, upon the Group's request, the Shougang Group will provide payment collection services on the trade receivables owed from customers who have retained the Group's services as ancillary services which are included in the service package provided by the Shougang Group to such customers.

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 circular.

LETTER FROM THE BOARD

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

There was no historical transaction between the Group and the Shougang Group in relation to the provision of the Deposit Services.

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. As at 31 December 2022, the total cash and cash equivalents held by the Group amounted to approximately HK\$322,904,000. Furthermore, based on the Company's management accounts, the average historical cash level (including cash and cash equivalents and restricted cash balances) of the Group for the year ended 31 December 2022 was approximately RMB400 million. Please refer to the section headed "Letter from the Independent Financial Adviser — (3) PROPOSED ANNUAL CAPS — (I) DEPOSIT SERVICES" for further details;
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 (including the independent non-executive Directors but excluding the Directors who have material interests in the transactions contemplated hereunder as described in the section headed "Listing Rules Implications" of this circular 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.

LETTER FROM THE BOARD

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 at least two other 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 circular.

Historical transaction amounts

The aggregate amount of service fees paid by the Group to the Shougang Group for the Information Technology Services for the years ended 31 December 2020, 2021 and 2022 were approximately nil, HK\$647,000 and HK\$1,414,000, respectively.

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 historical transaction amounts in respect of the Information Technology Services provided by the Shougang Group to the Group;

LETTER FROM THE BOARD

2. the historical transaction amounts in respect of the Information Technology Services provided by independent third parties to the Group, which amounted to approximately RMB1,480,000, RMB628,000 and RMB5,678,000 for the years ended 31 December 2020, 2021 and 2022, respectively;
3. the pricing basis of service fees as disclosed above in this section;
4. the expected scope and service specifications of the Information Technology Services; and
5. the Group's expected growth in demand for the Information Technology Services with reference to the existing scale of the Group's operations and its anticipated growth.

The Directors (including the independent non-executive Directors but excluding the Directors who have material interests in the transactions contemplated hereunder as described in the section headed "Listing Rules Implications" of this circular 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) prior to entering into any individual agreement for lease, obtaining at least two quotations of market 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.

Historical transaction amounts

The aggregate amount of lease payments paid by the Group to the Shougang Group for the years ended 31 December 2020, 2021 and 2022 were approximately HK\$2,346,000, HK\$2,346,000 and HK\$1,955,000, respectively, being the lease payments for the lease of office premises in Hong Kong. For further details of the said lease, please refer to the announcement of the Company dated 27 October 2021.

Please also refer to the details of the internal control measures to be implemented by the Group in relation to the Property Leasing Services, including but not limited to the monitoring of the market rent of similar properties, as set out in the paragraph headed "Internal Control — Services provided by the Shougang Group or the Group — Property Leasing Services" below in this circular.

LETTER FROM THE BOARD

Proposed annual caps

Pursuant to HKFRS 16, the leases to be entered into by the Group as lessee under the Master Services Agreement will be recognised as right-of-use assets. The proposed Lease Caps represent the maximum total value of the right-of-use assets to be recognised by the Group relating to the individual leasing agreements to be entered into under the Property Leasing Services during the Term, which are calculated with reference to the aggregate annual rental amount under the full lease term of each individual leasing agreement to be entered into during the Term.

The proposed Lease Caps in respect of 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 historical transaction amounts in respect of lease payments paid by the Group to the Shougang Group; (ii) the pricing basis of the rental amount as disclosed above in this section; and (iii) the Group's expected demand for entering into new leasing arrangements for lease of office premises during the Term to accommodate for the future expansion of the Company's workforce and to satisfy the Group's business development needs. Based on the management's estimation, the total number of full time employees of the Group is expected to be increased from 50 as at 31 December 2022 to around 70 by the end of 2023, and further to around 100 by the end of 2024 and 2025.

Based on the above, the Directors (including the independent non-executive Directors but excluding the Directors who have material interests in the transactions contemplated hereunder as described in the section headed "Listing Rules Implications" of this circular 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) subject to the complexity of the services provided based on the service specifications, the time costs incurred by the relevant responsible staff of the Group and other relevant costs incurred by the Group in providing the Management and

LETTER FROM THE BOARD

Financial Advisory Services to the Shougang Group plus a tentative mark-up rate ranging from 5% to 10% (which may be revised from time to time based on actual market situation); 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 at least two other independent third party customers to the Group for similar services and 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 circular.

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

There was no historical transaction between the Group and the Shougang Group in relation to the provision of the Management and Financial Advisory Services.

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.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors but excluding the Directors who have material interests in the transactions contemplated hereunder as described in the section headed “Listing Rules Implications” of this circular 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 plus a tentative mark-up rate ranging from 10% to 15% (which may be revised from time to time based on actual market situation); and (iv) market rate of service fees for comparable services;
- (b) the Group shall compare the service fees with those payable by at least two other 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 circular.

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

LETTER FROM THE BOARD

There was no historical transaction between the Group and the Shougang Group in relation to the provision of the Financial Technical Services.

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 (including the independent non-executive Directors but excluding the Directors who have material interests in the transactions contemplated hereunder as described in the section headed "Listing Rules Implications" of this circular 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 at least two other 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.

LETTER FROM THE BOARD

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 circular.

Proposed annual caps — Other Financial Services to be provided by the Group to the Shougang Group

The Company proposes to set the annual caps on the service fees in respect of the Other Financial Services to be provided by the Group to the Shougang Group during the Term as follows:

From the commencement date of the Term to 31 December 2023	RMB14,000,000
From 1 January 2024 to 31 December 2024	RMB14,000,000
From 1 January 2025 to 31 December 2025	RMB16,000,000

The above proposed annual caps on the service fees in respect of the Other Financial Services to be provided by the Group to the Shougang Group during the Term 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;
3. the expected demand for the Other Financial Services by the Shougang Group with reference to the existing scale of operations and anticipated growth of the Shougang Group; and
4. with reference to the management’s experience and the current market situation, a one-off service charge with tentative rate of approximately 0.2% per transaction and an annual handling fees with tentative rate of approximately 0.5% per annum is adopted as a quantitative basis for determining the annual caps on the service fees in respect of the Other Financial Services to be provided by the Group to the Shougang Group during the Term (which comprise of corporate credit certification services and payment and settlement services).

LETTER FROM THE BOARD

Proposed annual caps — Other Financial Services to be provided by the Shougang Group to the Group

The Company proposes to set the annual caps on the service fees in respect of the Other Financial Services to be provided by the Shougang Group to the Group during the Term as follows:

From the commencement date of the Term to 31 December 2023	RMB21,000,000
From 1 January 2024 to 31 December 2024	RMB25,000,000
From 1 January 2025 to 31 December 2025	RMB30,000,000

The above proposed annual caps on the service fees in respect of the Other Financial Services to be provided by the Shougang Group to the Group during the Term 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;
3. the expected demand for the Other Financial Services by the Group with reference to the existing scale of operations and anticipated growth of the Group; and
4. as a quantitative basis for determining the annual caps on the service fees in respect of the Other Financial Services to be provided by the Shougang Group to the Group during the Term (which mainly comprise of payment collection services), a tentative rate of 0.2% handling fee on the relevant collected amount of receivables with reference to the management's experience and current prevailing market rate.

There was no historical transaction between the Group and the Shougang Group in relation to the provision of the Other Financial Services.

The Directors (including the independent non-executive Directors but excluding the Directors who have material interests in the transactions contemplated hereunder as described in the section headed "Listing Rules Implications" of this circular below) consider that the above proposed annual 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.
4. For the purpose of credit assessment, the finance department of the Company will review (i) the financial reports, compliance risk reports, and fund security and other statements provided by the Shougang Group (as stated in paragraph (1) above) on an annual basis; and (ii) review the credit rating reports on the Shougang Group published annually by credit rating agencies recognised by the PBOC.
5. To ensure that the Group will have sufficient working capital and liquidity for its business operations, the finance department of the Company will monitor the cash position of the Group from time to time and the Group will make withdrawals where necessary to ensure that the amount deposited with the Shougang Group under the Deposit Services shall not exceed 75% of the Group's total cash position.

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.

LETTER FROM THE BOARD

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. Prior to entering into any individual agreement for lease of property in respect of the Property Leasing Services, the finance department of the Company will 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; and (b) the market price of the properties within the same or similar geographical location by obtaining at least two quotations of market rents charged by independent third parties for similar properties in the vicinity obtainable through websites of and enquiry with third party real estate agencies, so as to ensure that the transactions under the Property Leasing Services are conducted in accordance with normal commercial terms and are on terms that are no less favourable to the Group than those offered by independent third parties.
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 the proposed Lease Caps.

LETTER FROM THE BOARD

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.
3. In respect of the Other Financial Services, to minimise the risks of relying on the Shougang Group for revenue collection, the receivable collection team of the Company will liaise with the relevant receivable collection team of the Shougang Group regularly to keep track of the trade receivables owed from customers who have retained the Group's services as ancillary services which are included in the service package provided by the Shougang Group to such customers, so as to calculate and ascertain the amount of payment collection service fees payable to the Shougang Group accordingly.

LETTER FROM THE BOARD

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. Moreover, as disclosed in the section headed “INTERNAL CONTROL — Services provided by the Shougang Group or the Group — Deposit Services” in this circular, to ensure that the Group will have sufficient working capital and liquidity for its business operations, the finance department of the Company will monitor the cash position of the Group from time to time and the Group will make withdrawals where necessary to ensure that the amount deposited with the Shougang Group under the Deposit Services shall not exceed 75% of the Group’s total cash position. Furthermore, the credit rating of Shougang as rated by Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司), a credit rating agency recognised by the PBOC, for the year 2022 was “AAA”, which evidenced that Shougang has healthy cash flow and strong capability to repay its debt; hence, the credit risk in relation to placing deposits with financial institutions under the Shougang Group would be relatively low.

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.

LETTER FROM THE BOARD

As for the provision of the Management and Financial Advisory 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 as the Group would be able to provide the Shougang Group suitable advice to cater to the Shougang Group's specific needs. Furthermore, the service fees in respect of the provision of the Management and Financial Advisory 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.

Meanwhile, based on the Group's understanding of the Shougang Group's business nature, scope of operations and business plans developed from the continuous good working relationship over the years, the provision of the Financial Technical Services by the Group to the Shougang Group (i) is in line with the Shougang Group's long term plans to invest in its technological platforms and promote digital transformation, and (ii) would hence provide a stable stream of revenue to the Group. Furthermore, the service fees in respect of the provision of the Financial Technical 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.

In respect of the Other Financial Services provided by the Group to the Shougang Group, which comprise of corporate credit certification services and payment and settlement services, this is in line with the Group's transformation of its business focus to multi-tier transfer of electronic creditor's rights certificates and related businesses for the steel industry chain in late 2022, details of which are disclosed in the 2022 Annual Report. As Shougang is one of the largest steel production enterprises in the PRC, the Directors anticipate the Shougang Group will have a steady demand for the Group's corporate credit certification services and payment and settlement services, which would provide a stable stream of revenue to the Group. Furthermore, the service fees in respect of the provision of 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.

For the Other Financial Services provided by the Shougang Group to the Group, which comprise of payment collection services and other related services, by leveraging on the mutual understanding between the Group and the Shougang Group in terms of business operations and the synergic advantages developed from the good working relationship maintained over the years, the Group will be able to benefit from a more centralised and efficient mechanism of collecting trade receivables owed from customers who have retained the Group's services as ancillary services which are included in the service package provided by the Shougang Group to such customers. Furthermore, 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. Moreover, as disclosed in the section headed "INTERNAL CONTROL — Services provided by the Shougang Group or the Group — Management and Financial Advisory

LETTER FROM THE BOARD

Services, Financial Technical Services and Other Financial Services” in this circular, to minimise the risks of relying on Shougang Group for revenue collection, the receivable collection team of the Company will liaise with the relevant receivable collection team of the Shougang Group regularly to keep track of the trade receivables owed from customers who have retained the Group’s services as ancillary services which are included in the service package provided by the Shougang Group to such customers, so as to calculate and ascertain the amount of payment collection service fees payable to the Shougang Group accordingly.

The provision of the Management and Financial Advisory Services, Financial Technical Services, and Other Financial Services (in respect of corporate credit certification services and payment and settlement services) by the Group to the Shougang Group will contribute to revenue of the Group.

In view of the above reasons, the Directors (including the independent non-executive Directors but excluding the Directors who have material interests in the transactions contemplated hereunder as described in the section headed “Listing Rules Implications” of this circular 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.

FINANCIAL EFFECT OF THE DEPOSIT SERVICES AND THE PROPERTY LEASING SERVICES

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. Nevertheless, the Group does not expect there will be any significant effect on the earnings, assets and liabilities of the Group.

In respect of the Property Leasing Services, pursuant to HKFRS 16, upon the Group entering into leases as lessee with the Shougang Group pursuant to the Master Services Agreement, right-of-use assets will be recognised by the Group at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. At the commencement date of the lease, lease liabilities are recognised at the present value of the lease payments payable over the lease term, discounted using the incremental borrowing rate. Regarding the impact on earnings, the Group will incur an annual depreciation expense of the right-of-use assets over the useful life on a straight line-basis and an interest expense on the lease liabilities will be charged.

LETTER FROM THE BOARD

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 Latest Practicable Date, Shougang is interested in 2,025,736,972 Shares, representing approximately 60.88% of the Company's total issued share capital as at the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

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.

SGM

The Company will convene the SGM to consider and approve, among other things, the Master Services Agreement.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and its associates will abstain from voting at the SGM to be held by the Company to, including but not limited to, consider and approve the Master Services Agreement. Therefore, Shougang, which through its wholly owned subsidiaries hold 2,025,736,972 Shares as at the Latest Practicable Date, representing approximately 60.88% of the issued share capital of the Company, and Mr. Liang Hengyi who holds 2,001,000 Shares, representing approximately 0.05% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting at the SGM to consider and approve the Master Services Agreement.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from Shougang and Mr. Liang Hengyi, no other Shareholders have material interest in the Master Services Agreement and shall abstain from voting at the resolution(s) in relation to the approval of the Master Services Agreement at the SGM.

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee as set out on pages 30 to 31 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Master Services Agreement. Your attention is also drawn to the letter of advice received from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, as set out on pages 32 to 62 of this circular which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Master Services Agreement, the casting of votes for or against the resolution(s) approving the Master Services Agreement as well as the principal factors and reasons considered by it in concluding its advice.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors but excluding the Directors who have material interests in the transactions contemplated hereunder as described in the section headed “Listing Rules Implications” of this circular above) are of the view that the terms of the Master Services Agreement are fair and reasonable, have been entered into after arm’s length negotiation between all parties thereto and determined on normal commercial terms and in the ordinary and usual course of business of the Company, are in the interests of the Company and its Shareholders as a whole, and they recommend the Shareholders to vote in favour of the resolution(s) at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information set out in the appendices to this circular.

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



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)

12 June 2023

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular issued by the Company to the Shareholders dated 12 June 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

Under the Listing Rules, the transactions to be contemplated under the Master Services Agreement constitute continuing connected transactions of the Company, and the terms of the Master Services Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the SGM.

We have been appointed as the Independent Board Committee to consider the terms of the transactions of under the Master Services Agreement and to advise the Independent Shareholders based on our opinion regarding whether the terms of the transactions contemplated under the Master Services Agreement are fair and reasonable and whether the transactions contemplated under the Master Services Agreement are in the interests of the Company and the Shareholders as a whole. Draco Capital Limited has been appointed as the Independent Financial Adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice, we are of the view that the Master Services Agreement and the transactions contemplated thereunder are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, we recommend the

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders to vote in favour of the ordinary resolution in relation to the Master Services Agreement and the transactions contemplated thereunder (including the annual caps contemplated thereunder) at the SGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Tam King Ching Kenny, Ng Man Fung, Walter
and On Danita**

Independent non-executive Directors

Capital Industrial Financial Services Group Limited

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Draco Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



4/F Connaught Harbourfront House
35 Connaught Road West,
Sheung Wan, Hong Kong

12 June 2023

*To the Independent Board Committee and the Independent Shareholders of
Capital Industrial Financial Services Group Limited*

Dear Sir or Madam,

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTION MASTER SERVICES AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Master Services Agreement and the proposed Annual Caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 12 June 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Company’s announcement dated 28 April 2023 in relation to, amongst other things, the Master Agreement, which constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules and are subject to the requirements of reporting, announcement, annual review and the Independent Shareholders’ approval under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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

The Independent Board Committee, consisting of Mr. Tam King Ching Kenny, Mr. Ng Man Fung, Walter and Ms. On Danita, all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the transactions contemplated under the Master Services Agreement (including the proposed Annual Caps). Draco Capital Limited, being the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, there was no engagement between the Company or Shougang or the Shougang Group and us. Apart from normal professional fee payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial Shareholders or Shougang or any of its subsidiaries or their respective associates, and any parties acting in concert with them. As at the Latest Practicable Date, there were no relationships or interests between (a) the Group, Shougang and their respective subsidiaries and associates; and (b) us that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Therefore, we consider ourselves eligible to act as the Independent Financial Adviser to the Company under the requirements of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information.

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon and continue to be so up to the date of the EGM. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and continue to be so up to the date of the EGM and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM. Independent Shareholders will be informed of any material change of information and the representations made or referred to in the Circular as soon as possible up to the date of the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. In formulating our recommendation in relation to the Agreements and pursuant to Rule 13.80(2), we have obtained and reviewed the relevant information in relation to the Agreements and the transactions contemplated thereunder, among others, (i) the Master Services Agreements; (ii) the annual results announcement for the year ended 31 December 2022 of the Company; (iii) the recent announcements of the Company; and (iv) the information set out in the Circular.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Agreements and the transactions contemplated thereunder (including the proposed Annual Caps) and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1 BACKGROUND INFORMATION OF THE PARTIES TO THE AGREEMENTS

1.1 Information on the Group

The Company is a company incorporated in Bermuda with limited liability, whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 730). The Group is principally engaged in the provision of financial services and property investment and management.

1.2 Financial performance on the Group

With reference to the annual results announcement of the Company for the year ended 31 December 2022, the Group recorded profit attributable to owners of the Company of approximately HK\$14,526,000 for the year ended 31 December 2022, as compared with profit attributable to owners of the Company of approximately HK\$27,294,000 for the year ended 31 December 2021, which was mainly due to a decrease in profit from the supply chain management business segment, due to business transformation, decrease in the share of profit of an associate and the decrease in fair value of investment properties. Revenue from continuing operations of the Group for the year ended 31 December 2022 was approximately HK\$370,638,000, which represented a significant decrease of approximately 80% when compared with that of approximately HK\$1,895,594,000 for the year 2021. The decrease was mainly attributable to a decrease in revenue from the supply chain management business segment. The Group recorded a gross profit from continuing operations of approximately HK\$86,832,000 for the year ended 31 December 2022, representing a decrease of approximately 15% when compared with the gross profit of approximately HK\$102,691,000 for the year 2021. The Group recorded a gross profit margin from continuing operations of approximately 23% for the year ended 31 December 2022, representing a significant increase when compared with the gross profit margin of approximately 5% for the year 2021. Basic earnings per share of the Group for the year ended 31 December 2022 was HK0.37 cent (2021: basic earnings per share was HK0.68 cent).

Revenue from continuing operations for the year ended 31 December 2022 was approximately HK\$370,638,000, representing a significant decrease of approximately 80% when compared with that of approximately HK\$1,895,594,000 for the year 2021. The decrease was mainly attributable to the business transformation in accordance with market condition, the suspension of business covering full-process services including steel product trading and logistics under the supply chain management business segment which led to a significant decrease in revenue by approximately HK\$1.5 billion.

The Group recorded a gross profit from continuing operations of approximately HK\$86,832,000 for the year ended 31 December 2022, representing a decrease of 15%, when compared with the gross profit of approximately HK\$102,691,000 for the year 2021. The Group recorded a gross profit margin from continuing operation of approximately 23% for the year ended 31 December 2022, representing a significant increase when compared with the gross profit margin from continuing operation of approximately 5% for the year 2021, which was mainly attributable to the growth of the C-end business of the financial leasing services segment, and the decrease in the scale of business covering full-process services including steel product trading and logistics under the supply chain management service business segment.

1.3 Information on 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 Latest Practicable Date, 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 Latest Practicable Date.

2 PRINCIPAL TERMS OF THE MASTER SERVICES AGREEMENT

With reference made to the announcement of the Company dated 28 April 2023 in relation to, amongst other things, 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

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 and Pricing Policy

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 and their respective pricing policy 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.

Financial effect of the Deposit Services

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. Nevertheless, the Group does not expect there will be any significant effect on the earnings, assets and liabilities of the Group.

(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, office-software updates system integration and other related services in support of the administration, human resources management and general business management of the 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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 at least two other 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.

(III) Property Leasing Services

The Group (as lessee) shall lease certain properties 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. It is expected that the lease terms of the individual agreements to be entered into under the Property Leasing Services will be not less than 12 months.

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) prior to entering into any individual agreement for lease, obtaining at least two quotations of market 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial effect of the Property Leasing Services

In respect of the Property Leasing Services, pursuant to HKFRS 16, upon the Group entering into leases as lessee with the Shougang Group pursuant to the Master Services Agreement, right-of-use assets will be recognised by the Group at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. At the commencement date of the lease, lease liabilities are recognised at the present value of the lease payments payable over the lease term, discounted using the incremental borrowing rate. Regarding the impact on earnings, the Group will incur an annual depreciation expense of the right-of-use assets over the useful life on a straight line-basis and an interest expense on the lease liabilities will be charged.

(IV) Management and Financial Advisory Services

The Group shall provide the Management and Financial Advisory Services to the Shougang Group, which comprise of consultancy and advisory services covering 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.

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) subject to the complexity of the services provided based on the service specifications, the time costs incurred by the relevant responsible staff of the Group and other relevant costs incurred by the Group in providing the Management and Financial Advisory Services to the Shougang Group plus a tentative markup rate ranging from 5% to 10% (which may be revised from time to time based on actual market situation); 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 at least two other independent third-party customers to the Group for similar services and 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.

(V) Financial Technical Services

The Group shall provide the Financial Technical Services to the Shougang Group, which are mainly technical support services in nature, including but not limited to online factoring services, factoring business management and control, computing cloud basic platform services and network security co-management services in support of the financial service business, sale and lease back arrangement business and supply chain management business operated by the Shougang Group from time to time. The Group shall also provide management and consultation services to the Shougang Group in relation to financial information technology management as well as the said technical support 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.

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 plus a tentative mark-up rate ranging from 10% to 15% (which may be revised from time to time based on actual market situation); and (iv) market rate of service fees for comparable services;
- (b) the Group shall compare the service fees with those payable by at least two other independent third-party customers to the Group for similar services; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (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.

(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 (a) corporate credit certification services and payment and settlement services which shall be provided by the Group to the Shougang Group, and (b) payment collection services and other related services, which shall be provided by the Shougang Group to the Group. Corporate credit certification and payment 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 payment and settlement expenses being borne by the Shougang Group. On the other hand, upon the Group's request, the Shougang Group will provide payment collection services on the trade receivables owed from customers who have retained the Group's services as ancillary services which are included in the service package provided by the Shougang Group to such customers.

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.

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 at least two other independent third party service providers for similar services and compare the quotations offered by such independent third party service

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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).

Our Assessment

We have discussed with the Management and note that in order to ensure that the terms and the pricing policy of the transactions contemplated under the Master Services Agreement are on normal commercial terms and not less favourable than those of the same (or similar) transactions contemplated with Independent Third Parties at the relevant times, (i) for the services provided by the Shougang Group, the Company will obtain quotations and/or select at least two comparable transactions that are entered into with Independent Third Parties and of similar subject matter to the relevant transactions contemplated thereunder for comparison purposes when determining the respective terms and prices; and (ii) for the services provided by the Group, the Company will apply the cost plus basis and/or the market rate of service fees for comparable services when determining the respective terms and prices.

Given that the cooperation between the Company and the Shougang Group under the Master Services Agreement is on non-exclusive basis with no obligation on the Company's options to accept or provide any terms and conditions (including pricing terms) for the respective transactions which are less favourable than those agreed between any member of the Group and any counterparty which is Independent Third Party for such services received or provided and the pricing policy safeguards the pricing terms of the transactions contemplated under the Master Services Agreement shall be not less favourable than those of the same (or similar) transactions contemplated with Independent Third Parties at the relevant times, we are of the view that the terms of the Master Services Agreement and the transactions contemplated thereunder are on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders and are fair and reasonable.

3 PROPOSED ANNUAL CAPS

(I) Deposit Services

Historical transaction amounts

There was no historical transaction between the Group and the Shougang Group in relation to the provision of the Deposit Services.

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

As advised by the Management, 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. As at 31 December 2023, the total cash and cash equivalents held by the Group amounted to approximately HK\$322,904,000. Furthermore, based on the Company's management accounts, the average historical cash level (including cash and cash equivalents and restricted cash balances) of the Group for the year ended 31 December 2022 was approximately RMB400 million;
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 respective deposit interest rate as aforesaid mentioned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the historical monthly cash level (including cash and cash equivalents and restricted cash balances) of the Group for the years ended 31 December 2022 and note that the average cash level would be approximately RMB400 million. The Company estimates that three quarters of the cash position of the Group will utilise the Deposit Services. Taking into account (i) the Company implements sufficient capital risk control measures on the Deposit Services as stated in the section headed “4 INTERNAL CONTROL OF THE MASTER SERVICES AGREEMENT — (I) Deposit Services” in this letter; (ii) the background and credibility of the Shougang Group, which is a sizeable state-owned enterprise; and (iii) the Deposit Cap provide the flexibility but not the obligation for the Group to utilise the Deposit Services on terms that are no less favourable as compared with those offered by independent third parties, we are of the view that the basis for determining the proposed Daily Deposit Cap is fair and reasonable so far as the Independent Shareholders are concerned.

(II) Information Technology Services

Historical transaction amounts

The aggregate amount of service fees paid by the Group to the Shougang Group for the Information Technology Services for the years ended 31 December 2020, 2021 and 2022 were approximately nil, HK\$647,000 and HK\$1,414,000, respectively.

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

As advised by the Management, the above proposed Information Technology Service Fee Caps were determined after taking into account of the following:

1. the historical transaction amounts in respect of the Information Technology Services provided by the Shougang Group to the Group;
2. the historical transaction amounts in respect of the Information Technology Services provided by independent third parties to the Group, which amounted to approximately RMB1,480,000, RMB628,000 and RMB5,678,000 for the years ended 31 December 2020, 2021 and 2022, respectively;
3. the respective pricing basis of service fees as aforesaid mentioned;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. the expected scope and service specifications of the Information Technology Services; and
5. the Group's expected growth in demand for the Information Technology Services with reference to the existing scale of the Group's operations and its anticipated growth.

We have reviewed the projection on demand on the Information Technology Services among which the Company has prepared an estimation on demand of different items in Technology Services and the corresponding estimation of the respective pricing of the Technology Services. Thus, we are of the view that the respective projection is properly prepared and the estimation of the annual demand for the Information Technology Services is fair and reasonable. Based on the above, we are of the view that the basis for determining the proposed Information Technology Service Fee Caps is fair and reasonable so far as the Independent Shareholders are concerned.

(III) Property Leasing Services

Historical transaction amounts

The aggregate amount of lease payments paid by the Group to the Shougang Group for the years ended 31 December 2020, 2021 and 2022 were approximately HK\$2,346,000, HK\$2,346,000 and HK\$1,955,000, respectively, being the lease payments for the lease of office premises in Hong Kong. For further details of the said lease, please refer to the announcement of the Company dated 27 October 2021.

Proposed Annual Caps

Pursuant to HKFRS 16, the leases to be entered into by the Group as lessee under the Master Services Agreement will be recognised as right-of-use assets. The proposed Lease Caps represent the maximum total value of the right-of-use assets relating to the individual leasing agreements expected to be entered into by the Company during the Term, which are calculated with reference to the aggregate annual rental amount under the full lease term of each individual leasing agreement to be entered into during the Term.

The proposed Lease Caps in respect of 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

As advised by the Management, the above proposed Lease Caps were determined after taking into account the following: (i) the historical transaction amounts in respect of lease payments paid by the Group to the Shougang Group; and (iii) the Group's expected demand for entering into new leasing arrangements for lease of office premises during the Term to accommodate for the future expansion of the Company's workforce and to satisfy

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Group's business development needs. Based on the management's estimation, the total number of full time employees of the Group is expected to be increased from 50 as at 31 December 2022 to around 70 by the end of 2023, and further to around 100 by the end of 2024 and 2025.

We have reviewed the projection on leasing arrangement for lease of office premises by the Group, among which the Group has prepared an estimation on area to be leased by the Group and incorporated the expected leasing fee, the respective management fee, cost on electricity, etc.. Thus, we are of the view that the respective projection is properly prepared and the estimation of the new leasing arrangement for lease of office premises by the Group is fair and reasonable. Based on the above, we are of the view that the basis for determining the proposed Lease Caps is fair and reasonable so far as the Independent Shareholders are concerned.

(IV) Management and Financial Advisory Services

Historical transaction amounts

There was no historical transaction between the Group and the Shougang Group in relation to the provision of the Management and Financial Advisory Services.

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

As advised by the Management, the above proposed Management and Financial Advisory Service Fee Caps were determined after taking into account the following:

1. the respective pricing basis of service fees;
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.

We have reviewed the projection on the Management and Financial Advisory Services demanded by the Shougang Group together with the market referencing price, and are of the view that the respective projection is properly prepared and the estimation of the Management and Financial Advisory Services demanded by the Shougang Group is

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

fair and reasonable. Based on the above, we are of the view that the basis for determining the proposed Management and Financial Advisory Service Fee Caps is fair and reasonable so far as the Independent Shareholders are concerned.

(V) Financial Technical Services

Historical transaction amounts

There was no historical transaction between the Group and the Shougang Group in relation to the provision of the Financial Technical Services.

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

As advised by the Management, the above proposed Financial Technical Service Fee Caps were determined after taking into account the following:

1. the respective pricing basis of service fees;
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.

We have reviewed the projection on Financial Technical Services demanded by the Shougang Group, among which the Company has prepared an estimation on demand of different items in Financial Technology Services and the corresponding estimation of the respective pricing of the Financial Technology Services. Thus we are of the view that the respective projection is properly prepared and the estimation of the Financial Technical Services demanded by the Shougang Group is fair and reasonable. Based on the above, we are of the view that the basis for determining the proposed Financial Technical Service Fee Caps is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(VI) Other Financial Services

Historical transaction amounts

There was no historical transaction between the Group and the Shougang Group in relation to the provision of the Other Financial Services.

Proposed Annual Caps — Other Financial Services to be provided by the Group to the Shougang Group

The Company proposes to set annual caps on the service fees in respect of the Other Financial Services to be provided by the Group to the Shougang Group during the Term as follows:

From the commencement date of the Term to 31 December 2023	RMB14,000,000
From 1 January 2024 to 31 December 2024	RMB14,000,000
From 1 January 2025 to 31 December 2025	RMB16,000,000

As advised by the Management, the above proposed annual caps on the service fees in respect of the Other Financial Services to be provided by the Group to the Shougang Group during the Term were determined after taking into account the following:

1. the respective pricing basis of service fees;
2. the expected scope and service specifications of the Other Financial Services;
3. the expected demand for the Other Financial Services by the Shougang Group with reference to the existing scale of operations and anticipated growth of the Shougang Group; and
4. with reference to the management's experience and the current market situation, a one-off service charge with tentative rate of approximately 0.2% per transaction and an annual handling fees with tentative rate of approximately 0.5% per annum is adopted as a quantitative basis for determining the annual caps on the service fees in respect of the Other Financial Services to be provided by the Group to the Shougang Group during the Term (which comprise of corporate credit certification services and payment and settlement services).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the projection on Other Financial Services demanded by the Shougang Group, among which the Company has prepared an estimation on demand of different items in Other Financial Services by the Group and the corresponding estimation of the respective pricing of the Other Financial Services. Thus, we are of the view that the respective projection is properly prepared and the estimation of the Other Financial Services to be provided by the Group to the Shougang Group is fair and reasonable. Based on the above, we are of the view that the basis for determining the proposed Other Financial Service Fee Caps is fair and reasonable so far as the Independent Shareholders are concerned.

Proposed Annual Caps — Other Financial Services to be provided by the Shougang Group to the Group

The Company proposes to set the annual caps on the service fees in respect of the Other Financial Services to be provided by the Shougang Group to the Group during the Term as follows:

From the commencement date of the Term to 31 December 2023	RMB21,000,000
From 1 January 2024 to 31 December 2024	RMB25,000,000
From 1 January 2025 to 31 December 2025	RMB30,000,000

As advised by the Management, the above proposed annual caps on the service fees in respect of the Other Financial Services to be provided by the Shougang Group to the Group during the Term were determined after taking into account the following:

1. the respective pricing basis of service fees;
2. the expected scope and service specifications of the Other Financial Services;
3. the expected demand for the Other Financial Services by the Group with reference to the existing scale of operations and anticipated growth of the Group; and
4. as a quantitative basis for determining the annual caps on the service fees in respect of the Other Financial Services to be provided by the Shougang Group to the Group during the Term (which mainly comprise of payment collection services), a tentative rate of 0.2% handling fee on the relevant collected amount of receivables with reference to the management's experience and current prevailing market rate.

We have reviewed the projection on Other Financial Services to be provided by the Shougang Group to the Group, among which the Company has prepared an estimation on demand of different items in Other Financial Services by the Shougang Group and the corresponding estimation of the respective pricing of the Other Financial Services. Thus, we are of the view that the respective projection is properly prepared, and the estimation of the Other Financial Services to be provided by the Shougang Group to the Group is fair and reasonable.

4 INTERNAL CONTROL OF THE MASTER SERVICES AGREEMENT

(I) 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.
3. In the event that, upon receiving the deposit certificate which shows the actual deposit interest rate offered by the Shougang Group, the Company notes that the deposit interest rate offered by the Shougang Group is lower 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 Company will require the Shougang Group to make up for the differences in interest to the Group.

We agree that the above internal control procedures will ensure that the deposit interest rates for the Deposit Service will be on normal commercial terms or better, and hence are in the interests of the Independent Shareholders.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 annual caps.

We are of the view that the above internal control procedures on a regular basis and especially the daily monitoring of the provision of deposit services will ensure that the proposed Daily Deposit Cap are not exceeded and also ensure that the continuing connected transactions and the terms of the underlying transactions are on normal commercial terms and in accordance with the pricing policies and annual caps, and are therefore in the interests of the Independent Shareholders.

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.
4. For the purpose of credit assessment, the finance department of the Company will review (i) the financial reports, compliance risk reports, and fund security and other statements provided by the Shougang Group (as stated in paragraph (1) above) on an annual basis; and (ii) review the credit rating reports on the Shougang Group published annually by credit rating agencies recognised by the PBOC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. To ensure that the Group will have sufficient working capital and liquidity for its business operations, the finance department of the Company will monitor the cash position of the Group from time to time and the Group will make withdrawals where necessary to ensure that the amount deposited with the Shougang Group under the Deposit Services shall not exceed 75% of the Group's total cash position.

We consider that the Group's deposits will not be put under unnecessary risk as the Shougang Group will ensure that it is 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. Further, we have reviewed the capital risk control measures adopted by the Group in respect of the deposits under the Master Services Agreement so that the Group can conduct assessment on the operating qualifications, business and risks of the Shougang Group, so as to control and respond to possible capital risks of the Shougang Group in a timely manner. In addition, the Group has full discretion to withdraw all funds under the Deposit Services on an as needed basis without any restriction. Accordingly, we agree that the capital risk control measures under the Deposit Services are adequate to prevent the risks involved in placing the funds of the Group with the Shougang Group.

We also discussed with a staff of Company's Finance Department and understood that the Finance Department's staffs are aware of the internal control measures and will comply with the internal control measures, including the determination of deposit interest rate for the Deposit Services, monitoring the proposed Daily Deposit Cap and the capital risk control measures when conducting the Deposit Services.

We also noted from the annual report of the Company for the two years ended 31 December 2022 that, among other things, with respect to each of the continuing connected transactions contemplated during the respective financial year, nothing has come to the Company's auditors' attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

Having considered our findings as mentioned above, we do not doubt the effectiveness of the implementation of the internal procedures for the Deposit Services.

(II) 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,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Information Technology Service Fee Caps.

We are of the view that the above internal control procedures on a regular basis will ensure that the proposed Information Technology Service Fee Caps are not exceeded and also ensure that the continuing connected transactions and the terms of the underlying transactions are on normal commercial terms and in accordance with the pricing policies and annual caps and are therefore in the interests of the Independent Shareholders.

We also discussed with a staff of Company's Finance Department and understood that the Finance Department's staffs are aware of the internal control measures and will comply with the internal control measures when conducting the Information Technology Services.

To further assess the above internal control procedures, we have obtained from the Company and reviewed three sets of the Group's internal approval records before obtaining the Information Technology Services from the Shougang Group during the three years ended 31 December 2022, which were selected on a random basis from the lists of transactions in respect of the Information Technology Services provided by the Shougang Group covering the period from January 2020 to December 2022. We note that the samples we obtained are consistent with and did not demonstrate any discrepancy with our understanding of the internal control procedures for the Information Technology Services provided by the Shougang Group to the Group.

Given that (i) the Information Technology Services provided by the Shougang Group to the Group is consistent throughout the period from January 2020 to December 2022; (ii) the aforesaid samples are obtained on random basis; and (iii) the samples we obtained are consistent and did not demonstrate any discrepancy to our understandings of the internal control procedures for the Information Technology Services provided by the Shougang Group to the Group, we are of the view that the abovementioned sample size are fair, representative and adequate and sufficient for our assessment herein.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also noted from the annual report of the Company for the two years ended 31 December 2022 that, among other things, with respect to each of the continuing connected transactions contemplated during the respective financial year, nothing has come to the Company's auditors' attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

Having considered our findings as mentioned above, we do not doubt the effectiveness of the implementation of the internal procedures for the Information Technology Services.

(III) Property Leasing Services

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

1. Prior to entering into any individual agreement for lease of property in respect of the Property Leasing Services, the finance department of the Company will 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; and (b) the market price of the properties within the same or similar geographical location by obtaining at least two quotations of market rents charged by independent third parties for similar properties in the vicinity obtainable through websites of and enquiry with third party real estate agencies, so as to ensure that the transactions under the Property Leasing Services are conducted in accordance with normal commercial terms and are on terms that are no less favourable to the Group than those offered by independent third parties.
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 annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We agree that the above internal control procedures will ensure that the terms of the Property Leasing Services will be on normal commercial terms or better and hence are in the interests of the Independent Shareholders.

We are also of the view that the above internal control procedures on a regular basis will ensure that the proposed Lease Caps are not exceeded and also ensure that the continuing connected transactions and the terms of the underlying transactions are on normal commercial terms and in accordance with the pricing policies and annual caps, and are therefore in the interests of the Independent Shareholders.

We also discussed with a staff of Company's Finance Department and understood that the Finance Department's staffs are aware of the internal control measures and will comply with the internal control measures when conducting the Property Leasing Services.

We understand that the historical transaction amounts of the Property Leasing Services for the years ended 31 December 2020, 2021 and 2022 were comprised of the lease of a premise from the Shougang Group by the Group. To further assess the above internal control procedures, we have obtained from the Company and reviewed the respective set of the Group's internal approval records before the lease of the respective premise by the Group as lessee from the Shougang Group as lessor. We note that the sample we obtained is consistent with and did not demonstrate any discrepancy with our understandings of the internal control procedures for the Property Leasing Services.

We also noted from the annual report of the Company for the two years ended 31 December 2022 that, among other things, with respect to each of the continuing connected transactions contemplated during the respective financial year, nothing has come to the Company's auditors' attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

Having considered our findings as mentioned above, we do not doubt the effectiveness of the implementation of the internal procedures for the Property Leasing Services.

(IV) 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.
3. In respect of the Other Financial Services, to minimise the risks of relying on the Shougang Group for revenue collection, the receivable collection team of the Company will liaise with the relevant receivable collection team of the Shougang Group regularly to keep track of the trade receivables owed from customers who have retained the Group's services as ancillary services which are included in the service package provided by the Shougang Group to such customers, so as to calculate and ascertain the amount of payment collection service fees payable to the Shougang Group accordingly.

We are also of the view that the above internal control procedures on a regular basis will ensure that the proposed Management and Financial Advisory Service Fee Caps, Financial Technical Service Fee Caps and Other Financial Service Fee Caps are not exceeded and also ensure that the continuing connected transactions and the terms of the underlying transactions are on normal commercial terms and in accordance with the pricing policies and annual caps, and are therefore in the interests of the Independent Shareholders.

We also discussed with a staff of Company's Finance Department and understood that the Finance Department's staffs are aware of the internal control measures and will comply with the internal control measures when conducting the Management and Financial Advisory Services, Financial Technical Services and Other Financial Services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also noted from the annual report of the Company for the two years ended 31 December 2022 that, among other things, with respect to each of the continuing connected transactions contemplated during the respective financial year, nothing has come to the Company's auditors' attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

Having considered our findings as mentioned above, we do not doubt the effectiveness of the implementation of the internal procedures for the Management and Financial Advisory Services, Financial Technical Services and Other Financial Services.

5 REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SERVICES AGREEMENT

As stated in the Board Letter, 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. Moreover, as disclosed in the section headed "INTERNAL CONTROL — Services provided by the Shougang Group or the Group — Deposit Services" in this circular, to ensure that the Group will have sufficient working capital and liquidity for its business operations, the finance department of the Company will monitor the cash position of the Group from time to time and the Group will make withdrawals where necessary to ensure that the amount deposited with the Shougang Group under the Deposit Services shall not exceed 75% of the Group's total cash position. Furthermore, the credit rating of Shougang as rated by Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司), a credit rating agency recognised by the PBOC, for the year 2022 was "AAA", which evidenced that Shougang has healthy cash flow and strong capability to repay its debt; hence, the credit risk in relation to placing deposits with financial institutions under the Shougang Group would be relatively low.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, 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 as the Group would be able to provide the Shougang Group suitable advice to cater to the Shougang Group's specific needs. Furthermore, the service fees in respect of the provision of the Management and Financial Advisory 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.

Furthermore, as advised by the Company, based on the Group's understanding of the Shougang Group's business nature, scope of operations and business plans developed from the continuous good working relationship over the years, the provision of the Financial Technical Services by the Group to the Shougang Group (i) is in line with the Shougang Group's long term plans to invest in its technological platforms and promote digital transformation, and (ii) would hence provide a stable stream of revenue to the Group. Furthermore, the service fees in respect of the provision of the Financial Technical 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.

In respect of the Other Financial Services provided by the Group to the Shougang Group, which comprise of corporate credit certification services and payment and settlement services, this is in line with the Group's transformation of its business focus to multi-tier transfer of electronic creditor's rights certificates and related businesses for the steel industry chain in late 2022, details of which are disclosed in the 2022 Annual Report. As Shougang is one of the largest steel production enterprises in the PRC, the Directors anticipate the Shougang Group will have a steady demand for the Group's corporate credit certification services and payment and settlement services, which would provide a stable stream of revenue to the Group. Furthermore, the service fees in respect of the provision of 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.

For the Other Financial Services provided by the Shougang Group to the Group, which comprise of payment collection services and other related services, by leveraging on the mutual understanding between the Group and the Shougang Group in terms of business operations and the synergic advantages developed from the good working relationship maintained over the years, the Group will be able to benefit from a more centralised and efficient mechanism of collecting trade receivables owed from customers who have retained the Group's services as

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ancillary services which are included in the service package provided by the Shougang Group to such customers. Furthermore, 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.

The provision of the Management and Financial Advisory Services, Financial Technical Services, and Other Financial Services (in respect of corporate credit certification services and payment and settlement services) by the Group to the Shougang Group will contribute to revenue of the Group.

Having considered that:

- (i) the Master Services Agreement and the transaction contemplated thereunder forms part of the daily operation of the Group;
- (ii) the proposed Annual Caps for the Master Services Agreement are fairly determined and are fair and reasonable as stated in the section headed “3 PROPOSED ANNUAL CAPS” of this letter; and
- (iii) the internal control measures of the Group regarding the Master Services Agreement and the transaction contemplated thereunder, if implemented effectively by the Group, are sufficient to safeguard Shareholders’ interest;

we consider the Master Services Agreement and the transaction contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

6 REPORTING REQUIREMENTS AND CONDITIONS OF THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE MASTER SERVICE AGREEMENT

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the continuing connected transactions contemplated under the Master Services Agreements are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the continuing connected transactions every year and confirm in the Company’s annual report whether the continuing connected transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms of better; and
 - (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the Company must engage its auditors to report on the continuing connected transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the continuing connected transactions involve the provision of goods or services by the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and
 - (d) have exceeded the proposed annual caps of the respective continuing connected transactions.
- (iii) the Company must allow, and ensure that the counterparties to the continuing connected transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions as set out in paragraph (ii); and
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

As stated above, we have reviewed the respective internal control manual of the Master Services Agreement. We have also reviewed the annual report of the Company for the two years ended 31 December 2022 and noted that the independent non-executive Directors and the auditor of the Company have reviewed the other continuing connected transactions contemplated thereunder during such period, and has provided the relevant confirmations pursuant to the relevant requirements of the Listing Rules. We have also obtained and reviewed the relevant confirmations from the independent non-executive Directors and the auditor of the Company provided by the Management and considers that the abovementioned annual review requirements have been followed.

Based on such compliance record and in light of the reporting requirements attached to the continuing connected transactions and the Group's internal control measures, including the respective pricing policy and the respective monitoring policy regarding the corresponding proposed Annual Caps therein, of the Master Services Agreement and the transactions contemplated thereunder as discussed in the section headed "4 INTERNAL CONTROL OF THE MASTER SERVICES AGREEMENT" respective in this letter, we consider that the Company has adopted adequate internal control measures to be able to comply with the Listing Rules requirements with respect to the supervision and monitoring of the transactions contemplated under the Master Services Agreements and there are appropriate and effective

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

measures to govern the future execution of such continuing connected transactions to safeguard the interests of the Independent Shares and the respective proposed Annual Caps under the Master Services Agreements will be closely monitored and will not be exceeded.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Master Services Agreements are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Master Services Agreements and the transactions contemplated thereunder (including the respectively proposed Annual Caps) are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Master Services Agreements and the transactions contemplated thereunder (including the proposed Annual Caps).

Yours faithfully,
For and on behalf of
Draco Capital Limited
Kevin Choi Leon Au Yeung
Managing Director Director

Mr. Kevin Choi and Mr. Leon Au Yeung are licensed persons under the SFO to carry out type6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Draco Capital Limited. Mr. Kevin Choi and Mr. Leon Au Yeung have over 11 and 9 years of experience in corporate finance industry, respectively.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three financial years ended 31 December 2020, 2021 and 2022 including the independent auditors' report thereon and the notes thereto, have been disclosed in the respective annual reports of the Company. The annual reports of the Company for the three financial years ended 31 December 2020, 2021 and 2022 are published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.capital-ifs.com>) respectively.

The audited financial statements of the Group for the financial year ended 31 December 2020 are set out from pages 112 to 250 in the 2020 annual report of the Company (the “**2020 Annual Report**”) which was published on 12 April 2021. The 2020 Annual Report is available on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.capital-ifs.com>) and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0412/2021041200852.pdf>.

The audited financial statements of the Group for the financial year ended 31 December 2021 are set out from pages 130 to 270 in the 2021 annual report of the Company (the “**2021 Annual Report**”) which was published on 14 April 2022. The 2021 Annual Report is available on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.capital-ifs.com>) and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0412/2022041200986.pdf>.

The supplemental announcement of the Company dated 2 September 2022 in relation to supplemental information in respect of the 2021 Annual Report is available on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.capital-ifs.com>) and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0902/2022090201648.pdf>.

The audited financial statements of the Group for the financial year ended 31 December 2022 are set out from pages 132 to 274 in the 2022 annual report of the Company (the “**2022 Annual Report**”) which was published on 18 April 2023. The 2022 Annual Report is available on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.capital-ifs.com>) and is accessible via the following hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0418/2023041800666.pdf>.

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

Focusing specifically on its core businesses including financial leasing, supply chain management services and commercial factoring, the Group has established a comprehensive platform for supply chain financial services and will give full play to the important role of financial services in empowering real economy. Taking advantage of our industrial advantages and competitive edges, we focus on the provision of customized and comprehensive financial service solutions to the steel industry and upstream and downstream customers on the industry chain for different business scenarios including the C-end market, and strive to meet our medium- and long-term strategic goal of continuous growth in performance.

Looking ahead, under the policy environment and market environment of promoting financial innovation, the Group will continue to focus on high quality development, seize new opportunities offered by the digital economy, explore new paths for transformation and development, research and formulate long-term plans for business development, devote itself to expanding its services for the steel industry chain, strive to increase the Company's market capitalization and achieve unprecedented economic benefits. We will strive to capitalize on the advantage of cross-border operation while actively exploring new models of innovative financial service business and taking advantage of Hong Kong's excellent geographical location and favorable financing environment as an international financial market. Through diverse financing tools (both domestic and overseas) and different market and currency cycles, we will bring low cost funds and equity capital to our customers and optimize their capital structure, help the Group to achieve sustainable growth in its business scale and create greater business value for our customers, shareholders and society.

In terms of risk management infrastructure, prudent and effective risk management can help in untapping the commercial value of long-term investments, as well as laying a solid foundation for the Group's sustainable development. We will put emphasis on strengthening our risk control system, introducing information technology platform, and adjusting our management and control strategies in a timely manner and continuously improving our management by improving and optimizing our risk control mechanism. In addition, we will also continue to promote the development of our online risk management platform based on asset securitization and industry supply chain business so as to provide an effective tool for the Group's risk management.

3. STATEMENT OF INDEBTEDNESS OF THE GROUP AS AT 30 APRIL 2023**Borrowings and lease liabilities**

As at the close of business on 30 April 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had no outstanding bank borrowings; the Group had lease liabilities of approximately HK\$8,543,000 certain of which were secured by the rental deposits and all of which were unguaranteed; and the Group had a loan from a related party of approximately HK\$30,999,000 which is unsecured.

Pledge of assets

At the close of business on 30 April 2023, the Group had no charge on its assets.

Debt securities

At the close of business on 30 April 2023, the Group had no debt securities.

Contingent liabilities

The Group did not have any material contingent liabilities as at the close of business on 30 April 2023.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and others payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 30 April 2023.

4. DIRECTORS' STATEMENT ON SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available banking facilities and the internally generated resources of the Group, the Group has sufficient working capital for its requirements at least within the next 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were published, and including the Latest Practicable Date.

1. 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.

2. DISCLOSURE OF INTERESTS

Interest of Directors and chief executive of the Company

As at the Latest Practicable Date, save as disclosed below, to the best knowledge of the Directors and chief executive of the Company, none of the Directors or chief executive of the Company have any interest or short position in the Shares, underlying Shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which was required: (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO); (ii) to be entered into the register required to be kept by the Company under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

Name of Director	Long position/ short position	Capacity/ nature of interest	Number of Shares held	Percentage of the total issued share ^(Note)
Liang Hengyi	Long position	Personal	2,001,000	0.05%

Note: The percentage is calculated based on the 3,984,639,703 Shares as at the Latest Practicable Date.

Interest of substantial Shareholders of the Company

As at the Latest Practicable Date, to the best knowledge of the Directors and chief executive of the Company, the interest and short positions of the substantial Shareholders in the issued share capital of the Company which will be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company are as follows:

Name of Shareholder	Capacity	Number of Shares (L)	Percentage of	Note(s)
			total issued share capital as at the Latest Practicable Date (%)	
Shougang	Interests of controlled corporations	2,425,736,972	60.88	1
Wheeling Holdings Limited	Beneficial Owner	2,025,736,972	50.84	1
Beijing Shougang Fund Co., Ltd.	Interests of controlled corporation	400,000,000	10.04	1
Jingxi Holdings Limited	Beneficial Owner	400,000,000	10.04	1
Yip Wang Ngai	Interests of controlled corporation	213,600,000	5.36	2
HY Holding Limited	Beneficial Owner	213,600,000	5.36	2
Mak Siu Hang Viola	Interests of controlled corporation	254,413,000	6.38	3
VMS Investment Group Limited	Beneficial Owner	254,413,000	6.38	3

(L) = Long Position

Notes:

- Shougang indicated in its disclosure form dated 5 September 2022 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 5 September 2022, its interest in the Company was held by Wheeling Holdings Limited and Beijing Shougang Fund Co., Ltd., which are wholly owned subsidiaries of Shougang, respectively. Beijing Shougang Fund Co., Ltd.'s interest in the Company was the Shares held by Jingxi Holdings Limited, a wholly owned subsidiary of Beijing Shougang Fund Co., Ltd. (a wholly owned subsidiary of Shougang).
- Mr. Yip Wang Ngai indicated in his disclosure form dated 1 August 2019 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 30 July 2019, his interest in the Company was held by HY Holding Limited which in turn was held as to 80% by Mr. Yip Wang Ngai.

3. Ms. Mak Siu Hang Viola indicated in her disclosure form dated 20 January 2021 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 20 January 2021, her interest in the Company was held by VMS Investment Group Limited which in turn was held as to 100% by Ms. Mak Siu Hang Viola.

As at the Latest Practicable Date, save as disclosed above and to the best knowledge of the Directors and chief executive of the Company, (i) no person had any interests or short positions in the Shares or underlying Shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company; and (ii) save for Ms. Sun Yajie who is an employee of Shougang and a director of Wheeling Holdings Limited and Ms. Qiao Yufei who is an employee of Beijing Shougang Fund Co., Ltd., none of the Directors or chief executive of the Company was also a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

4. INTEREST IN ASSETS OR CONTRACTS

- (a) As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any assets which had been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements entered into by any member of the Group, which were subsisting as at the Latest Practicable Date and which were significant in relation to the business of the Group.

5. COMPETING INTEREST

As at the Latest Practicable Date, save for Ms. Sun Yajie's interest as a director in Shougang Holding (Hong Kong) Limited (being a wholly-owned subsidiary of Shougang and an entity principally engaged in property investment, which is considered to compete or likely to compete with the businesses of the Group) the details of which are set out in the 2022 Annual Report, none of the Directors or their close associates had any interests in a business which competes or was likely to compete, either directly or indirectly, with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder).

6. EXPERT AND CONSENT

The following sets out the qualification of the expert which has given its opinion or advice as contained in this circular:

Name	Qualification
Draco Capital Limited	a licensed corporation under the SFO permitted to conduct Type 6 (advising on corporate finance) regulated activities for the purposes of the SFO

The letter and recommendation from the above expert is given as of the date of this circular for incorporation herein.

- (a) did not have any shareholding, direct or indirect, in any members of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up); and
- (c) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and its letter in the form and context in which they respectively appear.

7. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance to the Group, and no litigation, arbitration or claim of material importance to the Group was pending or threatened against any member of the Group.

8. MISCELLANEOUS

- (a) The registered office of the Company is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is at 6/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The Hong Kong share registrar and transfer office of the Company is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

- (d) The company secretary of the Company is Mr. Leung Tze Wai. Mr. Leung holds a Bachelor Degree of Commerce (Accounting) from the University of Adelaide, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia. Mr. Leung has over 10 years' experience in the auditing, accounting and financial sectors.

9. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular and up to the Latest Practicable Date, no contracts that are or may be material (not being contracts entered into in the ordinary course of business) were entered into by the Group.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published at the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.capital-ifs.com) for a period of 14 days from the date of this circular:

- (a) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (c) the Master Services Agreement; and
- (d) the written consent referred to in the section headed "Expert and Consent" in this appendix.

NOTICE OF SPECIAL GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that a special general meeting of Capital Industrial Financial Services Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at 3:00 p.m. on Wednesday, 28 June 2023 at 11/F, China Railway Construction Building, No. 20 Shijingshan Road, Shijingshan District, Beijing, PRC (the “**SGM**”) for the purposes of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the agreement (the “**Master Services Agreement**”) dated 28 April 2023 entered into between the Company and Shougang Group Co., Ltd. (首鋼集團有限公司) (“**Shougang**”), a copy of which is tabled at the SGM and marked “A” and initialed by the chairman of the SGM for identification purpose, pursuant to which, Shougang and its subsidiaries (the “**Shougang Group**”) shall provide to the Group or the Group shall provide to the Shougang Group (as the case may be) deposit and related services (the “**Deposit Services**”), information technology services (the “**Information Technology Services**”), property leasing services (the “**Property Leasing Services**”), management and financial advisory services (the “**Management and Financial Advisory Services**”), financial technical services (the “**Financial Technical Services**”) and other financial services (the “**Other Financial Services**”) be and is hereby approved, ratified and confirmed;
- (b) the proposed maximum daily balance of deposits (including the corresponding interest accrued thereon) placed by the Group with the Shougang Group in relation to the Deposit Services during the term of the Master Services Agreement commencing from the date on which the Master Services Agreement becomes effective and ending on 31 December 2025 as set out in the circular of the Company dated 12 June 2023 (the “**Circular**”) be and is hereby approved;
- (c) 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 as set out in the Circular be and is hereby approved;

NOTICE OF SPECIAL GENERAL MEETING

- (d) the proposed annual caps in respect of the lease of properties to the Group under the Master Services Agreement in relation to the Property Leasing Services as set out in the Circular be and is hereby approved;
- (e) 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 as set out in the Circular be and is hereby approved;
- (f) 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 Agreements as set out in the Circular be and is hereby approved;
- (g) the proposed annual caps in respect of the service fees payable by the Shougang Group to the Group in relation to the Other Financial Services provided by the Group to the Shougang Group pursuant to the Master Services Agreement as set out in the Circular be and is hereby approved;
- (h) the proposed annual caps in respect of the service fees payable by the Group to the Shougang Group in relation to the Other Financial Services provided by the Shougang Group to the Group pursuant to the Master Services Agreement as set out in the Circular be and is hereby approved; and
- (i) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Master Services Agreement.”

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

Hong Kong, 12 June 2023

Registered office:

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Principal office in Hong Kong:

6/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of any officer or attorney duly authorised.
- (2) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the SGM, or any adjourned Meeting thereof.
- (3) The record date for determining the entitlement of members of the Company to attend and vote at the SGM is fixed at the close of business on Tuesday, 27 June 2023. In order to qualify for the entitlement to attend and vote at the SGM, all documents for the transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, for registration no later than 4:30 p.m. on Tuesday, 27 June 2023.
- (4) Completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the SGM or at any adjourned Meeting thereof should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (5) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the SGM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall alone be entitled to vote in respect thereof.