
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 you should take, you should consult your stockbroker, or other registered dealer in securities, 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, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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首惠产融

首惠產業金融服務集團有限公司*

CAPITAL INDUSTRIAL FINANCIAL SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 730)

**VERY SUBSTANTIAL ACQUISITION AND
CONTINUING CONNECTED TRANSACTION IN RESPECT OF
THE EMC FINANCE LEASE MASTER AGREEMENT**

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

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
流博資本有限公司

A letter from the Board is set out on pages 5 to 19 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 20 to 21 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 22 to 43 of this circular. A notice convening the SGM to be held at 10:30 a.m. on 25 October 2024 (or immediately after the conclusion or the adjournment of the special general meeting of the Company to be held at the same venue and on the same day at 10:00 a.m.) at 4/F, Building 5, Jinankehuan Plaza, Shougang Park Group, Shijingshan District, Beijing, PRC is set out on pages 80 to 81 of this circular. A form of proxy for the SGM for use by the Shareholders is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to 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 holding of the SGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish.

* *For identification purposes only*

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DEFINITIONS

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

“annual Caps of Finance Lease Credit Facilities”	collectively, the principal amount of the Facilities and interest Caps; and Handling fees Caps of each financial year/period;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Capital Industrial Financial Services Group Limited (首惠產業金融服務集團有限公司*), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 730);
“connected person(s)”	has the same 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;
“Director(s)”	director(s) of the Company;
“EMC Engineering Company”	different designated energy management and energy conservation and renovation (EMC) engineering companies to be hired by Shougang Group through open bidding to undertake the provision of energy conservation services to Shougang Group for the EMC Project(s) initiated by Shougang Group;
“EMC Finance Lease Master Agreement”	the agreement dated 29 August 2024 entered into between the Company and Shougang, pursuant to which the Company has conditionally agreed to provide, or procure its subsidiaries to provide, at its discretion, Shougang Group with the Finance Lease Credit Facilities from time to time for a term of three (3) years and, within the range of the maximum facilities amount at the request of Shougang Group, provide the EMC Engineering Company with finance lease services through direct lease and sale and leaseback services various projects involving energy management, energy conservation and technological renovation works, with the objective to achieve the strategic objectives of energy conservation and emission reduction, quality enhancement and efficiency improvement as set out by the PRC government;

DEFINITIONS

“EMC Projects”	various projects involving energy management, energy conservation and technological renovation works, with the objective to achieve the strategic objectives of energy conservation and emission reduction, quality enhancement and efficiency improvement as set out by the PRC government;
“Equipment”	equipment and/or properties to be used by the EMC Engineering Company for the purpose of providing energy conservation services to Shougang Group in execution of the EMC Projects initiated by the Shougang Group;
“Equipment Supplier”	the supplier(s) for the Equipment as designated by the EMC Engineering Company;
“Finance Lease Credit Facilities”	the facilities of up to an aggregate principal amount of RMB3,400,000,000 (equivalent to approximately HK\$3,656,000,000) to be provided by the Group to Shougang Group in accordance with EMC Finance Lease Master Agreement, details of which are set out in the section headed “THE EMC FINANCE LEASE MASTER AGREEMENT — Major terms of the EMC Finance Lease Master Agreement” below in this circular;
“Finance Lease Loan(s)”	each advance (finance lease) under the EMC Finance Lease Master Agreement extended by the Group to the EMC Engineering Company and its subsidiaries;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board, comprising all the 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 and the transactions contemplated under the EMC Finance Lease Master Agreement;
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO;
“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 EMC Finance Lease Master Agreement;

DEFINITIONS

“Latest Practicable Date”	2 October 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“People’s Bank of China”	The People’s Bank of China is the central bank of the People’s Republic of China. It is responsible for carrying out monetary policy as determined by the People’s Bank Law and the Commercial Bank Law;
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region and Taiwan;
“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 at 10:30 a.m. on 25 October 2024 at 4/F, Building 5, Jinankehuan Plaza, Shougang Park Group, Shijingshan District, Beijing, PRC (or immediately after the conclusion or the adjournment of the special general meeting of the Company to be held at the same venue and on the same day at 10:00 a.m.) to consider and, if appropriate, to approve the resolutions contained in the notice of SGM which is set out on pages 80 to 81 of this circular;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the issued Shares;
“Shougang”	Shougang Group Co., Ltd. (首鋼集團有限公司), a state-owned enterprise established in the PRC and the controlling shareholder of the Company, which through its wholly owned subsidiaries, held 2,425,736,972 shares of the Company, representing approximately 61.06% 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” a period of (3) years commencing from the date on which the EMC Finance Lease Master Agreement becomes effective;

“%” per cent.

Unless otherwise specified in this circular, translations of RMB into HK\$ are made in this circular, for illustration only, at the rate of HK\$1.00 to RMB0.93. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rate or at all.

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首惠产融
首惠產業金融服務集團有限公司*
CAPITAL INDUSTRIAL FINANCIAL SERVICES GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 730)

Executive Directors:

Ms. Sun Yajie (*Chairman*)
Ms. Fu Yao (*Managing Director*)
Mr. Tian Gang (*Executive Director*)

Non-executive Director:

Mr. Huang Donglin

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:*

Suite 803, 8/F
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

9 October 2024

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND
CONTINUING CONNECTED TRANSACTION IN RESPECT OF
THE EMC FINANCE LEASE MASTER AGREEMENT**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 29 August 2024 in relation to, among other things, the EMC Finance Lease Master Agreement.

The purposes of this circular are to, among other things:

- (i) provide you with details of the EMC Finance Lease Master Agreement and the transactions contemplated thereunder;
- (ii) set out the letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the EMC Finance Lease Master Agreement and the transactions contemplated thereunder; and

* *For identification purposes only*

LETTER FROM THE BOARD

(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 EMC Finance Lease Master Agreement and the transactions contemplated thereunder.

2. THE EMC FINANCE MASTER AGREEMENT

Reference is made to the EMC Finance Lease Master Agreement entered into between the Company and Shougang in 2024. On 29 August 2024, the Company and Shougang entered into the EMC Finance Lease Master Agreement for a term of three years commencing from the date on which the EMC Finance Lease Master Agreement becomes effective, pursuant to which the Company has conditionally agreed to provide, or procure its subsidiaries to provide, at its discretion, Shougang Group with finance lease credit facilities in an aggregate principal amount of up to RMB3,400,000,000 (equivalent to approximately HK\$3,656,000,000) and, within the range of the maximum facilities amount at the request of Shougang Group, provide the EMC Engineering Company with finance lease services through direct lease and sale and leaseback services from time to time for the Equipment to be involved in various EMC Projects. The terms of the EMC Finance Master Agreement are set out below:

Major terms of the EMC Finance Lease Master Agreement

Date

29 August 2024

Parties

- (1) The Company; and
- (2) Shougang

Subject matter : The Company will provide or procure its subsidiaries to provide at its discretion Finance Lease Credit Facilities to Shougang Group and, within the range of the maximum facilities amount at the request of Shougang Group, provide the EMC Engineering Company with finance lease services through direct lease and sale and leaseback services from time to time for the Equipment to be involved in various EMC Projects during the term of the EMC Finance Lease Master Agreement.

The Group will finance the Finance Lease Credit Facilities through bank borrowing and internal resources.

Term : A period of three (3) years commencing from the date on which the EMC Finance Lease Master Agreement becomes effective.

LETTER FROM THE BOARD

Principal amount of facilities granted : An aggregate principal amount of up to RMB3,400,000,000 (equivalent to approximately HK\$3,656,000,000).

The Finance Lease Credit Facilities to be granted are non-revolving in nature and are subject to the maximum amount may not be exceeded at any time during the term of the EMC Finance Lease Master Agreement.

Methods of provision of Finance Lease Credit Facilities : The Finance Lease Credit Facilities will be provided by the Group to Shougang Group, and within the range of the maximum facilities amount at the request of Shougang Group, the Group will provide the EMC Engineering Company with finance lease services through direct lease and sale and leaseback services from time to time for the Equipment to be involved in various EMC Projects (each a “**Finance Lease Loan**”). Details of which are as follows:

- (a) direct lease, in which the Group will enter into (i) finance lease agreement(s) with the EMC Engineering Company; and (ii) sale and purchase agreement(s) with the Equipment Supplier designated by the EMC Engineering Company, and lease the Equipment purchased from the Equipment Supplier (as the vendor) to the EMC Engineering Company (as the lessee); and
- (b) sale and leaseback, in which (i) the EMC Engineering Company will purchase the Equipment from the Equipment Supplier; and (ii) the Group (as the purchaser and the lessor) will enter into finance lease agreement(s) with the EMC Engineering Company (as the vendor and the lessee), whereby the Group will purchase the Equipment from the EMC Engineering Company and lease the Equipment back to the EMC Engineering Company.

The relevant parties will enter into individual agreements with respect to each of the finance lease arrangements under the Finance Lease Credit Facilities pursuant to the EMC Finance Lease Master Agreement.

LETTER FROM THE BOARD

Term of each Finance Lease Loan : The duration of each Finance Lease Loan will be negotiated on a case-by-case basis and each Finance Lease Loan will not have a term of longer than six (6) years from the date of the relevant Finance Lease Loan.

To ensure the compliance of the Listing Rules, it is agreed that if the Company fails to renew the EMC Finance Lease Master Agreement at the end of the Term, the Group has the rights to terminate the EMC Finance Lease Master Agreement and demand the relevant EMC Company for full repayment of the outstanding loan within 14 days upon written notice.

Guarantee : The Company has the right to require the EMC Engineering Company to provide its own or third-party guarantee (as the case may be) for the performance of its obligations under each Finance Lease Loan. The relevant parties will enter into individual guarantee agreements with respect to each of the finance lease arrangements under the Finance Lease Credit Facilities pursuant to the EMC Finance Lease Master Agreement.

Conditions precedent of the EMC Finance Lease Master Agreement : The Independent Shareholders having approved the EMC Finance Lease Master Agreement and the transactions contemplated thereunder at a special general meeting of the Company convened for approving the EMC Finance Lease Master Agreement.

Finance lease amount : The principal amount under each finance lease amount shall be the purchase price of the lease items, subject to such amount shall not exceed the unutilized portion of the Finance Lease Credit Facilities.

The purchase price of the lease items will be determined upon arm's length negotiations between the leasing parties with reference to lessor's purchase cost of the relevant equipment/asset items and the prevailing market price for such equipment/asset based on the relevant valuation report (if applicable).

Lease items : The lease items will be equipment and/or properties to be used by the EMC Engineering Company for the purpose of providing energy conservation services to Shougang Group in execution of the EMC Projects.

LETTER FROM THE BOARD

- Interest rate : The interest rate payable by the relevant lessee shall be at a rate equal to the cost of lending of the Company and/or its subsidiaries plus 1% to 5%, subject to not being more than 10%.
- The interest rate to be charged on the relevant Finance Lease Loan shall be determined by the Group after the interest rate review process and risk assessment on the relevant borrower being conducted, details of which are set out in the section headed “INTERNAL CONTROL IN RELATION TO THE EMC FINANCE LEASE MASTER AGREEMENT” below in this circular.
- Payment date of the lease and interest : Unless otherwise agreed, time and frequency of payment under each finance lease and the interest accrued are subject to individual agreements to be entered into between relevant parties.
- Handling fee : The Group shall be entitled to charge the relevant lessee for each finance lease a non-refundable handling fee of not more than 3.75% of the principal amount of the finance lease. Such handling fee shall be payable on the date of the drawdown of the fund. The handling fee is charged for the services provided by the Group in assessing the feasibility of conducting the relevant finance lease transactions. The handling fees and level of security deposits are determined by the Group on a case-by-case basis and will in any event determined with reference to the overall return of each project. Such rate is adjustable depending on various factors, including the level of services as provided by the Group and the risk exposures of the finance lease transactions.
- Lessee’s option to purchase : At the end of the finance lease term, the relevant lessee will have the right to purchase the lease items at a nominal purchase price equal to 0.01% of the loan amount of the finance lease.

LETTER FROM THE BOARD

HISTORICAL TRANSACTION UNDER THE EMC FINANCE LEASE MASTER AGREEMENT

There was no historical transaction between the Group and the Shougang Group in relation to the provision of the finance lease services for energy management & control purpose.

Proposed Annual Caps

The Company proposes to set the annual caps of the Finance Lease Credit Facilities, on the basis of the principal amount of the Facilities and interest, and handling fees thereon, which represent the maximum outstanding balance ^(Note) throughout each financial year/period, as follows:

For the financial year ending	Annual caps (RMB)
From the commencement date of the EMC Finance Lease Master Agreement to 31 December 2024	3,868,000,000 (equivalent to approximately HK\$4,159,000,000)
From 1 January 2025 to 31 December 2025.....	3,868,000,000 (equivalent to approximately HK\$4,159,000,000)
From 1 January 2026 to 31 December 2026.....	3,868,000,000 (equivalent to approximately HK\$4,159,000,000)
From 1 January 2027 to the last date of the Term of the EMC Finance Lease Master Agreement.....	3,868,000,000 (equivalent to approximately HK\$4,159,000,000)

Note: It represents the maximum outstanding balance of the Group's receivables owed from the relevant EMC Engineering Companies under the EMC Finance Lease Master Agreement (which includes the outstanding loan principal, interest and handling fees thereof).

LETTER FROM THE BOARD

Basis of determination of the Finance Lease Credit Facilities and proposed annual caps

The aggregate principal amount of the Finance Lease Credit Facilities and the proposed caps were determined after arm's length negotiations between the parties with reference to (i) the numbers and estimated value of EMC Projects to be initiated by Shougang Group; (ii) the capability of the Group to raise necessary fund to finance the EMC Projects; and (iii) the anticipated demand of financing need of various EMC Projects.

Based on the information provided by Shougang Group, set out below are the details of the potential EMC Projects to be initiated by Shougang Group in the coming three years:

Potential EMC Financing Project	Equipment to be involved in the relevant EMC Project which may require financing from the Group	Estimated time for taking out the finance lease for the relevant Equipment	Estimated value of the relevant Equipment (RMB)
Project 1	100MW ultra-high temperature subcritical generator set and supporting equipment	Q4 2024– Q1 2025	300,000,000
Project 2	TRT power generation equipment	Q4 2024– Q1 2025	16,000,000
Project 3	Sintering machine CO catalytic combustion equipment	Q4 2024– Q1 2025	60,000,000
Project 4	Power station equipment	Q4 2024– Q1 2025	300,000,000
Project 5	Power station equipment	Q4 2024– Q1 2025	300,000,000
Project 6	55MW ultra-high temperature and ultra-high pressure generator set and supporting equipment	Q1 2025– Q2 2025	200,000,000
Project 7	65MW ultra-high temperature and ultra-high pressure generator set and supporting equipment	Q1 2025– Q2 2025	250,000,000
Project 8	100MW ultra-high temperature subcritical generator set and supporting equipment	Q2 2025– Q3 2025	300,000,000
Project 9	Blast furnace equipment	Q1 2026– Q2 2026	300,000,000

LETTER FROM THE BOARD

Potential EMC Financing Project	Equipment to be involved in the relevant EMC Project which may require financing from the Group	Estimated time for taking out the finance lease for the relevant Equipment	Estimated value of the relevant Equipment (RMB)
Project 10	Blast furnace equipment	Q2 2026– Q3 2026	300,000,000
Project 11	Blast furnace power supply equipment	Q2 2026– Q3 2026	200,000,000
Project 12	Power station equipment	Q2 2026– Q3 2026	300,000,000
Project 13	Power station equipment	Q4 2025– Q1 2026	300,000,000
Project 14	55MW ultra-high temperature and ultra-high pressure generator set and supporting equipment	Q3 2026– Q4 2026	200,000,000
		Total	3,326,000,000

Based on the above, the estimated value of Equipment involved various potential EMC Projects which may require financing is approximately RMB3,326 million in the coming three years. Although the above potential EMC Projects are still pending and subject to further negotiation between the parties, they illustrate the anticipated demand on the Group's finance lease services in respect of various EMC Projects initiated by Shougang Group, and the potential business opportunities that the Group may capture through entering into the EMC Finance Lease Master Agreement.

Basis of determining the interest rate

The range of interest rate was determined after arm's length negotiations between the parties with reference to the prevailing market rate and a reasonable margin, which will be added to the cost of lending by the Group so as to ensure that the Group can earn a net income for providing the Finance Lease Credit Facilities under the EMC Finance Lease Master Agreement. The exact interest rate to be charged for each of the Finance Lease Loans will be determined by the Company at the relevant time after taking into account the prevailing market interest rate.

LETTER FROM THE BOARD

Going forward, in determining the interest rate to be charged, the Group will approach at least three banks to seek for specific bank loan for the relevant project to determine the cost of the fund to the Group. The Group would then evaluate the credit risk of the lessee by reviewing its financial position and its ability to repay the Finance Lease Loan, and any assets or guarantee that may be provided as security. A margin would then be added based on the overall risk profile and collaterals that may be secured in respect of the Finance Lease Loan. In addition, the Group would evaluate if it has idle funds at the time. In such event, the Group would further evaluate the deposit rate for the idle fund and the lending rate that it could secure based on the risk profile and collaterals that may be secured in respect of the Finance Lease Loan.

The Group will apply the above policy in determining the interest rate for all finance lease transactions of the Group irrespective of whether the transaction is with a connected person or an independent third-party customer. The Directors (including the independent non-executive Directors) consider that the pricing policy described above can ensure that the interest rate for the transactions contemplated under the EMC Finance Lease Master Agreement will be conducted on terms that are fair and reasonable, on normal commercial terms, and in the interest of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the above proposed Finance Lease Credit Facilities annual caps are fair and reasonable and in the interests of the Shareholders as a whole.

Financial effects of the transactions contemplated under the EMC Finance Lease Master Agreement

As (i) the interest rate to be charged on each of the Finance Lease Loans under the EMC Finance Lease Master Agreement would be at a rate equal to the cost of lending of the Company and/or its subsidiaries plus 1% to 5%, subject to not being more than 10%; and (ii) the Group shall be entitled to charge the relevant lessee for each finance lease under the EMC Finance Lease Master Agreement a non-refundable handling fee of not more than 3.75% of the principal amount of the finance lease, the Group is able to earn a net income over the term of the EMC Finance Lease Master Agreement. As such, the Directors (including the independent non-executive Directors) consider that the entering into the EMC Finance Lease Master Agreement will have positive impact on the earnings of the Group in a long run.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO OF THE EMC FINANCE LEASE MASTER AGREEMENT

In view of the national dual-carbon target and the policy guidelines of “Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development”* (《關於進一步強化金融支持綠色低碳發展的指導意見》) jointly issued by the People’s Bank of China and the relevant regulatory authorities in the PRC, and in order to achieve the strategic objectives of energy conservation and emission reduction, quality enhancement and efficiency improvement as set out by the PRC government, the production enterprises under Shougang Group anticipates a huge demand for EMC works to be carried out by PRC Enterprises in the near future. Hence, Shougang Group will invite different energy management and energy conservation and renovation (EMC) engineering companies through open bidding to undertake the provision of energy conservation services to Shougang Group for the EMC Project initiated by Shougang Group. Given that the Group is principally engaged in, among others, the provision of sale and leaseback arrangement services and other financial services in PRC, and with the view to align to the latest environmental policies set out by the PRC government, the Company consider that it is beneficial to the Group to provide finance lease services for the Equipment involved in the EMC Project and support the EMC Projects of the Shougang Group in financing aspect.

The finance lease arrangement(s) to be entered into by the Group in accordance with the terms and conditions of the EMC Finance Lease Master Agreement would be entered into during its ordinary and usual course of business. Entering into the finance lease arrangement(s) would benefit the Group by increasing the income of its finance lease business and is consistent with the Group’s business development strategy.

In view of the above reasons, the Directors (including the independent non-executive Directors) consider that the EMC Finance Lease Master 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.

INTERNAL CONTROL IN RELATION TO THE EMC FINANCE LEASE MASTER AGREEMENT

The utilisation of the Finance Lease Credit Facilities shall be applied for the Group’s approval on a case-by-case basis. The Group has the absolute discretion on whether or not to (i) cancel, adjust or alter the Finance Lease Credit Facilities and its maximum facilities amount at any time; and (ii) provide the Finance Lease Loan(s) at the relevant time.

LETTER FROM THE BOARD

The internal control measures on monitoring the Finance Lease Credit Facilities annual caps are as follows:

1. In respect of each Finance Lease Loan under the Finance Lease Credit Facilities, the business department of the Group will first submit a project proposal to the chief operating officer for preliminary evaluation. Upon the acceptance of the project for consideration, the business department will conduct due diligence on the relevant Finance Lease Loan. The relevant project proposal will then be reviewed by the risk management department and the legal department of the Group and submit to the investment committee of the Group and the general manager office for approval.
2. In evaluating each Finance Lease Loan under the Finance Lease Credit Facilities, the business department and the risk management department of the Group will conduct risk and return analysis and compare with other potential financing projects between the Group and independent third party available at the time. In the event that any of the Company or its subsidiaries considers that it is not to the Group's benefit to provide the Finance Lease Loan, or it would be risky to grant the Finance Lease Loan, the Group may at its absolute discretion refuse the provision of such Finance Lease Loan to the EMC Engineering Company under the Finance Lease Credit Facilities.
3. In assessing whether to provide each Finance Lease Loan under the Finance Lease Credit Facilities, the Group will consider the following factors on a case by case basis: (i) whether there are other independent third party customers with similar risk exposure who would like to seek finance under finance lease arrangement from the Group at the relevant time; (ii) whether the Group will be able to gain a better rate of return from such available customer(s) at the relevant time; (iii) whether the annual caps will be exceeded; and (iv) whether the pricing terms are in compliance with the EMC Finance Lease Master Agreement.
4. If, at the relevant time, the Group can get a better rate of return from independent third party customer(s), the Group will either (a) use its discretion not to grant the Finance Lease Loan under the Finance Lease Credit Facilities to the EMC Engineering Company and provide facilities to the independent third party customer(s) instead or (b) ensure that the interest rate to be granted to the EMC Engineering Company under the relevant Finance Lease Loan will not be more favourable than those to independent third-party customer(s) with similar risk profile and comparable size of borrowing so as to ensure that the rate of return of the Group is maximised. If, at the relevant time, there is no independent third party customer, the Group will evaluate the prevailing interest rate at the relevant time and the last three transactions with independent third party customer and compare against the interest rate to be granted to the EMC Engineering Company to ensure that the interest rate to be granted to the EMC Engineering Company under the relevant Finance Lease Loan will not be more favourable than those to independent third party customer(s) with similar risk profile and comparable size of borrowing.

LETTER FROM THE BOARD

5. In assessing the risk profile of the borrower in relation to each Finance Lease Loan, the following factors will be considered: (i) source of funds available for repayment, including the profitability, equity position and the cash flow condition of the borrower/lessee; (ii) the valuations of the lease items when they are being sold in secondary markets to discharge the debt of the borrower/lessee; (iii) the risk level of the relevant industry of the borrower during the term of the relevant industry of the lessee during the term of the finance lease; (iv) the risk and return analysis of other financing projects between the Company and/or its subsidiary and other independent third party borrowers with similar background; and (v) the general market conditions that will be faced by the EMC Engineering Company. Since the EMC Engineering Company will be selected by Shougang Group through open bidding on case-by-case basis for each of the EMC Projects, the Group will, through Shougang Group, obtain the corporate information and credentials of the relevant EMC Engineering Company and conduct assessment on them before the grant of each Finance Lease Loan. The Group will ensure that the interest rate charged on the loans will not be more favourable than the interest rate granted to independent third party customers based on the analysis of items (i) to (v) above.
6. To ensure that the transactions contemplated under the EMC Finance Lease Master Agreement will be conducted in accordance with its terms and conditions, the internal audit department of the Company will review the transactions with the EMC Engineering Company and the Equipment Supplier on a periodic basis to ensure that (i) the transactions are conducted in accordance with the terms of the EMC Finance Lease Master Agreement; (ii) the pricing terms are in accordance with the pricing policy of the EMC Finance Lease Master Agreement and the policy of the Group; and (iii) the annual caps have not been exceeded.
7. 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 contemplated under the EMC Finance Lease Master Agreement) and will provide annual confirmations pursuant to the requirements under the Listing Rules to ensure that the continuing connected transactions (including the transactions contemplated under the EMC Finance Lease Master Agreement) are in accordance with the terms of the EMC Finance Lease Master 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 annual caps.

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of sale and leaseback arrangement services, supply chain management services and financial technology services and property leasing business.

Shougang and Shougang Group

Shougang is a company established in the PRC and a state-owned enterprise wholly owned by the Beijing State-owned Capital Operation and Management Centre (北京國有資本運營管理中心) 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 2,425,736,972 shares of the Company, representing approximately 61.06% of the Company's total issued share capital as at the date of the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As at the date of the Latest Practicable Date, Shougang, which through its wholly owned subsidiaries, held 2,425,736,972 shares of the Company, representing approximately 61.06% of the issued share capital of the Company as at the date of the Latest Practicable Date, is the controlling shareholder of the Company and hence is a connected person of the Company under the Listing Rules. Further, the EMC Finance Lease Master Agreement and the transactions contemplated thereunder are entered into for the execution of EMC Projects initiated by Shougang Group. As such, the EMC Finance Lease Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

On the other hand, the transactions contemplated under the EMC Finance Lease Master Agreement will be recognised as acquisition of assets. As such, the EMC Finance Lease Master Agreement and the transactions contemplated thereunder constitute notifiable transactions under Chapter 14 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 EMC Finance Lease Master Agreement exceeds 100%, the EMC Finance Lease Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions and very substantial acquisitions of the Company and are therefore subject to the requirements of reporting, announcement, annual review and the Independent Shareholders' approval under Chapter 14A of the Listing Rules and the announcement, reporting and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

Ms. Sun Yajie (an executive Director and chairman of the Board) is also a director of certain subsidiaries of Shougang and is therefore considered to be a Director who has material interests in the transactions contemplated under the EMC Finance Lease Master Agreement and had voluntarily abstained from voting on the Board resolutions approving the EMC Finance Lease Master 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 other Directors has any material interest in the EMC Finance Lease Master Agreement and was required to abstain from voting on the Board resolutions approving the EMC Finance Lease Master Agreement.

SGM

The Company will convene the SGM to consider and approve, among other things, the EMC Finance Lease Master 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 EMC Finance Lease Master Agreement. Therefore, Shougang, which through its wholly owned subsidiaries hold 2,425,736,972 Shares as at the Latest Practicable Date, representing approximately 61.06% of the issued share capital of the Company, shall abstain from voting at the SGM to consider and approve the EMC Finance Lease Master Agreement.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from Shougang (and its wholly owned subsidiaries through which it holds the 2,425,736,972 Shares), no other Shareholders have material interest in the EMC Finance Lease Master Agreement and shall abstain from voting at the resolution(s) in relation to the approval of the EMC Finance Lease Master Agreement at the SGM.

3. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 20 to 21 of this circular which contains its recommendations to the Independent Shareholders in respect of the terms of the EMC Finance Lease Master Agreement ; (ii) the letter from the Independent Financial Adviser as set out on pages 22 to 43 of this circular, which contains, amongst other matters, its advices to the Independent Board Committee and the Independent Shareholders in relation to the terms of the EMC Finance Lease Master Agreement, the casting of votes for or against the resolutions(s) approving the EMC Finance Lease Master Agreement as well as the principal factors and reasons considered by it in concluding its advice.

The Directors (including the independent non-executive Directors) consider that the terms of the EMC Finance Lease Master Agreement are of the view that the terms of the EMC Finance Lease Master 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.

LETTER FROM THE BOARD

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.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the EMC Finance Lease Master Agreement and their respective transactions contemplated thereunder.



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)

9 October 2024

To the Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND
CONTINUING CONNECTED TRANSACTION IN RESPECT OF
THE EMC FINANCE LEASE MASTER AGREEMENT**

We refer to the circular issued by the Company to the Shareholders dated 9 October 2024 (the “**Circular**”), in which this letter forms a 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 EMC Finance Lease Master Agreement constitute continuing connected transactions of the Company, and the terms of the EMC Finance Lease Master Agreement 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 under the EMC Finance Lease Master Agreement and advise the Independent Shareholders based on our opinion, regarding whether the terms of the transactions contemplated under the EMC Finance Lease Master Agreement and their respective transactions contemplated thereunder are fair and reasonable and whether the transactions contemplated under the EMC Finance Lease Master Agreement are in the interests of the Company and the Shareholders as a whole. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise us in this respect.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 EMC Finance Lease Master 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 Independent Shareholders to vote in favour of the ordinary resolution(s) in relation to the EMC Finance Lease Master 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

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital (HK) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



9 October 2024

To the Independent Board Committee and the Independent Shareholders

Capital Industrial Financial Services Group Limited
Suite 803, 8/F.
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONTINUING CONNECTED TRANSACTION IN RESPECT OF THE EMC FINANCE LEASE MASTER AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the EMC Finance Lease Master Agreement, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 9 October 2024 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

On 29 August 2024, the Company entered into the EMC Finance Lease Master Agreement with Shougang, pursuant to which the Company has conditionally agreed to provide, or procure its subsidiaries to provide, at its discretion, Shougang Group with finance lease credit facilities for a term of three years commencing from the date on which the EMC Finance Lease Master Agreement becomes effective.

As at the Latest Practicable Date, Shougang, through its wholly owned subsidiaries, held 2,425,736,972 shares of the Company, representing approximately 61.06% of the issued share capital of the Company as at the Latest Practicable Date. As such, Shougang is the controlling shareholder of the Company, and Shougang and its subsidiaries are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the EMC Finance Lease Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the other hand, the transactions contemplated under the EMC Finance Lease Master Agreement will be recognised as acquisition of assets. As such, the EMC Finance Lease Master Agreement and the transactions contemplated thereunder constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the EMC Finance Lease Master Agreement exceeds 100%, the transactions contemplated under the EMC Finance Lease Master Agreement also constitute a very substantial acquisition of the Company under Chapter 14A of the Listing Rules and is accordingly subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, and the announcement, reporting and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In view of Shougang's interests in the EMC Finance Lease Master Agreement, Shougang and its associates are required to abstain and shall abstain from voting on the relevant resolutions in relation to the EMC Finance Lease Master Agreement to be proposed at the SGM. Saved as disclosed above, no other Shareholders have material interest in the EMC Finance Lease Master Agreement and shall abstain from voting at the resolution(s) in relation to the approval of the EMC Finance Lease Master Agreement at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tam King Ching, Kenny, Mr. Ng Man Fung, Walter and Ms. On Danita has been formed to advise the Independent Shareholders on (i) whether the entering into the EMC Finance Lease Master Agreement is conducted in the ordinary and usual course of the Group; and (ii) whether the terms of the EMC Finance Lease Master Agreement (including the proposed annual caps) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and as to voting. We, Rainbow Capital (HK) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and Shougang Group that could reasonably be regarded as relevant to our independence. We have been appointed as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to (i) a very substantial acquisition and continuing connected transaction in respect of renewal of the master facilities agreement; and (ii) a continuing connected transaction in respect of the technology license agreement (the "**Second Appointment**"), details of which are set out in the circular of the Company dated 9 October 2024. Other than that, there was no other engagement between the Group or Shougang Group and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or any other party to the EMC Finance Lease Master Agreement. The relevant fees paid or payable to us for acting as the independent financial advisers in relation to this appointment and the Second Appointment are normal professional fees and shall not affect our independence in both appointments. Accordingly, we are independent from the Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

pursuant to the requirement under Rule 13.84 of the Listing Rules and therefore we are qualified to give independent advice in respect of the EMC Finance Lease Master Agreement (including the proposed annual caps).

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; 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. 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 all such statements of belief, opinions and intentions of the Directors and the management of the Group 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 of the Group. 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 of the Group 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 Circular.

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 of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, Shougang Group, or any of their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the EMC Finance Lease Master Agreement (including the proposed annual caps), we have taken into account the principal factors and reasons set out below:

1. Background information of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of (i) sale and leaseback arrangement services; (ii) supply chain management and financial technology services; and (iii) property leasing services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the financial information of the Group for (i) the two years ended 31 December 2023 (“FY2022” and “FY2023”, respectively) as extracted from the annual report of the Company for FY2023 (the “2023 Annual Report”); and (ii) the six months ended 30 June 2023 and 2024 (“6M2023” and “6M2024”, respectively) as extracted from the interim report of the Company for 6M2024 (the “2024 Interim Report”):

(i) *Financial performance*

	FY2022	FY2023	6M2023	6M2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
Continuing operations				
Total revenue	370,638	219,285	100,020	109,452
— Revenue under sale and leaseback arrangements	90,300	188,021	86,499	93,805
— Revenue from supply chain management and financial technology business	275,880	26,845	11,220	13,513
— Property leasing income	4,458	4,419	2,301	2,134
Gross profit	86,832	120,355	53,743	57,723
Other income	9,696	18,580	9,827	5,253
Other gains, net	36,310	3,323	—	—
Selling expenses	(3,317)	—	—	—
Administrative expenses	(53,480)	(61,235)	(20,303)	(25,014)
Changes in fair value of investment properties	(2,471)	(3,192)	100	(2,341)
Changes in fair value of financial assets at fair value through profit or loss	(1,530)	267	(575)	(10)
Net impairment losses on financial assets	(17,150)	(24,905)	(3,468)	(559)
Impairment loss on goodwill	(945)	—	—	—
Finance costs	(4,812)	(1,307)	(875)	(583)
Share of profit of an associate	523	2,055	1,878	2,556
Profit before income tax	49,656	53,941	40,327	37,025
Income tax expense	(16,178)	(11,507)	(10,207)	(10,764)
Profit attributable to the Shareholders	14,526	32,082	22,406	17,981

FY2023 compared to FY2022

Revenue of the Group decreased by approximately 40.8% from approximately HK\$370.6 million for FY2022 to approximately HK\$219.3 million for FY2023, primarily attributable to the decrease in revenue from supply chain management and financial technology business by approximately HK\$249.0 million as a result of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group's business transformation in accordance with market condition. The Group suspended the business covering full-process services including steel product trading and logistics under the supply chain management and financial technology business segment since August 2022. Such decrease was partially offset by the increase in revenue under sale and leaseback arrangements by approximately HK\$97.7 million mainly due to the Group's continuous expansion of the individual consumer leasing business.

Despite the decrease in revenue, the Group recorded an increase in gross profit by approximately 38.6% from approximately HK\$86.8 million for FY2022 to approximately HK\$120.4 million for FY2023, primarily attributable to (a) the successful business transformation and launched of a supply chain financial platform in late 2022 for the supply chain management and financial technology business which had higher gross profit margin; and (b) the continuous expansion of sale and leaseback arrangements services.

The Group's profit attributable to the Shareholders increased by approximately 120.9% from approximately HK\$14.5 million for FY2022 to approximately HK\$32.1 million for FY2023. Such increase was primarily attributable to (a) the increase in gross profit as aforementioned; (b) the increase in other income by approximately HK\$8.9 million, mainly due to the increase in credit financing arrangement interest income, management and financial advisory service income, and financial technical service income from a related party; (c) the decrease in selling expenses by approximately HK\$3.3 million; (d) the decrease in finance costs by approximately HK\$3.5 million as a result of the decrease in the balance of total borrowings in 2023; and (e) the decrease in income tax expense by approximately HK\$4.7 million.

6M2024 compared to 6M2023

Revenue of the Group increased by approximately 9.4% from approximately HK\$100.0 million for 6M2023 to approximately HK\$109.5 million for 6M2024, primarily attributable to (a) the increase in revenue under sale and leaseback arrangements by approximately HK\$7.3 million as a result of the continuous expansion of the individual consumer leasing business; and (b) the increase in revenue from supply chain management and financial technology business by approximately HK\$2.3 million.

In line with the increase in revenue, the Group's gross profit increased by approximately 7.4% from approximately HK\$53.7 million for 6M2023 to approximately HK\$57.7 million for 6M2024.

Despite the increase in revenue and gross profit as mentioned above, the Group recorded a decrease in profit attributable to the Shareholders by approximately 19.7% from approximately HK\$22.4 million for 6M2023 to approximately HK\$18.0 million for 6M2024, primarily attributable to (a) the decrease in other income by approximately HK\$4.6 million mainly due to the decrease in bank deposit interest income and government grant; (b) the increase in administrative expenses by approximately HK\$4.7 million as a result of the increase in administrative staff cost;

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and (c) the turnaround from fair value gains of investment properties of approximately HK\$0.1 million for 6M2023 to fair value losses of investment properties of approximately HK\$2.3 million for 6M2024.

(ii) Financial position

	As at 31 December		As at 30 June
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)
Non-current assets, including:	633,581	515,130	280,993
Investment properties	133,202	116,096	113,076
Intangible assets	65,025	71,806	72,053
Interests in an associate	83,951	84,851	85,434
Receivables under sale and leaseback arrangements	<u>333,229</u>	<u>229,214</u>	<u>—</u>
Current assets, including:	1,372,650	1,399,571	1,632,276
Receivables under sale and leaseback arrangements	756,885	889,811	1,016,299
Receivable under credit financing arrangement	168,453	165,386	164,215
Cash and cash equivalents	<u>322,904</u>	<u>319,054</u>	<u>430,886</u>
Total assets	<u>2,006,231</u>	<u>1,914,701</u>	<u>1,913,269</u>
Current liabilities, including:	223,360	129,465	141,631
Trade and bills payables	84,974	10,162	9,425
Other payables and accruals	<u>70,040</u>	<u>109,682</u>	<u>124,383</u>
Non-current liabilities, including:	27,495	28,736	24,690
Loan from a related party	—	9,810	9,741
Deferred tax liabilities	<u>20,619</u>	<u>13,454</u>	<u>11,666</u>
Total liabilities	250,855	158,201	166,321
Equity attributable to the Shareholders	<u>1,417,068</u>	<u>1,415,922</u>	<u>1,406,475</u>

As at 30 June 2024, total assets of the Group amounted to approximately HK\$1,913.3 million, mainly composed of (a) investment properties of approximately HK\$113.1 million, representing the Group's residential and commercial properties located in Hong Kong and the PRC; (b) receivables under sale and leaseback arrangements of approximately HK\$1,016.3 million; (c) receivable under credit financing arrangement of approximately HK\$164.2 million; and (d) cash and cash

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equivalents of approximately HK\$430.9 million. Due to the business nature of the Group in relation to the provision of sale and leaseback arrangement services, receivables under sale and leaseback arrangements are the key assets of the Group, representing approximately 53.1% of the Group's total assets as at 30 June 2024.

As at 30 June 2024, total liabilities of the Group amounted to approximately HK\$166.3 million, mainly composed of (a) deferred tax liabilities of approximately HK\$11.7 million; and (b) other payables and accruals of approximately HK\$124.4 million.

As at 30 June 2024, the Group recorded equity attributable to the Shareholders of approximately HK\$1,406.5 million with gearing ratio (being loan from a related party divided by total equity) of approximately 0.6%.

(iii) Overall comment

The financial performance of the Group fluctuated for the periods under review as impacted by the Group's strategic transformation on the supply chain management and financial technology business segment in August 2022. Since then, the Group has been continuously exploring and experimenting to build and upgrade its own supply chain financial technology service platform, enabling the Group to generate positive returns during the periods under review.

As disclosed in the 2024 Interim Report, taking advantage of its industrial advantages and competitive edges, the Group will continue to 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 corporate customer and individual consumer leasing market, and strive to meet its medium- and long-term strategic goal of continuous growth in performance.

2. Background information of Shougang Group

Shougang is a company established in the PRC and is the holding company of Wheeling Holdings, the controlling shareholder of the Company. Shougang Group is a state-owned enterprise wholly owned by the Beijing State-owned Capital Operation and Management Centre (北京國有資本運營管理中心) 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 2,425,736,972 shares of the Company, representing approximately 61.06% of the Company's total issued share capital as at the Latest Practicable Date. According to the World Steel Association, Shougang Group

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ranked ninth among the world's top 50 steel producing companies in terms of steel production volume in 2023, with a production volume of approximately 33.6 million tonnes in 2023.

According to an offering circular of Shougang Group as published on 12 August 2024 (the “**2024 Offering Circular**”), the total assets and net assets of Shougang Group as at 31 December 2023 amounted to approximately RMB527.0 billion and RMB169.5 billion, respectively. Shougang Group is a capital intensive company with total non-current assets of approximately RMB385.6 billion as at 31 December 2023, approximately 44.6% of which (i.e. approximately RMB171.8 billion) were the net book value of fixed assets. For FY2023, Shougang Group generated total revenue of approximately RMB238.0 billion and profit attributable to its shareholders of approximately RMB2.4 billion.

According to the 2024 credit rating report of Shougang Group issued by China Chengxin International Credit Rating Company Limited* (中誠信國際信用評級有限責任公司) (“**CCXI**”), the first national non-banking financial institution approved by the People's Bank of China to engage in credit rating, financial securities consulting and information services, Shougang Group was assigned a corporate rating of “AAA” with a stable outlook. The stable outlook reflects the advantages of Shougang Group's operation scale, resources, product structure and manufacturing facilities, as well as the expectation that Shougang Group's operation will remain stable.

3. The EMC Finance Lease Master Agreement

(i) Background and reasons

On 29 August 2024, the Company entered into the EMC Finance Lease Master Agreement with Shougang, pursuant to which the Company has conditionally agreed to provide, or procure its subsidiaries to provide, at its discretion, Shougang Group with finance lease credit facilities for a term of three years commencing from the date on which the EMC Finance Lease Master Agreement becomes effective.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of sale and leaseback arrangement services, supply chain management and financial technology services and property leasing services. As disclosed in the section headed “1. Background information of the Group” above, sale and leaseback arrangement services was one of the core businesses of the Group, which accounted for approximately 85.7% of its total revenue for both of FY2023 and 6M2024. As advised by the management of the Group, although the Group has prioritized the provision of supply chain management and financial technology services, the Group will also continue to promote its financial leasing services to the well-established steel companies and domestic conglomerates as it would enable the Group to earn a stable revenue stream with a considerably lower risk exposure.

As disclosed in the Letter from the Board, in view of the national dual-carbon target and the policy guidelines of “Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development” (《關於進一步強化金融

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

支持綠色低碳發展的指導意見》) jointly issued by the People's Bank of China and the relevant regulatory authorities in the PRC, and in order to achieve the strategic objectives of energy conservation and emission reduction, quality enhancement and efficiency improvement as set out by the PRC government, the production enterprises under Shougang Group anticipates a huge demand for energy management and energy conservation and renovation (“EMC”) works in the near future. Hence, Shougang Group will invite different EMC engineering companies through open bidding to undertake the provision of energy conservation services to Shougang Group for the EMC Project initiated by Shougang Group. Given that the Group is principally engaged in, among others, the provision of sale and leaseback arrangement services and other financial services in the PRC, and with the view to align to the latest environmental policies set out by the PRC government, we concur with the Directors that it is beneficial for the Group to provide finance lease services for the Equipment involved in the EMC Project and support the EMC Projects of the Shougang Group in financing aspect.

In addition, the Group has been providing finance lease services to Shougang Group for years, allowing the Group to gradually build up its customer profile and cumulate deep understanding in the industry characteristics, capital structures, business operation and financing needs of Shougang Group. As such, the entering into of the EMC Finance Lease Master Agreement is crucial and beneficial for the Group's continuous development in the financial leasing business which is in line with its business strategy.

Based on the above, we concur with the Directors that the entering into of the EMC Finance Lease Master Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) Principal terms

Details of the terms of the EMC Finance Lease Master Agreement are set out in the Letter from the Board, which are summarized as follows:

Date	:	29 August 2024
Parties	:	(a) the Company; and (b) Shougang

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject matter : The Company will provide or procure its subsidiaries to provide at its discretion Finance Lease Credit Facilities to Shougang Group and, within the range of the maximum facilities amount at the request of Shougang Group, provide the EMC Engineering Company with finance lease services through direct lease and sale and leaseback services from time to time for the Equipment to be involved in various EMC Projects during the term of the EMC Finance Lease Master Agreement.

The Group will finance the Finance Lease Credit Facilities through bank borrowing and internal resources.

Term : A period of three (3) years commencing from the date on which the EMC Finance Lease Master Agreement becomes effective.

Principal amount of facilities granted : An aggregate principal amount of up to RMB3,400,000,000 (equivalent to approximately HK\$3,656,000,000).

The Finance Lease Credit Facilities to be granted are non-revolving in nature and are subject to the maximum amount may not be exceeded at any time during the term of the EMC Finance Lease Master Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Methods of provision of Finance Lease Credit Facilities : The Finance Lease Credit Facilities will be provided by the Group to Shougang Group, and within the range of the maximum facilities amount at the request of Shougang Group, the Group will provide the EMC Engineering Company with finance lease services through direct lease and sale and leaseback services from time to time for the Equipment to be involved in various EMC Projects (each a “**Finance Lease Loan**”). Details of which are as follows:

- (a) direct lease, in which the Group will enter into (1) finance lease agreement(s) with the EMC Engineering Company; and (2) sale and purchase agreement(s) with the Equipment Supplier designated by the EMC Engineering Company, and lease the Equipment purchased from the Equipment Supplier (as the vendor) to the EMC Engineering Company (as the lessee); and
- (b) sale and leaseback, in which (1) the EMC Engineering Company will purchase the Equipment from the Equipment Supplier; and (2) the Group (as the purchaser and the lessor) will enter into finance lease agreement(s) with the EMC Engineering Company (as the vendor and the lessee), whereby the Group will purchase the Equipment from the EMC Engineering Company and lease the Equipment back to the EMC Engineering Company.

The relevant parties will enter into individual agreements with respect to each of the finance lease arrangements under the Finance Lease Credit Facilities pursuant to the EMC Finance Lease Master Agreement.

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Term of each Finance Lease Loan : The duration of each Finance Lease Loan will be negotiated on a case-by-case basis and each Finance Lease Loan will not have a term of longer than six (6) years from the date of the relevant Finance Lease Loan.

To ensure the compliance of the Listing Rules, it is agreed that if the Company fails to renew the EMC Finance Lease Master Agreement at the end of the Term, the Group has the rights to terminate the EMC Finance Lease Master Agreement and demand the relevant EMC Engineering Company for full repayment of the outstanding loan within 14 days upon written notice.

Guarantee : The Company has the right to require the EMC Engineering Company to provide its own or third-party guarantee (as the case may be) for the performance of its obligations under each Finance Lease Loan. The relevant parties will enter into individual guarantee agreements with respect to each of the finance lease arrangements under the Finance Lease Credit Facilities pursuant to the EMC Finance Lease Master Agreement.

Conditions precedent : The Independent Shareholders having approved the EMC Finance Lease Master Agreement and the transactions contemplated thereunder at a special general meeting of the Company convened for approving the EMC Finance Lease Master Agreement.

Finance lease amount : The finance lease amount under each finance lease shall be the purchase price of the lease items, subject to such amount shall not exceed the unutilized portion of the Finance Lease Credit Facilities.

The purchase price of the lease items will be determined upon arm's length negotiations between the leasing parties with reference to lessor's purchase cost of the relevant equipment/asset items and the prevailing market price for such equipment/asset based on the relevant valuation report (if applicable).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Lease items** : The lease items will be equipment and/or properties to be used by the EMC Engineering Company for the purpose of providing energy conservation services to Shougang Group in execution of the EMC Projects.
- Interest rate** : The interest rate payable by the relevant lessee shall be at a rate equal to the cost of lending of the Company and/or its subsidiaries plus 1% to 5%, subject to not being more than 10%.
- The interest rate to be charged on the relevant Finance Lease Loan shall be determined by the Group after the interest rate review process and risk assessment on the relevant borrower being conducted, details of which are set out in the section headed “INTERNAL CONTROL IN RELATION TO THE EMC FINANCE LEASE MASTER AGREEMENT” in the Letter from the Board.
- Payment date of the lease and interest** : Unless otherwise agreed, time and frequency of payment under each finance lease and the interest accrued are subject to individual agreements to be entered into between relevant parties.
- Handling fee** : The Group shall be entitled to charge the relevant lessee for each finance lease a non-refundable handling fee of not more than 3.75% of the principal amount of the finance lease. Such handling fee shall be payable on the date of the drawdown of the fund. The handling fee is charged for the services provided by the Group in assessing the feasibility of conducting the relevant finance lease transactions. The handling fees and level of security deposits are determined by the Group on a case-by-case basis and will in any event determined with reference to the overall return of each project. Such rate is adjustable depending on various factors, including the level of services as provided by the Group and the risk exposures of the finance lease transactions.
- Lessee’s option to purchase** : At the end of the finance lease term, the relevant lessee will have the right to purchase the lease items at a nominal purchase price equal to 0.01% of the loan amount of the finance lease.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the key terms of the EMC Finance Lease Master Agreement, we have considered the followings:

Interest rate

As disclosed in the Letter from the Board, the range of interest rate was determined after arm's length negotiations between the parties with reference to the prevailing market rate and a reasonable margin, which will be added to the cost of lending by the Group so as to ensure that the Group can earn a net income for providing the Finance Lease Credit Facilities under the EMC Finance Lease Master Agreement. Pursuant to the EMC Finance Lease Master Agreement, the interest rate so charged shall be at a rate equal to the cost of lending of the Group plus 1% to 5%, subject to not being more than 10%. The exact interest rate to be charged for each of the Finance Lease Loans will be determined by the Company at the relevant time after taking into account the prevailing market interest rate. In determining the interest rate to be charged, the Group will approach at least three banks to seek for specific bank loan for the relevant project to determine the cost of the fund to the Group. The Group would then evaluate the credit risk of the lessee by reviewing its financial position and its ability to repay the Finance Lease Loan, and any assets or guarantee that may be provided as security. A margin would then be added based on the overall risk profile and collaterals that may be secured in respect of the Finance Lease Loan. In addition, the Group would evaluate if it has idle funds at the time. In such event, the Group would further evaluate the deposit rate for the idle fund and the lending rate that it could secure based on the risk profile and collaterals that may be secured in respect of the Finance Lease Loan.

As part of our due diligence on the interest rate chargeable under the EMC Finance Lease Master Agreement, we have reviewed the terms of all the finance lease transactions (the “**Reviewed Finance Lease Transactions**”) conducted by the Group from 2022 to 2024 (the “**Review Period**”). During the Review Period, we noted that (a) a total of 6 finance lease transactions has been entered into by the Group with Shougang Group at the interest rate from approximately 5% to 5.5%; and (b) a total of 4 finance lease transactions has been entered into by the Group with independent third party customers at the interest rate from approximately 5% to 5.5%. In addition, as disclosed in the 2024 Interim Report, the Group had no bank borrowings as at 31 December 2023 and 30 June 2024. As advised by the management of the Group, all of the Reviewed Finance Lease Transactions were funded by the Group's internal resources. In this regard, we have researched on the RMB loan prime rates and the RMB deposit rates from 2022 to 2024. According to the People's Bank of China (“**PBOC**”), in January 2022, the RMB loan prime rate was 3.70% for one-year period and 4.60% for over-five-year period, and, the RMB loan prime rate gradually decreased and amounted to 3.35% for one-year period and 3.85% for over-five-year period in July 2024. According to the “Notice of the PBOC on Lowering the RMB Benchmark Loan and Deposit Interest Rates for Financial Institutions and Further Promoting the Interest Rate Liberation Reform (Yin Fa [2015] No. 325)” (中國人民銀行關於下調金融機構人民幣貸款和存款基準利率並進一步推進利率市場化改革的通知(銀發[2015]325號)) prescribed by the PBOC on

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24 October 2015, the latest RMB benchmark deposit rates are 1.30% for six-month period, 1.50% for one-year period and 2.75% for three-year period. Such deposit rates have not been updated by the PBOC since then. Accordingly, the interest rates charged by the Group on the Reviewed Finance Lease Transactions are no more favorable than the market benchmark lending rate and the market deposit rate for the idle funds during the relevant period. Based on the deposit interest rates offered by four independent commercial banks in the PRC as published on their official websites, the latest RMB deposit rates effective from 25 July 2024 are 1.25% for six-month period, 1.35% for one-year period, 1.75% for three-year period and 1.80% for five-year period. As such, the interest rates chargeable under the EMC Finance Lease Master Agreement are no more favourable than the historical interest rates charged by the Group and in line with the market benchmark lending rate and the market deposit rate for the idle funds.

As disclosed in the 2023 Annual Report, the interest rate of fixed rate receivables under sale and leaseback arrangement were 5–12% per annum for FY2023. Based on our review, all of the Reviewed Finance Lease Transactions are finance lease transactions on equipment leasing entered with corporate customers. As advised by the management of the Group, aside from such equipment leasing with corporate customers, all of the other finance lease transactions entered into by the Group during the Review Period are leasing transactions of consumer electronic devices, mainly mobile phones, entered with independent individual customers. As the customers of consumer electronic devices leasing are individuals who are generally considered to have greater credit risk as compared to corporate customers, higher interest rates of 10% to 12% were charged by the Group. In this regard, we have obtained and reviewed six cooperation agreements entered into between the Group and online platform companies during the Review Period and noted that the Group and the online platform companies have agreed to cooperate to conduct the finance lease transactions on mobile phone leasing with individual customers at an interest rate of 10% to 12% per annum. As these finance lease transactions were related to mobile phones leasing with individual customers which has different credit profile as compared to the transactions under the Reviewed Finance Lease Transactions, we consider they are not comparable to the finance lease transactions conducted between the Group and Shougang Group which were related to equipment leasing with corporate customers.

In view of the above, we concur with the management of the Group that the interest rates under the EMC Finance Lease Master Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Handling fees

Pursuant to the EMC Finance Lease Master Agreement, the handling fees to be charged by the Group will be not more than 3.75% of the principal amount of the finance lease.

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In assessing the fairness and reasonableness of the handling fees under the EMC Finance Lease Master Agreement, we have obtained and reviewed all of the finance lease agreements (a total of 10) entered into by the Group during the Review Period. We noted that the handling fees were charged at a range of approximately 0.50% to 1.63% to Shougang Group and approximately 1.60% to 3.00% to independent third party customers. We are given to understand that during the Review Period, the Group entered into two finance lease transactions with one independent third party customer with relatively high handling fees of approximately 2.00% and 3.00%. As advised by the management of the Group, this independent third party customer was a new customer for the Group so that its associated credit risk was higher than Shougang Group who has years of cooperation with the Group. In determining handling fee to be charged, the Group would consider various factors, including the level of services as provided by the Group and the risk exposures of the finance lease transactions. As disclosed in the letter from the Board, such risk-based approach to determine the handling fees is part of the pricing policy of the EMC Finance Lease Master Agreement and is applicable to the handling fees chargeable under the EMC Finance Lease Master Agreement. A new customer is generally considered to have greater risk exposure than a recurring customer who has established a long-term relationship with the Group. Accordingly, we consider it is reasonable for the Group to charge higher handling fees on the aforesaid new customer and the handling fees (i.e. not more than 3.75%) under the EMC Finance Lease Master Agreement are no more favourable than the historical handling fees charged by the Group.

In view of the above, we concur with the management of the Group that the handling fees under the EMC Finance Lease Master Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Lessee's option to purchase

Pursuant to the EMC Finance Lease Master Agreement, at the end of the finance lease term, the relevant lessee will have the right to purchase the lease items at a nominal purchase price equal to 0.01% of the loan amount of the finance lease.

In assessing the fairness and reasonableness of the nominal purchase price of the finance lease transactions, we have independently performed research on the finance lease transactions announced by the companies listed on the Stock Exchange during the period from 1 June 2024 up to the date of the EMC Finance Lease Master Agreement (being approximately three months). We have, on a best effort basis, identified an exhaustive list of 61 finance lease transactions (the “**Comparable Finance Lease Transactions**”). We consider the aforesaid review period is adequate, appropriate and sufficient to compare the terms of the recent finance lease transactions as the Comparable Finance Lease Transactions are considered relevant for the purpose of assessing recent market practice in relation to finance lease transactions and a sufficient list of the Comparable Finance Lease Transactions (i.e. a total of 61) has been identified. We have reviewed the terms of each of the finance lease transactions, including but not limited to the option to purchase at the end of

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the finance lease term, and noted that the nominal purchase price as a percentage of the finance lease loan amount of the Comparable Finance Lease Transactions ranges from approximately 0.000003% to 20% and 51 out of 61 finance lease transactions were set for a nominal purchase price of less than 0.01% of the loan amount of the finance lease. This demonstrates that it is common for finance lease transactions having nominal purchase price of less than 0.01% of the loan amount of the finance lease.

In view of the above, we consider that the nominal purchase price of the finance lease transactions under the EMC Finance Lease Master Agreement is in line with the market practice and we concur with the management of the Group that the nominal purchase price under the EMC Finance Lease Master Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

Term

The term of the EMC Finance Lease Master Agreement is for a period of 3 years commencing from the date on which the EMC Finance Lease Master Agreement becomes effective. The duration of each Finance Lease Loan will be negotiated on a case-by-case basis and each Finance Lease Loan will not have a term of longer than six (6) years from the date of the relevant Finance Lease Loan. To ensure the compliance of the Listing Rules, it is agreed that if the Company fails to renew the EMC Finance Lease Master Agreement at the end of the Term, the Group has the rights to terminate the EMC Finance Lease Master Agreement and demand the relevant EMC Engineering Company for full repayment of the outstanding loan within 14 days upon written notice.

We noted that the finance lease transactions entered into between the Group and independent third party customers during the Review Period ranged from 27 to 45 months, and most commonly set for a period of 45 months. Although the term of the finance lease loans offered under the EMC Finance Lease Master Agreement, being not exceeding 6 years from the date of the grant of the relevant Finance Lease Loan, is longer than the Group's normal practice, we understood that granting such longer period was mainly due to that the EMC Projects may require electricity equipment which generally has a longer operational lifespan. As such, a longer period of the finance lease transactions will ensure the stability of energy supply to the EMC Projects.

In addition, we have reviewed the terms of each of the Comparable Finance Lease Transactions, including but not limited to the lease period, and noted that the lease period of the Comparable Finance Lease Transactions ranges from 1 year to 18 years, and 13 out of 61 finance lease transactions were set for a period of 6 or more years. This demonstrates that it is not uncommon for finance lease transactions having term of more than 6 years.

Having considered that (a) it is of market practice for finance lease transactions having term of more than 6 years; and (b) the Group has the rights to terminate the EMC Finance Lease Master Agreement and demand the relevant EMC Engineering

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Company for full repayment of the outstanding loan within 14 days upon written notice if the Company fails to renew the EMC Finance Lease Master Agreement at the end of the Term, we consider that it is of normal business practice for the EMC Finance Lease Master Agreement and each Finance Lease Loan granted thereunder to have such duration.

(iii) Assessment of the proposed annual caps

The proposed annual caps of the Finance Lease Credit Facilities (up to RMB3,400 million), on the basis of the principal amount of the Finance Lease Credit Facilities and interest, and handling fees thereon, which represent the maximum outstanding balance of the Group's receivables owed from the relevant EMC Engineering Companies under the EMC Finance Lease Master Agreement (which includes the outstanding loan principal, interest and handling fees thereof) throughout each year/period, is set out as follows:

For the financial year ending	Annual caps (RMB million)
From the commencement date of the EMC Finance Lease Master Agreement to 31 December 2024	3,868
From 1 January 2025 to 31 December 2025	3,868
From 1 January 2026 to 31 December 2026	3,868
From 1 January 2027 to the last date of the Term of the EMC Finance Lease Master Agreement	3,868

In assessing the reasonableness of the Finance Lease Credit Facilities and the proposed annual caps under the EMC Finance Lease Master Agreement, we have discussed with the management of the Group on the basis and assumptions underlying the projections. As advised by the management of the Group, in determining the Finance Lease Credit Facilities (up to RMB3,400 million) and the proposed annual caps (RMB3,868 million each year), they have taken into account, among others, (a) the numbers and estimated value of EMC Projects to be initiated by Shougang Group; (b) the capability of the Group to raise necessary fund to finance the EMC Projects; and (c) the anticipated demand of financing need of various EMC Projects.

We have discussed with the management of the Group on each of the above factors and their potential impacts on the Finance Lease Credit Facilities and the proposed annual caps and reviewed the relevant calculations. As advised by the management of the Group, in order to achieve the strategic objectives of energy conservation and emission reduction, quality enhancement and efficiency improvement as set out by the PRC government, the production enterprises under Shougang Group anticipates a huge demand for EMC works in the near future. Hence, Shougang Group will invite different EMC engineering companies through open bidding to undertake the provision of energy conservation services to Shougang

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Group which can cost a lot. As such, Shougang Group expects to utilize the Finance Lease Credit Facilities to enable the EMC Engineering Company get access to the required facilities such as blast furnace equipment, generator equipment and power station equipment for the EMC Projects. Against this backdrop, we have obtained and reviewed the breakdown of the estimated financing needs of the potential EMC Projects which has been confirmed and agreed by Shougang Group. Based on our review, we noted that there are 14 potential EMC Projects with a total amount of approximately RMB3.3 billion under ongoing negotiation with Shougang Group as at the Latest Practicable Date. It is also expected that the Group will continue to have new finance lease transactions for the potential EMC Projects during the term of the EMC Finance Lease Master Agreement.

In considering the future financing needs of the potential EMC Projects, we have performed research on the business operation of Shougang Group and discussed with the management of the Group and noted that (a) iron and steel industry is a high-consumption, heavy-polluting, energy-intensive industry. In light of the “double carbon” target proposed by the Chinese government (i.e. to reach peak carbon use by 2030 and achieve carbon neutrality by 2060), Shougang Group will firmly establish the concept of green development, continue to refine the system to advance work related to “dual carbon”, further improve low-carbon plans, and explore green and low-carbon production paths. It will strengthen investment management and promote environmental protection and energy conservation project construction to strive for a green and low-carbon steel enterprise. As such, the construction of the EMC Projects is essential for Shougang Group’s sustainable development; and (b) as at 31 December 2023, Shougang Group had short-term and long-term borrowings of approximately RMB138.8 million which indicates that Shougang Group relies on external financing to satisfy a portion of its capital requirements for its business operation and expansion. Having considered the large operation scale of Shougang Group, it is expected that the size of the EMC Projects will not be small and the EMC Engineering Company will need external financing from time to time.

Taking into account (a) the recent and future business strategies of Shougang Group to establish the concept of green and low-carbon development; (b) the expected financing needs of the potential EMC Projects; (c) the ongoing negotiation of potential finance lease transactions between the Company and Shougang Group; and (d) that the risk relating to the transactions contemplated under the EMC Finance Lease Master Agreement would be controlled by the internal control measures stipulated under the section headed “Internal Control in relation to the EMC Finance Lease Master Agreement” in the Letter from the Board, we consider the Finance Lease Credit Facilities and the proposed annual caps under the EMC Finance Lease Master Agreement, which are the same during the term of the EMC Finance Lease Master Agreement, to be fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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Although the proposed annual caps under the EMC Finance Lease Master Agreement represent over 100% of the total assets of the Company as at 30 June 2024, taking into account that (a) as advised by the management of the Group, Group, all of the Reviewed Finance Lease Transactions were funded by the Group's internal resources, which indicates that the Group had sufficient funds to conduct the finance lease transactions. We are also given to understand that prior to the finalisation of each project, the Group would assess the availability of internal resources and approach the banks for financing of each project, in order to ensure there are sufficient funds for the transaction; (b) the proposed annual caps under the EMC Finance Lease Master Agreement represent the amount of the Finance Lease Credit Facilities granted by the Group to Shougang Group. As disclosed in the Letter from the Board, the Group has the absolute discretion on whether or not to (1) cancel, adjust or alter the Finance Lease Credit Facilities and its maximum facilities amount at any time; and (2) provide the Finance lease Loan(s) at the relevant time. In any case, if the Group considers that it has difficulty to provide the Finance Lease Loan or have any concern on the credibility of the relevant EMC Engineering Company, it can reject to provide the Finance Lease Loan without any penalty; and (c) the borrowers of the transactions contemplated under the EMC Finance Lease Master Agreement are various EMC Engineering Companies, who shall be independent third parties to the Group, we consider there is no reliance and concentration risk or concern.

(iv) Financial effects of the transactions contemplated under the EMC Finance Lease Master Agreement

The Directors consider that the entering into the EMC Finance Lease Master Agreement will enable the Group to earn a net income. As (a) the interest rate to be charged on each of the Finance Lease Loans under the EMC Finance Lease Master Agreement would be at a rate equal to the cost of lending of the Company and/or its subsidiaries plus 1% to 5%, subject to not being more than 10%; and (b) the Group shall be entitled to charge the relevant lessee for each finance lease under the EMC Finance Lease Master Agreement a non-refundable handling fee of not more than 3.75% of the principal amount of the finance lease, the Group is able to earn a net income over the term of the EMC Finance Lease Master Agreement. As such, the Directors consider that the entering into the EMC Finance Lease Master Agreement will have positive impact on the earnings of the Group in a long run.

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4. Reporting requirements and conditions of the continuing connected transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the EMC Finance Lease Master Agreement (the “**Transactions**”) are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the Transactions and confirm in the annual report and accounts that the Transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms or 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;
- (ii) the Company must engage its auditors to report on the 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 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 Transaction involves 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 Transactions; and
 - (d) have exceeded the relevant proposed annual caps;
- (iii) the Company must allow, and ensure that the counter-parties to the Transactions allow, the Company’s auditors sufficient access to their records for the purpose of the reporting on the 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.

In light of the reporting requirements attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the relevant proposed annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Transactions and the relevant proposed annual caps not being exceeded, we are of the view that appropriate measures are in place to monitor the conduct of the Transactions and assist in safeguarding the interests of the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the EMC Finance Lease Master Agreement is conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the EMC Finance Lease Master Agreement (including the proposed annual caps) are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the SGM to approve the Transactions.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2021, 31 December 2022 and 31 December 2023 and the six months ended 30 June 2024 are disclosed in the following documents, which can be accessed on both the website of the HKEXnews (www.hkexnews.hk) and the Company (<http://www.capital-ifs.com>).

- (i) Annual report of the Company for the year ended 31 December 2021 (pages 130–270), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0412/2022041200986.pdf>

- (ii) Annual report of the Company for the year ended 31 December 2022 (pages 132–274), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0418/2023041800666.pdf>

- (iii) Annual report of the Company for the year ended 31 December 2023 (pages 133–274), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0415/2024041501033.pdf>

- (iv) Interim report of the Company for the six months ended 30 June 2024 (pages 4–41), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0906/2024090600209.pdf>

2. STATEMENT OF INDEBTEDNESS OF THE GROUP

Borrowings and lease liabilities

At the close of business on 31 August 2024, 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\$6,579,000 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\$9,559,000 which is unsecured.

Pledge of assets

At the close of business on 31 August 2024, the Group had no charge on its assets.

Debt securities

At the close of business on 31 August 2024, the Group had no debt securities.

Contingent liabilities

The Group did not have any material contingent liabilities as at the close of business on 31 August 2024.

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 31 August 2024.

3. SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources of the Group including the Group's internal resources, available banking and other borrowing facilities, in the absence of any unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital for the Group's requirements for at least 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.

4. MATERIAL CHANGES

As at the Latest Practicable Date, there had not been any material change in the financial or operation position or outlook of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND OPERATION PROSPECTS OF THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of sale and leaseback arrangement services, financial services, property investment and management, supply chain management and financial technology services. Adhering to the philosophy of "building platforms, practicing internal skills, and providing services", the Group will explore its own growth potential and continue to strengthen the construction of its supply chain financial technology service platform. The Group is fully committed to promoting supply chain financial technology services and financial leasing services, allowing the market to see the results of reform and transformation of the Group.

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 Group's market capitalization and achieve unprecedented economic benefits. The Group 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), the Group will strive to provide low cost funds and equity capital to the Group's customers and optimise their capital structure, and to achieve sustainable growth in its business scale and create greater business value for its customers and shareholders.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the each of the three years 31 December 2021, 2022, 2023 extracted from the annual reports of the Company for each of the years ended 31 December 2021, 2022, 2023 and the interim report of the Company for the six months ended 30 June 2024, respectively.

Unless otherwise defined in this circular or the context otherwise requires, capitalised terms used in this section shall have the same meanings as those ascribed in the abovementioned annual reports and interim report of the Company, as the case may be.

FOR THE YEAR ENDED 31 DECEMBER 2021

Financial Key Performance Indicators

The financial key performance indicators are analysed as below:

	2021	2020	+ / (-)
	<i>HK\$'000</i>	<i>HK\$'000</i>	Change
Financial performance			
Revenue	1,898,003	85,378	2,123%
Gross profit margin (%)	6%	86%	(80%)
Profit for the year	42,493	18,194	134%
Profit attributable to owners of the Company	27,294	5,980	356 %
Key financial indicators			
Total cash	387,095	318,818	21%
Total assets	2,325,595	2,161,473	8%
Total liabilities	435,216	397,484	9%
Bank borrowings	290,922	290,303	0%
Capital and reserves attributable to owners of the Company	1,537,657	1,445,637	6%
Current ratio	528%	458%	70%
Basic earnings per share (HK cents)	0.68	0.15	353%

Financial Overview

The Group recorded profit attributable to owners of the Company of approximately HK\$27,294,000 for the year ended 31 December 2021, as compared with profit attributable to owners of the Company of approximately HK\$5,980,000 for the year ended 31 December 2020, which was mainly due to an increase in profit from the sale and leaseback arrangements services segment and the supply chain management business segment, and fair value of investment properties. Revenue of the Group for the year ended 31 December 2021 was approximately HK\$1,898,003,000, which represented an increase of approximately 22 folds when compared with that of approximately HK\$85,378,000 for the year 2020. The increase was mainly attributable to an increase in revenue from the supply chain management business segment. The Group recorded a gross profit of approximately HK\$105,100,000 for the year ended 31 December 2021, representing an increase of approximately 42% when compared with the gross profit of approximately HK\$73,760,000 for the year 2020. The Group recorded a gross profit margin of approximately 6% for the year ended 31 December 2021, representing a significant decrease when compared with the gross profit margin of approximately 86% for the year 2020. Basic earnings per share of the Group for the year ended 31 December 2021 was HK0.68 cent (2020: basic earnings per share was HK0.15 cent).

The Group recorded a gross profit of approximately HK\$105,100,000 for the year ended 31 December 2021, representing an increase of approximately 42%, when compared with the gross profit of approximately HK\$73,760,000 for the year 2020. The Group recorded a gross profit margin of approximately 6% for the year ended 31 December 2021, representing a significant decrease when compared with the gross profit margin of approximately 86% for the year 2020, which was mainly attributable to the lower gross profit margin of the supply chain management business segment.

Other income for the year ended 31 December 2021 amounted to approximately HK\$5,998,000 (2020: HK\$12,388,000), representing a decrease of approximately 52%. The decrease was mainly due to the decrease in interest income from deposits.

Administrative expenses for the year ended 31 December 2021 amounted to approximately HK\$60,938,000 (2020: HK\$68,079,000), representing a decrease of approximately 10%. The decrease was mainly due to the reduction in staff cost.

For the year ended 31 December 2021, share of profit of associates amounted to approximately HK\$2,328,000 (2020: HK\$1,258,000), as our associates continued to make contributions to the Group's profit.

Business Review and Outlook

Closely following the strategy of integration of industry and finance for its core business and market competitiveness, we built an integrated financial service platform with financial empowerment leveraging on the business synergies arising from the financial leasing, commercial factoring, supply chain management and assets management businesses. Taking the provision of supply chain management services, financial services and assets management services as our core businesses and competitive strengths in the market, the Group endeavors to provide financial leasing, commercial factoring, supply chain management, investment and financing advisory services and other portfolios of financial products to the two groups of target core enterprises including steel companies and domestic conglomerates, as well as their upstream and downstream customers, in order to provide customized financial service solutions for core enterprises, meet the strategic needs of core enterprises and their upstream and downstream companies for industrial upgrading and give full play to the important role of financial services in empowering real economy.

During the year, revenue from the sale and leaseback arrangements services segment increased by approximately 17% to approximately HK\$91,816,000 (2020: HK\$78,691,000), and the segment recorded a profit of approximately HK\$67,501,000 (2020: HK\$65,976,000). The increase in revenue from the sale and leaseback arrangements services segment was mainly due to the increase in new projects while the slowdown of the segment's performance was mainly due to the investment of more resources in research and development of products, risk control and compliance to develop the C-end business.

During the year, revenue from the supply chain management business segment was approximately HK\$1,803,045,000 (2020: HK\$5,294,000). The supply chain management business segment recorded a profit of approximately HK\$8,525,000 (2020: HK\$2,431,000). Our supply chain management business segment considers the business scenarios of the target companies and makes detailed analyses of the capital flow, information flow, product flow and logistics of the industry chain on which these companies operate, and then provides the most accessible and diversified products to them, thereby satisfying their capital and management needs. In this way, the segment also helps to reduce the transaction cost incurred on the industry chain and thus empowers the industry. With its newly commenced business which covers full process services including steel product trading and logistics, the supply chain management business segment saw a significant increase in both revenue and segment results.

During the year, revenue from the assets management and consultancy services segment was approximately HK\$2,409,000 (2020: HK\$1,054,000), and the segment recorded a loss of approximately HK\$136,000 (2020: HK\$5,259,000). The increase in revenue from the assets management and consultancy services segment and the reduction in segment loss were mainly due to the commencement of the consultancy business.

During the year, revenue from the property leasing services segment increased to approximately HK\$733,000 (2020: HK\$339,000), and the segment recorded a profit of approximately HK\$796,000 (2020: loss of approximately HK\$970,000). The increase in revenue from the property leasing services segment was mainly attributable to the improved vacancy rate. The significant increase in segment results was mainly attributable to an increase in fair value of investment properties of the Group of approximately HK\$300,000 (2020: decrease in fair value of investment properties of approximately HK\$1,000,000).

Looking ahead into 2022, under the policy environment and market environment of promoting financial innovation, the Group will grasp opportunities brought by the policies in relation to China's innovation of modern supply chain area and the upgrading strategies of industries in which target core enterprises operate to provide innovative financial products and service portfolios to those target core enterprises and their upstream and downstream customers, so as to serve the real economy. 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.

Liquidity, Financial Resources and Financing Activities

The Group aimed to maintain stable funding sources and financing is arranged to match business requirements and cash flows. The financial leverage of the Group as at 31 December 2021 as compared to 31 December 2020 is summarized below:

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Total borrowings		
Current borrowings	196,603	143,308
Non-current borrowings	94,319	146,995
Sub-total	290,922	290,303
Total cash		
Cash and cash equivalents	387,095	318,818
Total equity	1,890,379	1,763,989
Total assets	2,325,595	2,161,473
Financial Leverage		
Current ratio	528%	458%

As at 31 December 2021, the Group had cash and cash equivalents of approximately HK\$387,095,000 (31 December 2020: HK\$318,818,000), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The increase was mainly attributable to the net cash generated from operating activities of approximately HK\$48,956,000, net bank borrowings of approximately HK\$6,708,000 and proceeds from the disposal of debt instruments of approximately HK\$15,957,000.

As at 31 December 2021, the Group's borrowings amounted to approximately HK\$290,922,000 (2020: HK\$290,303,000), of which approximately HK\$196,603,000 (2020: HK\$143,308,000) were repayable within twelve months from 31 December 2021 and approximately HK\$94,319,000 (2020: HK\$146,995,000) were repayable after twelve months from 31 December 2021. During the year, the Group obtained new bank borrowings of approximately HK\$148,382,000 (2020: HK\$283,683,000) for the financial leasing business and working capital of the Group. All borrowings bore interest at market rates.

The gearing ratio, as calculated on the basis of total interest-bearing borrowings over total equity, was 15% (2020: 16%) as at 31 December 2021.

Material Acquisition, Disposals and Significant Investments

During the year, the Group had no material acquisitions, disposals and significant investment.

Future Plans for Material Investments or Capital Assets

As at 31 December 2021, the Group has no specific plan for material investments or capital assets. The Group will continue to allocate a reasonable amount of resources better utilization of the Company's assets and improvement of capital assets to improve operations efficiency and to meet customer needs and market demands. Sources of funding are expected to come primarily from the revenue that the Group will generate from operations and alternative debt and equity financing.

Charge on Assets

As at 31 December 2021, the Group had the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$38,400,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$5,315,000.
- (ii) The Group's receivables under sale and leaseback arrangements with a carrying value of approximately HK\$243,289,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$205,607,000.

Foreign Exchange Exposure

- (i) The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign exchange exposures. As at 31 December 2021, the Group had no significant foreign exchange exposure.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2021.

Employees

As at 31 December 2021, the Group employed 47 (31 December 2020: 50) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and work experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employees share option scheme are also available to employees of the Group. Remuneration packages are reviewed either annually or through special increment.

During the year ended 31 December 2021, the Company and its subsidiaries have not paid or committed to pay to any individual any amount as an inducement to join or upon joining the Company and/or its subsidiaries.

Capital Structure

The capital and reserves attributable to owners of the Company amounted to approximately HK\$1,537,657,000 as at 31 December 2021 (31 December 2020: HK\$1,445,637,000). The increase was mainly due to the profit attributable to owners of the Company of approximately HK\$27,294,000 for the year ended 31 December 2021, the exchange differences arising on translation of approximately HK\$32,379,000 in total, and revaluation of buildings upon transfer from property, plant and equipment and right-of-use assets to investment properties of approximately HK\$42,274,000 during the year. The Company did not issue any new shares during the year. The issued share capital of the Company was approximately HK\$39,846,000 (represented by approximately 3,984,640,000 issued ordinary shares).

FOR THE YEAR ENDED 31 DECEMBER 2022

Financial Key Performance Indicators

The key financial performance indicators are analysed as below:

	2022	2021	+ / (-)
	<i>HK\$'000</i>	<i>HK\$'000</i>	Change
Financial performance			
Revenue from continuing operations	370,638	1,895,594	(80%)
Gross profit margin from continuing operations (%)	23%	5%	18%
Profit for the year from continuing operations	33,478	42,051	(20%)
Profit attributable to owners of the Company	14,526	27,294	(47%)
Key financial indicators			
Total cash	322,904	387,095	(17%)
Total assets	2,006,231	2,325,595	(14%)
Total liabilities	250,855	435,216	(42%)
Bank borrowings	13,639	290,922	(95%)
Capital and reserves attributable to owners of the Company	1,417,068	1,537,657	(8%)
Current ratio	615%	528%	16%
Basic loss per share (HK cents)	0.37	0.68	(46%)

Financial Overview

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 operations 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. Other income from continuing operations for the year ended 31 December 2022 amounted to approximately HK\$9,696,000 (2021: HK\$5,831,000), representing a significant increase of approximately 66%. The increase was mainly due to the increase in interest income from deposits.

Administrative expenses from continuing operations for the year ended 31 December 2022 amounted to approximately HK\$53,480,000 (2021: HK\$58,804,000), representing a decrease of approximately 9%. The decrease was mainly due to the reduction in staff cost and the consultancy and management services provided by Shougang Holding (Hong Kong) Limited (“**Shougang Holding**”) has been terminated during the year.

For the year ended 31 December 2022, share of profit of associates amounted to approximately HK\$523,000 (2021: HK\$2,328,000), as our associates continued to make contributions to the Group’s profit.

Business Review and Outlook

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.

Sale and Lease Back Arrangements Services Segment

An indirectly owned subsidiary of the Company, South China Leasing, principally engages in the provision of financial leasing in the PRC. The principal mode of finance lease offered by South China Leasing mainly include direct leasing and sale and leaseback arrangements. The major source of fund for this business is loans from banks and internal resources of the Group.

Direct leasing: Under this arrangement, the lessee designates the supplier of the selected equipment. Then the lessee, the equipment supplier, and South China Leasing sign a tripartite leasing contract pursuant to which South China Leasing will pay the equipment supplier for the equipment after acceptance of the equipment by the lessee and the lessee will pay South China Leasing rent for the use of the equipment based on the agreed terms.

Sale and leaseback: Under this arrangement, the lessee sells the subject equipment to South China Leasing and signs an equipment sale and purchase contract with South China Leasing. Then South China Leasing signs a sale-and-leaseback contract with the lessee. South China Leasing will pay the lessee for the equipment and the lessee will pay South China Leasing rent for using the equipment based on the agreed terms.

South China Leasing focuses on steel companies and domestic conglomerates as well as their upstream and downstream customers as its core customer groups as it would enable the Group to earn a stable revenue stream with a considerably lower risk exposure. Most customers of South China Leasing in the PRC are obtained through (a) referrals from business partners of existing customers, banks or peers and (b) marketing and sales effort from South China Leasing.

As at 31 December 2022, approximately 30% (2021: 36%) of the total receivables under the sale and leaseback arrangement was due from the Group's largest sale and leaseback customer which is a related party of the Group. As at 31 December 2022, approximately 58% (2021: 96%) of the total receivables under the sale and leaseback arrangement was due from the Group's five largest sale and leaseback customers, of which two such customers are related parties of the Group. Such related customers accounted for approximately 32% of the total receivables under sale and leaseback arrangement, and the remaining three customers accounted for approximately 14%, 12% and 0% of the total receivables under the sale and leaseback arrangement respectively.

As at 31 December 2022, the Group had entered into 63,714 finance lease transactions of which 63,701 finance lease transactions were with independent individual customers, with principal amounts ranged from approximately RMB800 to RMB300 million. The Group's sale and leaseback customers are spread across diverse industries such as manufacturing industries, property development, trading and port logistics services provider, intelligent car wash service provider, and individual mobile phone rental customers.

During the year, revenue from the sale and leaseback arrangements services segment decreased by approximately 2% to approximately HK\$90,300,000 (2021: HK\$91,816,000), and the segment recorded a profit of approximately HK\$77,458,000 (2021: HK\$67,501,000). The revenue from the sale and leaseback arrangements services segment is stable and the increase in segment's performance was mainly due to the development of the C-end business and the recovery of receivables under sale and leaseback arrangements previously written off.

Supply Chain Management Business Segment

During the year, revenue from the supply chain management business segment was approximately HK\$275,880,000 (2021: HK\$1,803,045,000). The supply chain management business segment recorded a profit of approximately HK\$2,795,000 (2021: HK\$8,525,000). Our supply chain management business segment considers the business scenarios of the target companies and makes detailed analyses of the capital flow, information flow, product flow and logistics of the industry chain on which these companies operate, and then provides the most accessible and diversified products to them, thereby satisfying their capital and management needs. In this way, the segment also helps to reduce the transaction cost incurred on the industry chain and thus empowers the industry. In the face of macro circumstances such as the ever-changing situation of the COVID-19 pandemic globally and the instability lie in the momentum of economic recovery, the supply chain management business segment adopted a prudent approach in response to market conditions, and took initiative in making adjustments to its scale of business. The supply chain management segment has suspended its trading of goods business since August 2022, and has fully shifted to and focused on the multi-tier transfer of electronic creditor's rights certificates and related businesses for the steel industry chain. Based on the business application scenarios of core enterprises, this business provides negotiable, apportionable and financeable electronic creditor's rights certificate to core enterprises. In November 2022, the Shougang Jingpiao System, a multi-tier transfer system for electronic creditor's rights certificates created by the Group to serve the upstream and downstream of the steel industry chain, was officially online and put into operation. This business transformation led to a slowdown in revenue and segment performance.

Assets Management and Consultancy Services Segment

During the year, revenue from the assets management and consultancy services segment was nil (2021: HK\$2,409,000), and the segment recorded a loss of approximately HK\$1,241,000 (2021: a profit of approximately HK\$442,000). The decrease in revenue from the assets management and consultancy services segment and the segment loss were mainly due to the downsizing and discontinued of the consultancy business.

Property Leasing Services Segment

During the year, revenue from the property leasing services segment increased to approximately HK\$4,458,000 (2021: HK\$733,000), and the segment recorded a HK\$1,783,000 (2021: HK\$796,000). The increase in revenue and segment result from the property leasing services segment was mainly attributable to the investment property in Shenzhen has been leased out for the whole year.

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.

Looking ahead into 2023, under the policy environment and market environment of promoting financial innovation, Capital Industrial Financial Services 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.

Liquidity, Financial Resources and Financing Activities

The Group aimed to maintain stable funding sources and financing is arranged to balance between business requirements and cash flows. The financial leverage of the Group as at 31 December 2022 as compared to 31 December 2021 is summarized below:

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Total borrowings		
Current borrowings	44,282	196,603
Non-current borrowings	—	94,319
Sub-total	44,282	290,922
Total cash		
Cash and cash equivalents	322,904	387,095
Total equity	1,755,376	1,890,379
Total assets	2,006,231	2,325,595
Financial Leverage		
Current ratio	615%	528%

As at 31 December 2022, the Group had cash and cash equivalents of approximately HK\$322,904,000 (31 December 2021: HK\$387,095,000), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The decrease was mainly attributable to the repayment of bank borrowings of approximately HK\$342,245,000.

As at 31 December 2022, the Group's borrowings amounted to approximately HK\$44,282,000 (2021: HK\$290,922,000) of which HK\$44,282,000 (2021: HK\$196,603,000) were repayable within twelve months from 31 December 2022 and none of which (2021: HK\$94,319,000) was repayable after twelve months from 31 December 2022. During the year, the Group obtained new bank borrowings of approximately HK\$70,000,000 (2021: HK\$148,382,000) for the financial leasing business and working capital of the Group. All borrowings bore interest at market rates.

The gearing ratio, as calculated on the basis of total interest-bearing borrowings over total equity, dropped to 3% (2021: 15%) as at 31 December 2022.

Material Acquisition, Disposals and Significant Investments

During the year, the Group had no material acquisitions, disposals and significant investment.

Future Plans for Material Investments or Capital Assets

As at 31 December 2022, the Group has no specific plan for material investments or capital assets. The Group will continue to allocate a reasonable amount of resources better utilization of the Company's assets and improvement of capital assets to improve operations efficiency and to meet customer needs and market demands. Sources of funding are expected to come primarily from the revenue that the Group will generate from operations and alternative debt and equity financing.

Charge on Assets

As at 31 December 2022, the Group had the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$32,900,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$2,439,000.
- (ii) The Group's receivables under sale and leaseback arrangements with a carrying value of approximately HK\$73,830,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$11,200,000.

Foreign Exchange Exposure

The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign exchange exposures. As at 31 December 2022, the Group had no significant foreign exchange exposure.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2022.

Employees

As at 31 December 2022, the Group employed 50 (31 December 2021: 47) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and work experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employees share option scheme are also available to employees of the Group. Remuneration packages are reviewed either annually or through special increment.

During the year ended 31 December 2022, the Company and its subsidiaries have not paid or committed to pay to any individual any amount as an inducement to join or upon joining the Company and/or its subsidiaries.

Capital Structure

The capital and reserves attributable to owners of the Company amounted to approximately HK\$1,417,068,000 as at 31 December 2022 (31 December 2021: HK\$1,537,657,000). The decrease was mainly due to the exchange differences arising on translation of approximately HK\$117,481,000 in total during the year. The Company did not issue any new shares during the year. The issued share capital of the Company was approximately HK\$39,846,000 (represented by approximately 3,984,640,000 issued ordinary shares).

FOR THE YEAR ENDED 31 DECEMBER 2023

Financial Key Performance Indicators

The key financial performance indicators are analysed as below:

	2023	2022	+ / (-)
	HK\$'000	HK\$'000	Change
Financial performance			
Revenue from continuing operations	219,285	370,638	(41%)
Gross profit margin from continuing operations (%)	55%	23%	32%
Profit for the year from continuing operations	42,434	33,478	27%
Profit attributable to owners of the Company	32,082	14,526	121%
Key financial indicators			
Total cash	319,054	322,904	(1%)
Total assets	1,914,701	2,006,231	(5%)
Total liabilities	158,201	250,855	(37%)
Bank borrowings	—	13,639	(100%)
Loan from a related party	9,810	30,643	(68%)
Capital and reserves attributable to owners of the Company	1,415,922	1,417,068	(1%)
Current ratio	1,081%	615%	76%
Basic earnings per share (HK cents)	0.81	0.37	119%

Financial Overview

The Group recorded profit attributable to owners of the Company of approximately HK\$32,082,000 for the year ended 31 December 2023, as compared with profit attributable to owners of the Company of approximately HK\$14,526,000 for the year ended 31 December 2022, which was mainly due to an increase in profit from the sale and leaseback arrangements services segment and the supply chain management and financial technology business segment, and an increase in other income and the share of profit of an associate. Revenue from continuing operations of the Group for the year ended 31 December 2023 was approximately HK\$219,285,000, which represented a significant

decrease of approximately 41% when compared with that of approximately HK\$370,638,000 for the year 2022. The decrease was mainly attributable to a decrease in revenue from the supply chain management and financial technology business segment. The Group recorded a gross profit from continuing operations of approximately HK\$120,355,000 for the year ended 31 December 2023, representing a significant increase of approximately 39% when compared with the gross profit of approximately HK\$86,832,000 for the year 2022. The Group recorded a gross profit margin from continuing operations of approximately 55% for the year ended 31 December 2023, representing a significant increase when compared with the gross profit margin of approximately 23% for the year 2022. Basic earnings per share of the Group for the year ended 31 December 2023 was HK0.81 cent (2022: basic earnings per share was HK0.37 cent).

Revenue from continuing operations for the year ended 31 December 2023 was approximately HK\$219,285,000, representing a significant decrease of approximately 41% when compared with that of approximately HK\$370,638,000 for the year 2022. 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 and financial technology business segment since August 2022.

The Group recorded a gross profit from continuing operations of approximately HK\$120,355,000 for the year ended 31 December 2023, representing a significant increase of 39%, when compared with the gross profit of approximately HK\$86,832,000 for the year 2022. The Group recorded a gross profit margin from continuing operation of approximately 55% for the year ended 31 December 2023, representing a significant increase when compared with the gross profit margin from continuing operations of approximately 23% for the year 2022, which was mainly attributable to (i) the successful business transformation and launched of Supply Chain Financial Platform (the “**Shougang SCF Platform**”) in late 2022 for the supply chain management and financial technology business which has higher gross profit margin and (ii) the continuous expansion of sale and leaseback arrangements services.

Other income from continuing operations for the year ended 31 December 2023 amounted to approximately HK\$18,580,000 (2022: HK\$9,696,000), representing a significant increase of approximately 92%. The increase was mainly due to the increase in credit financing arrangement interest income, management and financial advisory service income, and financial technical service income from a related party.

Administrative expenses from continuing operations for the year ended 31 December 2023 amounted to approximately HK\$61,235,000 (2022: HK\$53,480,000), representing an increase of approximately 15%. The increase was mainly due to the increase in staff cost, and legal and professional expenses.

For the year ended 31 December 2023, share of profit of associates amounted to approximately HK\$2,055,000 (2022: HK\$523,000), as our associates continued to make contributions to the Group’s profit.

Business Review and Outlook

The Group continued to push ahead the development philosophy of supply chain management and financial technology business, financial leasing and commercial factoring as core businesses, endeavored to become a supply chain financial technology and service platform characterised by integrating industry and finance, and gave 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 individual consumer leasing market, and strive to meet our medium and long-term strategic goal of continuous growth in performance.

Sale and Leaseback Arrangements Services Segment

An indirectly owned subsidiary of the Company, South China Leasing, principally engages in the provision of financial leasing in the PRC. The principal mode of finance lease offered by South China Leasing mainly include direct leasing and sale and leaseback arrangements. The major source of fund for this business is loans from banks and internal resources of the Group.

Direct leasing: Under this arrangement, the lessee designates the supplier of the selected equipment. Then the lessee, the equipment supplier, and South China Leasing sign a tripartite leasing contract pursuant to which South China Leasing will pay the equipment supplier for the equipment after acceptance of the equipment by the lessee and the lessee will pay South China Leasing rent for the use of the equipment based on the agreed terms.

Sale and leaseback: Under this arrangement, the lessee sells the subject equipment to South China Leasing and signs an equipment sale and purchase contract with South China Leasing. Then South China Leasing signs a sale-and-leaseback contract with the lessee. South China Leasing will pay the lessee for the equipment and the lessee will pay South China Leasing rent for using the equipment based on the agreed terms.

South China Leasing focuses on steel companies and domestic conglomerates as well as their upstream and downstream customers as its core customer groups as it would enable the Group to earn a stable revenue stream with a considerably lower risk exposure. Most customers of South China Leasing in the PRC are obtained through (a) referrals from business partners of existing customers, banks or peers and (b) marketing and sales effort from South China Leasing.

As at 31 December 2023, the Group had entered into 135,845 finance lease transactions of which 135,841 finance lease transactions were with independent individual customers, with principal amounts of approximately RMB8,300 in average. The Group's sale and leaseback customers are spread across industries such as manufacturing industries and individual mobile phone rental customers.

During the year, revenue from the sale and leaseback arrangements services segment increased by approximately 108% to approximately HK\$188,021,000 (2022: HK\$90,300,000), and the segment recorded a profit of approximately HK\$48,961,000 (2022: HK\$77,458,000). The increase in revenue from the sale and leaseback arrangements services segment was mainly due to the continuous expansion of the individual consumer leasing business while the decrease in segment's performance was mainly due to there was a recovery of receivables previously written off of approximately HK\$36,226,000 in last year.

Supply Chain Management and Financial Technology Business Segment

During the year, revenue from the supply chain management and financial technology business segment was approximately HK\$26,845,000 (2022: HK\$275,880,000). The supply chain management and financial technology business segment recorded a profit of approximately HK\$4,202,000 (2022: HK\$2,795,000). The supply chain management and financial technology business segment refers to a business model based on real trade, relying on logistics and centering around the capital flow control. Such business model enables a win-win situation for various participating entities, which include steel enterprises, banks and logistics companies, through the design and management of financial products. In 2023, the supply chain management and financial technology segment has fully shifted to and focused on the electronic multi-tier transfer of creditor's rights certificates (the “**Shougang Credit Certificate**”) and related businesses for the steel industry chain. Based on the business application scenarios of core enterprises, this business provides negotiable, apportionable and financeable electronic creditor's rights certificate to core enterprises. In November 2022, the Shougang Credit Certificate was officially online and put into operation. It is an electronic certificate created by the Group under Shougang SCF Platform that utilise blockchain technology to create immutable and traceable digital representation of suppliers' account receivable due from anchor enterprises that suppliers can use for payment and financing purposes, and to serve the upstream and downstream of the steel industry chain. The successful of business transformation led to a significant decrease in revenue but substantially improved segment gross profit and performance.

2023 is the opening year of the Group to build a supply chain financial services platform after its business reshaping. The Group regards the supply chain financial services business as its top development priority, in an effort to establish a new development pattern. During the year, the Group has issued Shougang Credit Certificate via the Shougang SCF Platform with an aggregate amount of approximately RMB12.48 billion; an aggregate amount of approximately RMB10.07 billion of financing enabled by using Shougang Credit Certificate; there are approximately 2,378 suppliers and 2 financial institutions registered in Shougang SCF Platform. Operational data and performance match with the management's expectations. The Group will further sort out procurement needs in the supply chain, analyze the settlement habit and settlement cycles of each category and supplier, so as to formulate diversified Shougang Credit Certificate products and pricing strategies to cover more application scenarios in the supply chain and gain more recognition. In addition to the existing Shougang Credit Certificate, the Group will continue to develop different products to diversify its product offerings. By doing so, the

Group helps to resolve the problems faced by small-to-medium sized suppliers in business scenarios with diversified product offerings, such as financing difficulties, high financing costs, high risk control costs, credit period mismatch and inventory backlog.

In addition, the Group will focus on the supply chain management and financial technology business in the future, and continue to improve the intelligent construction level of the Shougang SCF Platform. Based on the actual businesses of supply chain finance, the Group will make use of the advantages of high-techs, innovate the design and create synergies for its other businesses.

Property Leasing Services Segment

During the year, revenue from the property leasing services segment slightly decreased to approximately HK\$4,419,000 (2022: HK\$4,458,000), and the segment recorded a HK\$773,000 (2022: HK\$1,783,000). The revenue from the property leasing services segment remains stable. The decrease in profit recorded in segment results was mainly attributable to the decrease in fair value of investment properties of the property leasing services segment during the year of approximately HK\$3,192,000, which was more than last year (2022: decrease in fair value of investment properties of approximately HK\$2,471,000).

Assets Management and Consultancy Services Segment

During the year, revenue and the segment result from the assets management and consultancy services segment was nil (2022: revenue was nil and a segment loss of approximately HK\$1,241,000). The assets management and consultancy services segment was discontinued in last year.

In terms of risk management, the company implements a prudent risk management and control strategy, builds a sound and reliable risk control system, and establishes a risk control decision support system with the help of information technology, optimizes and improves the efficiency of risk control decision-making, effectively helps the Group's business develop steadily, enhances the Group's long-term investment value, and lays the foundation for the Group's sustainable development.

Looking ahead into 2024, under the policy environment and market environment of promoting financial innovation, the Group will grasp opportunities brought by the policies in relation to China's innovation of modern supply chain area and the upgrading strategies of industries in which target core enterprises operate to provide innovative financial products and service portfolios to those target core enterprises and their upstream and downstream customer groups, so as to serve the real economy. Through our supply chain financing platform, we will provide accessible financing to our small-to-medium sized enterprises customers to lower financing costs and enhance the stability of supply chains, which will bring low cost funds and equity capital to our customers and optimise 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.

Liquidity, Financial Resources and Financing Activities

The Group aimed to maintain stable funding sources and financing is arranged to balance between business requirements and cash flows. The financial leverage of the Group as at 31 December 2023 as compared to 31 December 2022 is summarized below:

	31 December 2023 HK\$'000	31 December 2022 HK\$'000
Total borrowings		
Current borrowings	—	44,282
Non-current borrowings	9,810	—
Sub-total	9,810	44,282
Total cash		
Cash and cash equivalents	319,054	322,904
Total equity	1,756,500	1,755,376
Total assets	1,914,701	2,006,231
Financial Leverage		
Current ratio	1,081%	615%

As at 31 December 2023, the Group had cash and cash equivalents of approximately HK\$319,054,000 (31 December 2022: HK\$322,904,000), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The decrease was mainly attributable to the repayment of loan from a related party of approximately HK\$30,479,000.

As at 31 December 2023, the Group's borrowings amounted to approximately HK\$9,810,000 (2022: HK\$44,282,000) and none of which (2022: HK\$44,282,000) was repayable within twelve months from 31 December 2023 and of which approximately HK\$9,810,000 were repayable after twelve months from 31 December 2023 (2022: Nil). During the year, the Group obtained new loan from a related party of approximately HK\$9,810,000 and has no new bank borrowings (2022: new loan from a related party of approximately HK\$29,724,000 and new bank borrowings of approximately of HK\$70,000,000) for the financial leasing business and working capital of the Group. All borrowings bore interest at market rates.

The gearing ratio, as calculated on the basis of total interest-bearing borrowings over total equity, dropped to 0.6% (2022: 3%) as at 31 December 2023.

Material Acquisition, Disposals and Significant Investments

During the year, the Group had no material acquisitions, disposals and significant investment.

Future Plans for Material Investments or Capital Assets

As at 31 December 2023, the Group has no specific plan for material investments or capital assets. The Group will continue to allocate a reasonable amount of resources better utilization of the Company's assets and improvement of capital assets to improve operations efficiency and to meet customer needs and market demands. Sources of funding are expected to come primarily from the revenue that the Group will generate from operations and alternative debt and equity financing.

Charge on Assets

As at 31 December 2023, the Group had no charge on its assets.

Foreign Exchange Exposure

The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign exchange exposures. As at 31 December 2023, the Group had no significant foreign exchange exposure.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2023.

Employees

As at 31 December 2023, the Group employed 59 (31 December 2022: 50) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and work experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund and discretionary bonus are also available to employees of the Group. Remuneration packages are reviewed either annually or through special increment.

During the year ended 31 December 2023, the Company and its subsidiaries have not paid or committed to pay to any individual any amount as an inducement to join or upon joining the Company and/or its subsidiaries.

Capital Structure

The capital and reserves attributable to owners of the Company amounted to approximately HK\$1,415,922,000 as at 31 December 2023 (31 December 2022: HK\$1,417,068,000). The decrease was mainly due to the exchange differences arising on translation of approximately HK\$19,664,000 in total during the year. The Company did

not issue any new shares during the year. As at 31 December 2023, the issued share capital of the Company was approximately HK\$39,846,000 (represented by approximately 3,984,640,000 issued ordinary shares).

FOR THE SIX MONTHS ENDED 30 JUNE 2024

Financial Key Performance Indicators

The financial key performance indicators are analysed as below:

	2024	2023	+ / (-)
	<i>HK\$'000</i>	<i>HK\$'000</i>	Change
Financial performance			
Revenue	109,452	100,020	9%
Gross profit margin (%)	53%	54%	(1%)
Profit for the year	26,261	30,120	(13%)
Profit attributable to owners of the Company	17,981	22,406	(20%)
Basic earnings per share	0.45	0.56	(20%)
Key financial indicators			
Total cash	430,886	319,054	35%
Total assets	1,913,269	1,914,701	0%
Total liabilities	166,321	158,201	5%
Loan from a related party	9,741	9,810	(1%)
Capital and reserves attributable to owners of the Company	1,406,475	1,415,922	(1%)
Current ratio	1,152%	1,081%	71%

Financial Overview

The Group recorded profit attributable to owners of the Company of approximately HK\$17,981,000 for the six months ended 30 June 2024, representing a decrease of 20% as compared with profit attributable to owners of the Company of approximately HK\$22,406,000 for the six months ended 30 June 2023, which was mainly due to an increase in administrative expenses and the decrease in fair value of investment properties. Revenue of the Group for the six months ended 30 June 2024 was approximately HK\$109,452,000, which represented an increase of approximately 9% when compared with that of approximately HK\$100,020,000 for the same period of 2023. The increase was mainly attributable to an increase in revenue from the sales and leaseback arrangement services segment. The Group recorded a gross profit of approximately HK\$57,723,000 for the six months ended 30 June 2024, representing an increase of approximately 7% when compared with the gross profit of approximately HK\$53,743,000 for the same period of 2023. The Group recorded a gross profit margin of approximately 53% for the six months ended 30 June 2024, it remains stable when

compared with the gross profit margin of approximately 54% for the same period of 2023. Basic earnings per share of the Group for the six months ended 30 June 2024 was HK0.45 cents (six months ended 30 June 2023: basic earnings per share was HK0.56 cents).

Revenue for the six months ended 30 June 2024 was approximately HK\$109,452,000, representing an increase of approximately 9% when compared with that of approximately HK\$100,020,000 for the same period of 2023. The increase was mainly attributable to the increase in revenue from sales and leaseback arrangement services segment.

The Group recorded a gross profit of approximately HK\$57,723,000 for the six months ended 30 June 2024, representing an increase of approximately 7%, when compared with the gross profit of approximately HK\$53,743,000 for the same period of 2023. The Group recorded a gross profit margin of approximately 53% for the six months ended 30 June 2024, it remain stable when compared with the gross profit margin of approximately 54% for the same period of 2023.

Other income for the six months ended 30 June 2024 amounted to approximately HK\$5,253,000 (six months ended 30 June 2023: HK\$9,827,000), representing a decrease of approximately 47%. The decrease was mainly due to the decrease in bank deposit interest income and government grant.

Administrative expenses for the six months ended 30 June 2024 amounted to approximately HK\$25,014,000 (six months ended 30 June 2023: HK\$20,303,000), representing an increase of approximately 23%. The increase was mainly due to the increase in administrative staff cost.

For the six months ended 30 June 2024, share of profit of an associate amounted to approximately HK\$2,556,000 (six months ended 30 June 2023: profit of HK\$1,878,000), continued to make contribution to the Group's profit.

Business Review and Outlook

The Group continued to push ahead the development philosophy of supply chain management and financial technology business, finance lease and commercial factoring as core businesses, endeavored to become a supply chain financial technology and service platform characterised by integrating industry and finance, and gave 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 corporate customer and individual consumer leasing market, and strive to meet our medium- and long-term strategic goal of continuous growth in performance

Sale and Lease Back Arrangements Services Segment

An indirectly owned subsidiary of the Company, South China International Leasing Co., Ltd. (“**South China Leasing**”), principally engages in the provision of financial leasing in the PRC. The principal mode of finance lease offered by South China Leasing mainly include direct leasing and sale and leaseback arrangements. The major source of fund for this business is loans from banks and internal resources of the Group.

Direct leasing: Under this arrangement, the lessee designates the supplier of the selected equipment. Then the lessee, the equipment supplier, and South China Leasing sign a tripartite leasing contract pursuant to which South China Leasing will pay the equipment supplier for the equipment after acceptance of the equipment by the lessee and the lessee will pay South China Leasing rent for the use of the equipment based on the agreed terms.

Sale and leaseback: Under this arrangement, the lessee sells the subject equipment to South China Leasing and signs an equipment sale and purchase contract with South China Leasing. Then South China Leasing signs a sale-and-leaseback contract with the lessee. South China Leasing will pay the lessee for the equipment and the lessee will pay South China Leasing rent for using the equipment based on the agreed terms.

South China Leasing focuses on steel companies and domestic conglomerates as well as their upstream and downstream customers as its core customer groups as it would enable the Group to earn a stable revenue stream with a considerably lower risk exposure. Most customers of South China Leasing in the PRC are obtained through (a) referrals from business partners of existing customers, banks or peers and (b) marketing and sales effort from South China Leasing.

As at 30 June 2024, approximately 29% (31 December 2023: 26%) of the total receivables under the sale and leaseback arrangement was due from the Group’s largest sale and leaseback customer which is a related party of the Group.

As at 30 June 2024, the Group had entered into 127,681 finance lease transactions of which 127,680 finance lease transactions were with independent individual customers, with principal amounts of approximately RMB9,200 in average. The Group’s sale and leaseback customers are spread across diverse industries such as manufacturing industries and individual mobile phone rental customers.

During the period under review, revenue from the sale and leaseback arrangements services segment increased by approximately 8% to approximately HK\$93,805,000 (six months ended 30 June 2023: HK\$86,499,000), and the segment results recorded a profit of approximately HK\$39,219,000 (six months ended 30 June 2023: HK\$34,994,000). The increase in revenue and the profit recorded in segment results from the sale and leaseback arrangements services segment was mainly due to the continuous expansion of the individual consumer leasing business and continued to make significant contribution to the Group’s profit.

Supply Chain Management and Financial Technology Business Segment

During the period under review, revenue from the supply chain management and financial technology business segment was approximately HK\$13,513,000 (six months ended 30 June 2023: HK\$11,220,000). The supply chain management and financial technology business segment results recorded a profit of approximately HK\$4,135,000 (six months ended 30 June 2023: HK\$5,113,000). The decrease in profit recorded in segment results was mainly attributable to increase of staff cost. The supply chain management business segment refers to a business model based on real trade, relying on logistics and centering around the capital flow control. Such business model enables a win-win situation for various participating entities, which include steel enterprises, banks and logistics companies, through the design and management of financial products.

In addition, the Group will continue to focus on the supply chain management and financial technology business in the future, and continue to improve the intelligent construction level of the Supply Chain Financial Platform (“**Shougang SCF Platform**”). Based on the actual businesses of supply chain finance, the Group will make use of the advantages of high-techs, innovate the design and create synergies for its other businesses.

Property Leasing Services Segment

During the period under review, revenue from the property leasing services segment decreased to approximately HK\$2,134,000 (six months ended 30 June 2023: HK\$2,301,000), while the segment results recorded a loss of approximately HK\$264,000 (six months ended 30 June 2023: a profit of approximately HK\$2,197,000). The revenue from the property leasing services segment remains stable. The decrease in profit recorded in segment results was mainly attributable to the decrease in fair value of investment properties of the property leasing services segment during the period of approximately HK\$2,341,000 (six months ended 30 June 2023: increase in fair value of investment properties of HK\$100,000).

Under the policy environment and market environment of promoting financial innovation, the Group will grasp opportunities brought by the policies in relation to China’s innovation of modern supply chain area and the upgrading strategies of industries in which target core enterprises operate to provide innovative financial products and service portfolios to those target core enterprises and their upstream and downstream customer groups, so as to serve the real economy. Through our supply chain financing platform, we will provide accessible financing to our small-to-medium sized enterprises customers to lower financing costs and enhance the stability of supply chains, which will bring low cost funds and equity capital to our customers and optimise 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 tapping 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 optimising our risk control mechanism. In addition, we will also continue to promote the development of our online risk management platform based on asset securitisation and industry supply chain business so as to provide an effective tool for the Group's risk management.

Liquidity, Financial Resources and Financing Activities

The Group has been focusing on maintaining stable funding sources and financing is arranged to match business requirements and cash flows. The financial leverage of the Group as at 30 June 2024 as compared to 31 December 2023 is summarised below:

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total borrowings		
Current borrowings	—	—
Non-current borrowings	9,741	9,810
Sub-total	9,741	9,810
Total cash		
Cash and cash equivalents	430,866	319,054
Total equity	1,746,948	1,756,500
Total assets	1,913,269	1,914,701
Financial Leverage		
Current ratio	1,152%	1,081%

As at 30 June 2024, the Group had cash and cash equivalents of approximately HK\$430,886,000 (31 December 2023: HK\$319,054,000), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The increase was mainly attributable to the net cash generated from operating activities of approximately HK\$120,207,000.

As at 30 June 2024, the Group's borrowings amounted to approximately HK\$9,741,000, which were repayable after twelve months from 30 June 2024. During the period under review, the Group did not obtain any new borrowings as the working capital for the Group's operations. All borrowings bore interest at fixed rate.

The gearing ratio, as calculated on the basis of total interest-bearing borrowings over total equity, was 0.6% (31 December 2023: 0.6%) as at 30 June 2024.

Material Acquisition, Disposals and Significant Investments

On 20 June 2024 (after trading hours), the South China Leasing (an indirect non-wholly owned subsidiary of the Company) entered into the factoring agreement with the Meizhou Hakka Bank Co., Ltd (梅州客商銀行股份有限公司) (the "**Financing Bank**"),

pursuant to which South China Leasing may apply to transfer the creditor's rights and benefits of the lease payment to be received by South China Leasing from its customers in relation to its 3C products finance leasing services (the "Account Receivables"), with book value of no more than RMB200 million (equivalent to approximately HK\$215.4 million), to the Financing Bank, and the Financing Bank may receive such creditor's rights and benefits of the Accounts Receivables and provide South China Leasing with non-revolving factoring funds of no more than RMB200 million (equivalent to approximately HK\$215.4 million). For details, please refer to the announcement and circular dated on 20 June 2024 and 4 July 2024 respectively.

Save as disclosed above, the Group had no material acquisitions, disposals and significant investment during the six months ended 30 June 2024.

Future Plans for Material Investments or Capital Assets

Save as disclosed above, as at 30 June 2024, the Group has no other plans for material investments or capital assets. The Group will continue to allocate a reasonable amount of resources better utilization of the Company's assets and improvement of capital assets to improve operations efficiency and to meet customer needs and market demands. Sources of funding are expected to come primarily from the revenue that the Group will generate from operations and alternative debt and equity financing.

Charge on Assets

As at 30 June 2024, the Group had no charge on its assets.

Foreign Exchange Exposure

The normal operations and investments of the Group are mainly in Hong Kong and China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign exchange exposures. As at 30 June 2024, the Group has no significant foreign exchange exposure.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2024.

Employees

As at 30 June 2024, the Group employed 62 (31 December 2023: 59) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and work experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund and discretionary bonus are also available to employees of the Group. Remuneration packages are reviewed either annually or through special increment.

During the six months ended 30 June 2024, the Company and its subsidiaries have not paid or committed to pay to any individual any amount as an inducement to join or upon joining the Company and/or its subsidiaries.

Capital Structure

The capital and reserves attributable to owners of the Company amounted to approximately HK\$1,406,475,000 as at 30 June 2024 (31 December 2023: HK\$1,415,922,000). The decrease was mainly due to the exchange differences arising from translation during the period totalling approximately HK\$10,428,000. The Company did not issue any new shares during the period under review. The issued share capital of the Company was approximately HK\$39,726,000 (represented by approximately 3,972,576,000 issued ordinary shares).

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

Interests of Directors and chief executives of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which (a) were required 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 they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director and the chief executives of the Company	Capacity/Nature of interest	Number of Shares/ underlying Shares held <i>(Note 1)</i>	Approximate Percentage of the issued Shares <i>(Note 2)</i>
Tian Gang	Beneficial owner	1,685,000 (L)	0.04%

Notes:

- (1) The Letter “L” denotes the person’s long position in the Shares.
- (2) The percentage is calculated based on 3,972,575,703 listed Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) 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 they were taken or deemed to have under

such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Furthermore, Mr. Sun Yajie (an executive Director and chairman of the Board) is also a director of certain subsidiaries of Shougang and is therefore fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests of Substantial Shareholders in Shares and Underlying Shares

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, the persons (other than a Director or chief executive of the Company) who (a) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (b) were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares/ underlying Shares held ⁽¹⁾	Approximate Percentage of the issued Shares ⁽²⁾
Shougang Group Co., Ltd. (“ Shougang Group ”) (Note 3)	Interests of controlled corporation	2,425,736,972 (L)	61.06%
Wheeling Holdings Limited (“ Wheeling Holdings ”) (Note 3)	Beneficial owner	2,025,736,972 (L)	50.99%
Beijing Shougang Fund., Ltd.* (北京首鋼基金有限公司) (“ Shougang Fund ”) (Note 3)	Interests of controlled corporations	400,000,000 (L)	10.07%
Jingxi Holdings Limited (“ Jingxi Holdings ”) (Note 3)	Beneficial owner	400,000,000 (L)	10.07%
Yip Wang Ngai (Note 4)	Interests of controlled corporations	213,600,000 (L)	5.38%
HY Holdings Limited (“ HY Holdings ”) (Note 4)	Beneficial owner	213,600,000 (L)	5.38%
Mak Siu Hang Viola (Note 5)	Interests of controlled corporations	254,413,000 (L)	6.40%
VMS Investment Group Limited (“ VMS Investment ”) (Note 5)	Beneficial owner	254,413,000 (L)	6.40%

Notes:

- (1) The Letter “L” denotes the person’s long position in the Shares.
- (2) The percentage is calculated based on 3,972,575,703 listed Shares in issue as at the Latest Practicable Date.
- (3) Shougang Group indicated in its disclosure form dated 29 February 2024 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 29 February 2024, its interest in the Company was held by Wheeling Holdings and Shougang Fund respectively, wholly owned subsidiaries of Shougang Group. Wheeling Holdings has direct interest of the Company, and Shougang Fund’s interest in the Company was the Shares held by Jingxi Holdings, a wholly-owned subsidiary of Shougang Fund.
- (4) 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 Holdings which in turn was held as to 80% by Mr. Yip Wang Ngai.
- (5) 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 which in turn was held as to 100% by Ms. Mak Siu Hang Viola.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who (a) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (b) were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claim of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTOR’S INTERESTS IN ASSETS AND CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested, whether directly or indirectly, in any subsisting contract or arrangement which is significant in relation to the business of the Group and no Director was interested in any assets which have been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2023 (being the date of which the latest published audited financial statements of the Group were made up).

6. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors, the following Director has declared interests in the following business (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which is considered to compete or is likely to compete, either directly or indirectly, with the businesses of the Group (as would fall to be discloseable under Rule 8.10 of the Listing Rules if the Director was a Controlling Shareholder):

Name of Director	Name of entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Sun Yajie	Shougang Holding (Hong Kong) Limited (“ Shougang Holding ”) [#]	Property investment	Director

[#] Such business may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

7. MATERIAL ADVERSE CHANGES

Reference is made to the profit warning announcement of the Company dated 14 August 2024 in relation to the expected decrease in the profit attributable to the Shareholders for the six months ended 30 June 2024. Reference is also made to the subsequent interim report of the Company for the same period dated 6 September 2024, in which the Company disclosed that the profit attributable to the Shareholders for the six months ended 30 June 2024 represented a year-on-year decrease of approximately 20%. As disclosed in the aforesaid announcement and interim report, the decrease in profits was mainly due to the increase in administrative staff cost and the decrease in fair value of investment properties.

Save as disclosed above, the Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, no material contract (not being a contract entered into in the ordinary course of business) has been entered into by any members of the Group within the two years immediately preceding the date of this circular and up to and including the Latest Practicable Date of this circular.

9. EXPERT AND CONSENT

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

Name	Qualification
Rainbow Capital (HK) Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under 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 2023 (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.

10. 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.

11. 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 Suite 803, 8/F., Harcourt House, 39 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.
- (e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

12. 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 from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (c) the written consent referred to in the paragraph headed "Expert and Consent" in this Appendix; and
- (d) the EMC Finance Lease Master Agreement.

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**”) will be held at 10:30 a.m. on Friday, 25 October 2024 at 4/F, Building 5, Jinankehuan Plaza, Shougang Park Group, Shijingshan District, Beijing, PRC (or immediately after the conclusion or the adjournment of the special general meeting of the Company to be held at the same venue and on the same day at 10:00 a.m.) (the “**SGM**”) for the purposes of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the agreement (the “**EMC Finance Lease Master Agreement**”) dated 29 August 2024 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 “C” and initialed by the Chairman of the SGM for identification purpose, pursuant to which, the Company has conditionally agreed to provide or procure its subsidiaries to provide, at its discretion, Shougang Group with finance lease credit facilities in an aggregate principal amount of up to RMB3,400,000,000 (equivalent to approximately HK\$3,656,000,000) and, within the range of the maximum facilities amount at the request of Shougang Group, provide the EMC Engineering Company with finance lease services through direct lease and sale and leaseback services from time to time for the Equipment to be involved in various EMC Projects to Shougang Group is hereby approved, ratified and confirmed;
- (b) the annual caps of the finance lease credit facilities to be provided under the EMC Financial Lease Master Agreement as set out in the circular of the Company dated 9 October 2024 be and is hereby approved; and
- (c) 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 EMC Finance Lease Master Agreement.”

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

Hong Kong, 9 October 2024

* *For identification purposes only*

NOTICE OF SPECIAL GENERAL MEETING

Registered office:

Victoria Place, 5/F
31 Victoria Street
Hamilton HM 10
Bermuda

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

Suite 803, 8/F
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Notes:

- (1) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor 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 Thursday, 24 October 2024. 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, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 24 October 2024.
- (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.