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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)**

**(1) VERY SUBSTANTIAL ACQUISITION AND  
CONTINUING CONNECTED TRANSACTION IN RESPECT OF  
RENEWAL OF MASTER FACILITIES AGREEMENT; AND  
(2) CONTINUING CONNECTED TRANSACTION IN RESPECT OF  
TECHNOLOGY LICENSE AGREEMENT**

**RENEWAL OF MASTER FACILITIES AGREEMENT**

Reference is made to the announcement of the Company dated 23 August 2021 and the circular of the Company dated 24 December 2021, in relation to, among other things, the continuing connected transaction under the 2021 Master Facilities Agreement entered into between the Company and Shougang.

The term of the 2021 Master Facilities Agreement will expire on 24 January 2025.

The Board announces that on 29 August 2024, the Company entered into the Renewed Master Facilities Agreement with Shougang to renew the term of the 2021 Master Facilities Agreement for a further term of three years commencing from the date on which the Renewed Master Facilities Agreement becomes effective, pursuant to which the Company has conditionally agreed to provide or procure its subsidiaries to provide the Facilities to Shougang Group in an aggregate principal amount of up to RMB2,000,000,000 (equivalent to approximately HK\$2,151,000,000).

**TECHNOLOGY LICENSE AGREEMENT**

On 29 August 2024, the Company entered into the Technology License Agreement with Shougang, pursuant to which the Company agreed to grant a license to Shougang Group in respect of the Technology. The Technology License Agreement has a term of three years commencing from the date on which the Technology License Agreement becomes effective.

## **LISTING RULES IMPLICATION**

As at the date of this announcement, 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 this announcement, is the controlling shareholder of the Company under the Listing Rules, and hence is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed Master Facilities Agreement and the Technology License Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

On the other hand, the transactions contemplated under the Renewed Master Facilities Agreement will be recognised as acquisition of assets. As such, the Renewed Master Facilities Agreement and the transactions contemplated thereunder constitute notifiable transactions for the Company 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 Renewed Master Facilities Agreement exceeds 100%, the Renewed Master Facilities 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, circular, 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.

As the highest applicable percentage ratio in respect of the proposed annual caps under the Technology License Agreement is more than 5%, the transaction contemplated under the Technology License Agreement are subject to the announcement, reporting, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Renewed Master Facilities Agreement and the Technology License Agreement. The independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Renewed Master Facilities Agreement, the Technology License Agreement and their respective transactions contemplated thereunder.

A circular containing, among other things, details of the Renewed Master Facilities Agreement and the Technology License Agreement, a letter from the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Renewed Master Facilities Agreement and the Technology License Agreement, and a notice of the special general meeting to be convened to approve the Renewed Master Facilities Agreement and the Technology License Agreement is expected to be despatched to the Shareholders on or before 20 September 2024.

## INTRODUCTION

Reference is made to the 2021 Master Facilities Agreement between the Company and Shougang in relation to the provision by the Group of financing facilities to the Shougang Group. As the 2021 Master Facilities Agreement will expire on 24 January 2025, the Company and Shougang entered into the Renewed Master Facilities Agreement on 29 August 2024. The salient terms of the Renewed Master Facilities Agreement are set out below:

### 1. THE RENEWED MASTER FACILITIES AGREEMENT

#### Major terms of the Renewed Master Facilities 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 the Facilities to Shougang Group and/or its subsidiaries (including direct and/or indirect subsidiaries) from time to time during the term of the Renewed Master Facilities Agreement.

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

Term of the Renewed Master Facilities Agreement : A period of 3 years commencing from the date on which the Renewed Master Facilities Agreement becomes effective.

Principal amount of the Renewed Master Facilities Agreement : An aggregate principal amount of up to RMB2,000,000,000 (equivalent to approximately HK\$2,151,000,000).

The 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 Renewed Master Facilities Agreement.

The grant of the Facilities is subject to the maximum amount under the Renewed Master Facilities Agreement and the outstanding balance of the Facilities owed by Shougang Group for each relevant year will not exceed RMB2,262,000,000 (equivalent to approximately HK\$2,432,000,000), being the principal amount, interest and handling fee thereon.

Methods of provision of Facilities : The Facilities will be provided by the Group to Shougang Group by way of the following methods (each a “**Loan**”):

(a) finance lease, in which the Group will purchase equipment/asset items for Shougang Group and lease it to Shougang Group under a finance lease arrangement; and

(b) credit financing, in which the Group will provide credit financing facility to Shougang Group.

The relevant parties will enter into individual agreements with respect to each of the financing arrangements under the Facilities pursuant to the Renewed Master Facilities Agreement.

Guarantee : Shougang shall guarantee the obligations of the relevant member(s) of the Shougang Group as borrower(s) under each loan, or as lessee(s) under each finance lease. The relevant parties will enter into individual guarantee agreements with respect to each of the financing arrangements under the Facilities pursuant to the Renewed Master Facilities Agreement.

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

**(A) Major terms of the finance lease:**

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 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 Shougang and/or its subsidiaries in their ordinary course of business. There is no other limitation or restriction on the type of equipment/properties to be included as a lease item as long as the leasing of such equipment/properties is in compliance with the applicable laws and regulations. The Group will assess the lease items on a case-by-case basis before granting each of the finance lease loan.

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

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

Interest rate : The interest rate payable by the relevant lessee 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%.

Payment date of the lease and interest : Unless otherwise agreed, payment under each finance lease and the interest accrued shall be on a quarterly basis on the 21st day of March, June, September and December.

- Security deposit : The Group shall be entitled to a security deposit to secure the payment obligations of the relevant lessee under a finance lease, the amount and payment arrangement of which will be determined in accordance with the circumstances of each case and set out in the specific agreement to be entered into by the Group and Shougang and/or its subsidiaries for each finance lease. If the relevant lessee breaches the finance lease, the Group shall be entitled to deduct from the security deposit such sum(s) payable to the Group, and within 3 business days of such deduction, the relevant lessee shall top up the required security deposit. The security deposit shall only be returned without interest by the Group when the lease items are duly returned to the Group and there has been no outstanding sums under the finance lease.
- 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, 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, which was based on the scale commonly used for end of term purchase by the lessee in the finance lease industry.

**(B) Major terms of the credit financing:**

- Credit financing amount : The credit financing amount shall be such amount requested by Shougang Group, subject to such amount shall not exceed the unutilized portion of the Facilities.
- Term of each credit financing loan : The duration of each loan will be negotiated on a case-by-case basis and term of each credit financing loan will not have a term of longer than three (3) years from the date of the grant of the relevant Loan.
- To ensure the compliance of the Listing Rules, it is agreed that if the Company fails to renew the Renewed Master Facilities Agreement at the end of the Term, the Group has the rights to terminate the relevant credit financing loan and demand Shougang Group for full repayment of the outstanding loan within 14 days upon written notice.
- Interest rate : The interest rate payable by the relevant borrower 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%.
- Repayment date of the credit financing and interest : Unless otherwise agreed, the outstanding principal of the credit financing shall be repayable at the expiry of the term of the credit financing and the interest accrued shall be paid on a quarterly basis on the 21st day of March, June, September and December.
- Handling fee : The Group shall be entitled to charge the relevant borrower a non-refundable handling fee of not more than 1.5% of the principal amount of the credit financing. Such handling fee is negotiated on a case-by-case basis by reference to the handling fee charged by other finance companies for credit financing of similar nature. Such fee shall be payable at least five business days before the drawdown of the credit financing.

## HISTORICAL TRANSACTION UNDER 2021 MASTER FACILITIES AGREEMENT

Set out below is the actual amount of the facilities used by Shougang Group for the three years ended 31 December 2023 and the six months ended 30 June 2024:

	For the year ended 31 December			For the six months ended
	2021	2022	2023	30 June 2024
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
<b>Approved amount of the facilities</b>	2,000	2,000	2,000	2,000
<b>Annual caps</b>	2,264	2,264	2,264	2,264
<b>Actual amount of facilities used</b>				
(i) Finance Lease	908	1,087	397	275
(ii) Credit Financing	—	150	300	150
(iii) Entrusted Payment	—	16	—	—
Subtotal	908	1,253	697	425
<b>Maximum outstanding balance throughout the relevant financial year/ period (Notes 1, 2 and 3)</b>	740	784	473	435

Notes: 1. It represents the maximum outstanding balance of the Group's receivables owed from Shougang Group under the 2021 Master Facilities Agreement during the relevant financial year/period.

2. The outstanding balance as at 30 July 2024 is approximately RMB434 million.

3. If the Renewed Master Facilities Agreement is not entered into before the end of the Term of the 2021 Master Facilities Agreement, the Group has the rights to terminate the relevant loans and demand Shougang Group for full repayment of the outstanding loan.

The historical transaction amount under the 2021 Master Facilities Agreement is lower than expected as shown the annual caps set under the 2021 Master Facilities Agreement. The Directors consider that it is attributed to (i) the parties not being able to conclude on certain commercial terms of the individual Loans, including the failure by the parties to agree on the payment terms, (ii) the fluctuation in interests rate and (iii) availability of fund in the market, which resulted in the lower than expected utilization of the facilities under the 2021 Master Facilities Agreement.

### Proposed Annual Caps

The Renewed Master Facilities Agreement has a term of three years and the duration for each Loan under the Renewed Master Facilities Agreement shall not exceed six years (for each of the finance lease loan) and three years (for each of the credit financing loan) respectively from the date of the grant of the relevant Loan.



In view of the above, the proposed annual caps of the Facilities, on the basis of the principal amount of the Facilities and interest, and handling fees thereon, which represent the maximum outstanding balance throughout each year/period, is set out as follows:

<b>For the financial year ending</b>	<b>Annual caps for Finance Lease (RMB)</b>	<b>Annual caps for Credit Financing (RMB)</b>
From the commencement date of the Renewed Master Facilities Agreement to 31 December 2024	1,593,000,000 (equivalent to approximately HK\$1,712,500,000)	669,000,000 (equivalent to approximately HK\$719,500,000)
From 1 January 2025 to 31 December 2025	1,593,000,000 (equivalent to approximately HK\$1,712,500,000)	669,000,000 (equivalent to approximately HK\$719,500,000)
From 1 January 2026 to 31 December 2026	1,593,000,000 (equivalent to approximately HK\$1,712,500,000)	669,000,000 (equivalent to approximately HK\$719,500,000)
From 1 January 2027 to the last date of the Term of the Renewed Master Facilities Agreement	1,593,000,000 (equivalent to approximately HK\$1,712,500,000)	669,000,000 (equivalent to approximately HK\$719,500,000)

### **Basis of determining the facilities amount and proposed annual caps**

The aggregate principal amount of the Facilities (up to RMB2,000,000,000 (equivalent to approximately HK\$2,160,000,000) and the proposed annual caps (RMB2,262,000,000 each year) were determined after arm's length negotiations between the parties with reference to (i) the historical transaction amount between the parties; (ii) the capability of the Group to raise the necessary fund to finance the operation; and (iii) the expected level of financing required by Shougang Group and the amount of financing that the Group is expected to be able to secure for financing the Facilities.

The Group first entered into the 2015 Master Facilities Agreement with Shougang for the provision of financing facilities to Shougang Group. Upon the expiry of the term of the 2015 Master Facilities Agreement, the 2018 Master Facilities Agreement was entered into to continue the arrangement in the ordinary course of business of the Group. Upon the expiry of the term of the 2018 Master Facilities Agreement, the 2021 Master Facilities Agreement was entered into to continue the arrangement in the ordinary course of business of the Group.

Given that the annual caps of the Renewed Master Facilities Agreement were determined with reference to the expected demand of financing by Shougang Group, the Directors (excluding (i) the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser; and (ii) Ms. Sun Yajie who has material interests in the transactions contemplated hereunder as described in the section

headed “Listing Rules Implications” of this announcement below) are of the view that the amount of the Facilities and the annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Basis of determining interest rate**

The range of interest rate for finance lease and credit financing were 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 total cost of lending by the Group so as to ensure that the Group can earn a net income for providing the Facilities under the Renewed Master Facilities Agreement.

The exact interest rate to be charged for each of the Loans based on (i) the prevailing market interest rate at the relevant time; and (ii) the risk profile of the relevant finance lease and the then business and financial conditions of the relevant subsidiary of Shougang being the borrower or the lessee. In assessing the risk profile of the borrower in relation to each 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 as set out above 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 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 Shougang Group. 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.

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 borrower and/or lessee by reviewing its financial position and its ability to repay the 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 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 Loan.

The Group will apply the above policy in determining the interest rate for all financing or leasing 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 Renewed Master Facilities 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.

## **Financial effects of the transactions contemplated under the Renewed Master Facilities Agreement**

As (i) the interest rate to be charged on each of the Loans under the Renewed Master Facilities 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 Renewed Master Facilities Agreement a non-refundable handling fee of not more than 1.5% (in the case of credit financing) or 3.75% (in the case of finance lease) of the principal amount of the Loan, the Group is able to earn a net income over the term of the Renewed Master Facilities Agreement. As such, the Directors consider that the entering into the Renewed Master Facilities Agreement will have positive impact on the earnings of the Group in a long run.

## **REASONS FOR ENTERING INTO OF THE RENEWED MASTER FACILITIES AGREEMENT**

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. South China Leasing, an indirect non-wholly owned subsidiary of the Company, is a prominent leasing company in the PRC.

The Group provides finance leases in its usual and ordinary course of business. The Group aims at sourcing customers in the finance lease segment with sufficient assets and good creditability in order to safeguard the credit risks of the Group. Shougang Group is rich in assets and has a good credit history with good repayment capability. As the Group has been providing financing facilities to Shougang Group in the past, and the 2021 Master Facilities Agreement will expire in January 2025 and the Renewed Master Facilities Agreement is being entered into to enable the Group to continue to provide financing services to a trusted customers group. As the entering into of the Renewed Master Facilities Agreement is in the ordinary and usual course of business of the Company and will enable the Group to earn a net interest income under the Renewed Master Facilities Agreement, the Directors (excluding (i) the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser; and (ii) Ms. Sun Yajie who has material interests in the transactions contemplated hereunder as described in the section headed “Listing Rules Implications” of this announcement below) consider that the transactions under the Renewed Master Facilities Agreement and the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **POLICY AND INTERNAL CONTROL OF THE GROUP IN RELATION TO THE RENEWED MASTER FACILITIES AGREEMENT**

As stated above, Shougang Group has good credit history with reliable repayment capability and is a good customer of the Group. In addition, the Group has the absolute discretion on whether or not to provide the Loan under the Facilities at the relevant time.

In respect of each Loan under the 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 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.

In evaluating each Loan under the 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 Loan, or it would be risky to grant the Loan, the Group may at its discretion refuse the provision of such Loan to Shougang and/or its subsidiaries under the Facilities.

In assessing whether to provide each Loan under the 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 Renewed Master Facilities Agreement.

If, at the relevant time, the Group can get a better rate of return from independent third party customer(s), the Group will either (i) use its discretion not to grant the Loan under the Facilities to Shougang and/or its subsidiaries and provide facilities to the independent third party customer(s) instead or (ii) ensure that the interest rate to be granted to Shougang Group under the relevant 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 Shougang and/or its subsidiaries to ensure that the interest rate to be granted to Shougang and/or its subsidiaries under the relevant Loan will not be more favourable than those to independent third party customer(s) with similar risk profile and comparable size of borrowing.

In assessing the risk profile of the borrower in relation to each 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 as set out above 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 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 Shougang Group. 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.

To ensure that the transactions contemplated under the Renewed Master Facilities Agreement will be conducted in accordance with its terms and conditions, the internal audit department of the Company will review the transactions with Shougang Group and/or its subsidiaries on a periodic basis to ensure that (i) the transactions are conducted in accordance with the terms of the Renewed Master Facilities Agreement, (ii) the pricing terms are in accordance with the pricing policy of the Renewed Master Facilities Agreement and the policy of the Group, and (iii) the annual caps have not been exceeded.

The Directors (including the independent non-executive Directors) consider the above internal control and internal review policies of the Group are effective to ensure that the transactions contemplated under the Renewed Master Facilities Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

## **2. TECHNOLOGY LICENSE AGREEMENT**

### **Date**

29 August 2024

### **Parties**

- (1) The Company (as licensor); and
- (2) Shougang (as licensee).

### **Major terms of the Technology License Agreement**

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| Subject matter                           | : The Company shall grant a license to Shougang Group in respect of the Technology, pursuant to which Shougang Group shall be entitled to use, copy, modify or merge the Technology for businesses in respect of finance lease, supply chain finance and factoring.  |
| Term of the Technology License Agreement | : A period of 3 years commencing from the date on which the Technology License Agreement becoming effective.   |
| Fees and payment terms                   | : In relation to the License under the Technology License Agreement, the fees were determined after arm's length negotiations between the Company and Shougang, taking into account the prices quoted by third parties for the licensing of similar technology, the prices charged by the Company for the licensing of similar technology to its other customers, the coverage, scale and complexity of the Technology service provided and the service cost of the Group. |

Annual caps : For the three financial years ending on 31 December 2027, the annual amounts payable by Shougang Group to the Company pursuant to the Technology License Agreement are subject to the following annual caps:

<b>For the financial year ending</b>	<b>Annual caps (RMB)</b>
From the commencement date of the Technology Licence Agreement to 31 December 2024	5,900,000 (equivalent to approximately HK\$6,300,000)
From 1 January 2025 to 31 December 2025	19,800,000 (equivalent to approximately HK\$21,300,000)
From 1 January 2026 to 31 December 2026	27,100,000 (equivalent to approximately HK\$29,100,000)
From 1 January 2027 to the last date of the Term of the Technology License Agreement	33,700,000 (equivalent to approximately HK\$36,200,000)

The annual caps set under the Technology License Agreement have been determined with reference to (i) the current operation scale and expected growth of Shougang Group; and (ii) Shougang Group's anticipation on the demand for the related service till the financial year ended 31 December 2027.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE TECHNOLOGY LICENSE AGREEMENT**

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 Group 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. The Technology includes the finance lease system, supply chain platform and factoring operation platform developed by the Group, for using on the businesses in respect of finance lease, supply chain finance and factoring. For example, the Group has developed an online-financing system, upon which the relevant borrowers could make applications for various types of loan, and upon the grant of loan, keep track of the terms and conditions of the loan, and other material information in



respect of the loans. The Technology was being promoted by the Group to various potential end users and the financial technology services business of the Group has been expanding, details of which are set out in the business update announcement published by the Company on 24 January 2024 and the section headed “Financial Review” in the annual report of the Company for the year ended 31 December 2023. It is expected that after the grant of the licence to use the Technology, the Shougang Group would use the Technology internally among various companies under the Shougang Group. With the use of the Technology become more reputable and popular within the Shougang Group, it helps the Group to promote the Technology to other enterprises in PRC. As such, the Directors consider that the grant of licence to use the Technology would help accelerate the momentum of the customer network expansion and business development of the Group in the long term, while also facilitating the maintenance of the Group’s longstanding and stable relationship with Shougang Group.

Having regard to the above, the Directors (excluding (i) the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser; and (ii) Ms. Sun Yajie who has material interests in the transactions contemplated hereunder as described in the section headed “Listing Rules Implications” of this announcement below) are of the view that (i) the Technology License Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms of the Technology License Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and (ii) the proposed annual caps thereunder are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

#### **INTERNAL CONTROL OF THE GROUP IN RELATION TO THE TECHNOLOGY LICENSE AGREEMENT**

The Group has adopted certain internal control measures to safeguard the transactions contemplated under the Technology License Agreement, details of which are as follows:

- (i) the finance department of the Group will review and assess the transactions in respect of continuing connected transactions of the Technology License Agreement on a quarterly basis. If the fee generated and to be generated from the License are expected to reach the annual caps, the finance department will report to the management of the Group immediately. If the relevant annual caps is required to be revised, the details will be reported to the Board of Directors and a board meeting shall be held to consider the relevant matters to ensure compliance with the Listing Rules; and
- (ii) the independent non-executive Directors and the auditors of the Group will review the transactions under the relevant continuing connected transaction (including the transactions under the Technology License Agreement) of the previous financial year on an annual basis and confirm whether the transactions (including the transactions under the Technology License Agreement) have been entered into (i) on normal commercial terms or better, (ii) according to the Technology License Agreement on terms that are fair and reasonable, and (iii) in line with the pricing policy and the annual caps under the Technology License Agreement.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 this announcement, is the controlling shareholder of the Company and hence is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed Master Facilities Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

On the other hand, the transactions contemplated under the Renewed Master Facilities Agreement will be recognised as acquisition of assets. As such, the Renewed Master Facilities 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 Renewed Master Facilities Agreement exceeds 100%, the Renewed Master Facilities 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.

As one or more of the applicable percentage ratios in respect of the annual transaction amount under the Technology License Agreement are expected to be more than 5%, the transaction contemplated under the Technology License Agreement are subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 have material interests in the transactions contemplated under the Renewed Master Facilities Agreement and the Technology License Agreement and had voluntarily abstained from voting on the Board resolutions approving the Renewed Master Facilities Agreement and the Technology License Agreement and the transactions contemplated thereunder. Save as disclosed above, to the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, none of the Directors has any material interest in the Renewed Master Facilities Agreement and the Technology License Agreement and was required to abstain from voting on the Board resolutions approving the Renewed Master Facilities Agreement and the Technology License Agreement.



## **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**

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

Shougang is one of the largest steel production enterprises in the PRC and is principally engaged in a wide range of business including steel and iron production, overseas business, property development, mining resources and other businesses. As at the date of this announcement, Shougang is interested in 2,425,736,972 shares of the Company, representing approximately 61.06% of the Company's total issued share capital as at the date of this announcement.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee (comprising the independent non-executive Directors) will be formed to advise the Independent Shareholders on the terms of the Renewed Master Facilities Agreement and the Technology License Agreement.

The independent financial adviser has appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Renewed Master Facilities Agreement and the Technology License Agreement.

## **DESPATCH OF CIRCULAR**

The Company will convene a special general meeting for the Shareholders to consider and, if thought fit, approve the Renewed Master Facilities Agreement, the Technology License Agreement and the transactions contemplated thereunder. A circular containing, among other things, details of each of the Renewed Master Facilities Agreement and the Technology License Agreement, a letter from the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of each of the Renewed Master Facilities Agreement and the Technology License Agreement, and a notice of the special general meeting to be convened to approve the Renewed Master Facilities Agreement and the Technology License Agreement is expected to be despatched to the Shareholders on or before 20 September 2024.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2015 Master Facilities Agreement”	the agreement dated 26 March 2015 entered into between the Company and Shougang in relation to the provision by the Group of financing facilities to Shougang Group;
“2018 Master Facilities Agreement”	the agreement dated 8 June 2018 entered into between the Company and Shougang in relation to the provision by the Group of financing facilities to Shougang Group;
“2021 Master Facilities Agreement”	the agreement dated 23 August 2021 entered into between the Company and Shougang in relation to the provision by the Group of financing facilities to Shougang Group;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“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;
“Directors”	directors of the Company;
“Facilities”	the facilities of up to an aggregate principal amount of RMB2,000,000,000 (equivalent to approximately HK\$2,160,000,000) to be provided by the Company and/or its subsidiaries to members of Shougang Group in accordance with the Renewed Master Facilities Agreement;
“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;
“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 Shareholders”	Shareholders other than Shougang, its associates and any other Shareholder(s) with a material interest in the transactions contemplated under the Renewed Master Facilities Agreement and/or the Technology License Agreement;
“License”	the license that the Company shall grant to Shougang Group in respect of the Technology, pursuant to which Shougang Group shall be entitled to use, copy, modify or merge the Technology for businesses in respect of finance lease, supply chain finance and factoring;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	each advance (finance lease or credit financing) under the Renewed Master Facilities Agreement extended by the Group to Shougang Group;
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan;
“Renewed Master Facilities Agreement”	the renewed master facilities 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 financing to Shougang and/or its subsidiaries for a term of 3 years;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the 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 date of this announcement;
“Shougang Group”	Shougang and its subsidiaries;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Technology”	the finance lease system developed by the Group, the Group’s software platforms and related files, including without limiting to, supply chain platform and factoring operation platform, for using on the businesses in respect of finance lease, supply chain finance and factoring;
“Technology License Agreement”	the agreement dated 29 August 2024 entered into between the Company and Shougang;
“Term”	A period of 3 years commencing from the date on which the Renewed Master Facilities Agreement becomes effective;
“Wheeling Holdings”	Wheeling Holdings Limited, a company incorporated in Samoa and is the controlling Shareholder of the Company, which held 2,025,736,972 shares of the Company, representing approximately 50.99% of the issued share capital of the Company as at the date of this announcement; and
“%”	per cent.

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

Hong Kong, 29 August 2024

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

*Unless otherwise specified in this announcement, translations of RMB into HK\$ are made in this announcement, 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.*

\* *For identification purpose only*