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首惠产融

首惠產業金融服務集團有限公司*

CAPITAL INDUSTRIAL FINANCIAL SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 730)

**MAJOR TRANSACTION
FACTORING AGREEMENT**

The Board hereby announces that on 20 June 2024 (after trading hours), South China Leasing (an indirect non-wholly owned subsidiary of the Company) entered into the Factoring Agreement with the Financing Bank, pursuant to which, South China Leasing may apply to transfer the creditor's rights and benefits of the Accounts 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). The amount of the Accounts Receivables to be transferred by South China Leasing to the Financing Bank and the amount of Factoring Funds to be provided to South China Leasing by the Financing Bank will be on a dollar-for-dollar basis. The Group intends to use the Factoring Funds for the operation of its finance leasing business in respect of 3C products.

For accounting purposes, immediately after the transfer of the Accounts Receivables from South China Leasing to the Financing Bank pursuant to the Factoring Agreement, the relevant Accounts Receivables will cease to be recognised as accounts receivables of South China Leasing. Assuming the Factoring Funds to be fully utilised, the Group will record an increase of cash of RMB200 million (equivalent to approximately HK\$215.4 million) and a decrease of accounts receivables of RMB200 million (equivalent to approximately HK\$215.4 million) respectively, and hence there will not be any gain or loss recognised in the Group's financial statement as a result of the transactions contemplated under the Factoring Agreement.

As the highest applicable percentage ratio in respect of the Factoring Agreement and the transactions contemplated thereunder exceeds 25% but is less than 75%, the Factoring Agreement and the transactions contemplated thereunder constitute a major transaction and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As no Shareholders have any material interest in the Factoring Agreement and the transactions contemplated thereunder, it is expected that no Shareholders will be required to abstain from voting at the general meeting of the Company, if required to be convened, in respect of the resolution to approve the Factoring Agreement and the transactions contemplated thereunder. The Company has received written shareholders' approval, approving the Factoring Agreement and the transactions contemplated thereunder from Wheeling Holdings Limited, being a Shareholder holding a total of approximately 50.99% of the entire issued share capital of the Company as at the date of this announcement. As a result, no general meeting is required to be convened for the approval of the Factoring Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

A circular containing, amongst other things, further details of the Factoring Agreement and the transactions contemplated thereunder, the financial information of the Group and other general information of the Company is expected to be despatched to the Shareholders on or before 12 July 2024, being 15 business days after the publication of this announcement.

THE FACTORING AGREEMENT

The Board hereby announces that on 20 June 2024 (after trading hours), South China Leasing (an indirect non-wholly owned subsidiary of the Company) entered into the Factoring Agreement with the Financing Bank, pursuant to which, South China Leasing may apply to transfer the creditor's rights and benefits of the Accounts 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).

The salient terms of the Factoring Agreement are set out as follows:

Date

20 June 2024

Parties

- (1) South China International Leasing Co., Ltd.* (南方國際租賃有限公司), an indirect non-wholly owned subsidiary of the Company; and
- (2) Meizhou Hakka Bank Co., Ltd.* (梅州客商銀行股份有限公司).

To the best of the Directors' knowledge, information and belief upon making all reasonable enquiries, the Financing Bank and its ultimate beneficial owners are all independent third parties of the Company and its connected persons (as defined under the Listing Rules).

Financing Term

Financing term under the Factoring Agreement will be 1 year from the effective date of the Factoring Agreement.

Transfer of the Accounts Receivables and the provision of Factoring Funds

South China Leasing may apply to transfer the creditor's rights and benefits of the Accounts 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).

The Factoring Funds Limit

Pursuant to the Factoring Agreement, the Financing Bank agreed to grant a funding limit of RMB200 million (equivalent to approximately HK\$215.4 million) to South China Leasing, and South China Leasing is entitled to apply for the transfer(s) of the Accounts Receivables to the Financing Bank for obtaining the Factoring Funds (via one tranche or various tranches) within the funding limit from the Financing Bank.

The Consideration of Accounts Receivables for the provision of Factoring Funds

The amount of the Accounts Receivables to be transferred by South China Leasing to the Financing Bank and the amount of Factoring Funds to be provided to South China Leasing by the Financing Bank will be on a dollar-for-dollar basis. In other words, the discount rate applying to the book value of the Accounts Receivables for the provision of the Factoring Funds from the Financing Bank is zero.

The consideration of the Accounts Receivables payable under the Factoring Agreement was determined on arm's length negotiations between the Group and the Financing Bank with reference to, among other things, the book value of the Accounts Receivables, the nature of the Accounts Receivables to be provided by the Group and the terms of the Factoring Agreement.

Type of Factoring

No recourse right is attached. If the debtor in respect of the Accounts Receivables fails to fully repay the relevant Accounts Receivables within the agreed time limit due to credit issues, the Financing Bank has no recourse for a claim against South China Leasing in respect of the outstanding payment.

Transfer of the Accounts Receivables

Pursuant to the Factoring Agreement, if South China Leasing decides to obtain Factoring Funds from the Financing Bank, it shall submit an application with relevant information in respect of the relevant Accounts Receivables to the Financing Bank for approval. Subject to the assessment by and the approval of the application at the discretion of the Financing Bank, South China Leasing shall transfer the creditor's rights and benefits of the relevant Accounts Receivables to the Financing Bank, and the Financing Bank shall receive the creditor's rights and benefits of the relevant Accounts Receivables and provide Factoring Funds to South China Leasing within 7 days after receiving the transfer of the relevant Accounts Receivables from South China Leasing.

Nature of the Accounts Receivables to be transferred

The Accounts Receivables consist of the lease payment of RMB200 million (equivalent to approximately HK\$215.4 million) to be received by South China Leasing from its customers in relation to its 3C products finance-leasing services.

Conditions Precedent

The Factoring Agreement shall be effective upon the following conditions: (i) Shareholders' approval being obtained to approve the Factoring Agreement pursuant to the requirement of the Listing Rules; and (ii) all necessary consents and approvals relating to the Factoring Agreement and its performance having been obtained by South China Leasing.

USE OF THE FACTORING FUNDS

The Group intends to use the Factoring Funds received under the Factoring Agreement for the operation of its finance leasing business in respect of 3C products.

FINANCIAL EFFECT OF THE FACTORING AGREEMENT

For accounting purposes, immediately after the transfer of the Accounts Receivables from South China Leasing to the Financing Bank pursuant to the Factoring Agreement, the relevant Accounts Receivables will cease to be recognised as accounts receivables of South China Leasing.

Given the amount of the Accounts Receivables to be transferred by South China Leasing to the Financing Bank and the amount of Factoring Funds to be provided to South China Leasing by the Financing Bank will be on a dollar-for-dollar basis, assuming the Factoring Funds to be fully utilised, the Group will record an increase of cash of RMB200 million (equivalent to approximately HK\$215.4 million) and a decrease of accounts receivables of RMB200 million (equivalent to approximately HK\$215.4 million) respectively, and hence there will not be any gain or loss recognised in the Group's financial statement as a result of the Factoring Agreement and the transactions contemplated thereunder.

REASONS AND BENEFITS FOR ENTERING INTO THE FACTORING AGREEMENT

The Board believes that the Factoring Agreement and the transactions contemplated thereunder will help (i) revitalise the Group's assets; (ii) control its risk of accounts receivables; (iii) reduce its amount of accounts receivables so as to optimise its asset structure; and (iv) increase the Group's liquidity and improve its asset efficiency and financial condition, thereby optimising its financial statements. Furthermore, it will help further expand financing channels of the Group and increase the Group's funding sources for its future business development.

The terms of the Factoring Agreement were agreed between the Group and the Financing Bank after arm's length negotiation, with reference to the prevailing commercial practice for factoring finance in the PRC. As such, the Directors (including the independent non-executive Directors) are of the view that the terms of the Factoring Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

Information about the Company and South China Leasing

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.

South China Leasing is an indirect non-wholly 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 includes direct leasing and sale and leaseback arrangements.

Information about the Financing Bank

Meizhou Hakka Bank Co., Ltd. (梅州客商銀行股份有限公司) is a company incorporated in the PRC with limited liability on 22 June 2017. The Financing Bank is principally engaged in banking, factoring services and related financial services in the PRC. To the best of the Directors' information, knowledge and belief having made all reasonable enquiries, the Financing Bank is beneficially owned as to approximately 30% by Guangdong Baolihua New Energy Stock Co., Ltd.* (廣東寶麗華新能源股份有限公司) ("**Guangdong Baolihua**"), 20% by Guangdong Tapai Group Co., Ltd.* (廣東塔牌集團股份有限公司), 19.9% by Guangdong Xizhilang Group Co., Ltd.* (廣東喜之郎集團有限公司), 17.6% by Guangdong Chaohua Technology Co., Ltd.* (廣東超華科技股份有限公司) and 12.5% by Wen's Food Group Co., Ltd.* (溫氏食品集團股份有限公司). As at the date of this announcement, Guangdong Baolihua is a company listed on the Shenzhen Stock Exchange (stock code: 000690).

To the best of the Directors' knowledge, information and belief upon making all reasonable enquiries, the Financing Bank and its ultimate beneficial owners are all independent third parties of the Company and its connected persons (as defined under the Listing Rules).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Factoring Agreement and the transactions contemplated thereunder exceeds 25% but is less than 75%, the Factoring Agreement and the transactions contemplated thereunder constitute a major transaction and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

As no Shareholders have any material interest in the Factoring Agreement and the transactions contemplated thereunder, it is expected that no Shareholders will be required to abstain from voting at the general meeting of the Company, if required to be convened, in respect of the resolution to approve the Factoring Agreement and the transactions contemplated thereunder. The Company has received written shareholders' approval, approving the Factoring Agreement and the transactions contemplated thereunder from Wheeling Holdings Limited, being a shareholder of the Company interested in 2,025,736,972 shares of the Company (representing approximately 50.99% of the entire issued share capital of the Company) as at the date of this announcement. As a result, no general meeting is required to be convened for the approval of the Factoring Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, amongst other things, further details of the Factoring Agreement and the transactions contemplated thereunder, the financial information of the Group and other general information of the Company is expected to be despatched to the Shareholders on or before 12 July 2024, being 15 business days after the publication of this announcement.

DEFINITIONS

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

“Accounts Receivables”	Lease payment of RMB200 million (equivalent to approximately HK\$215.4 million) to be received by South China Leasing from its customers in relation to its 3C products finance-leasing services
“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)
“Director(s)”	the director(s) of the Company
“Factoring Agreement”	the factoring agreement entered into between South China Leasing and the Financing Bank on 20 June 2024

“Factoring Funds”	Non-revolving factoring funds of no more than RMB200 million (equivalent to approximately HK\$215.4 million) to be provided by the Financing Bank to South China Leasing under the Factoring Agreement
“Financing Bank”	Meizhou Hakka Bank Co., Ltd.* (梅州客商銀行股份有限公司), a company incorporated in the PRC with limited liability, principally engaging in banking and related financial services in the PRC
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“South China Leasing”	South China International Leasing Co., Ltd.* (南方國際租賃有限公司), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 20 June 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).

For the purpose of this announcement, unless otherwise specified, the conversion of RMB into HK\$ is based on the approximate exchange rate from RMB1.00 to HK\$1.077. The exchange rate is adopted for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

** For identification purpose only*