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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)

## **SUPPLEMENTAL ANNOUNCEMENT TO ANNUAL REPORT 2021**

Reference is made to the annual report of Capital Industrial Financial Services Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Annual Report 2021**”) in relation to the notes to the consolidated financial statements in the 2021 Annual Report. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the Annual Report 2021.

In addition to the information disclosed in the notes to the consolidated financial statements in the 2021 Annual Report, this announcement is made to provide further information in respect of the paragraph headed “Finance Risk Management” of the 2021 Annual Report.

### **BUSINESS MODEL**

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.

## CONCENTRATION OF LOANS TO MAJOR CLIENTS

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 2021, approximately 36% (2020:34%) 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 2021, approximately 96% (2020:98%) 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 41% of the total receivables under sale and leaseback arrangement, and the remaining three customers accounted for approximately 22%, 21% and 12% of the total receivables under the sale and leaseback arrangement respectively. The transactions details related to these three customers were disclosed in the Company's circular dated 19 December 2017, 21 December 2020 and 24 August 2021 respectively.

### Key Transaction Terms and Receivables Balances

Customers	Lease Term (Months)	Effective Interest Rate	Handling Fee RMB'000	Receivables as at 31 December 2021 HKD'000	Percentage %
Beijing Shougang Real Estate Development Co., Ltd. <sup>#</sup>	48	5.47% to 6.30%	7,800	487,276	36
Rugao Port Group Co., Ltd. <sup>^</sup>	36	5.47%	11,250	294,610	22

金源華興融資租賃有限公司 (Jinyuan Huaxing Financial Leasing Co., Ltd.*) <sup>^</sup>	36	4.46% to 6.32%	4,800	291,413	21
湘潭市城市建設投資經營有限責任公司 (Xiangtan Municipal Construction Investment Management Co., Ltd.*) <sup>^</sup>	60	6.70%	800	157,563	12
通化鋼鐵股份有限公司 (Tonghua Steel Co., Ltd.*) <sup>#</sup>	36	5.00%	1,000	61,399	5
Tengzhou Eastern Steel Cord Co., Ltd.	18	5.50%	150	24,062	2
首鋼股份公司遷安鋼鐵公司 (Shougang Qian'an Iron and Steel Co., Ltd.*)	18	5.35%	57	19,657	1
Hangzhou Big Box Automobile Service Co., Ltd.	24	10.00%	23	442	0
Independent individual customers	8,678	10.50% to 12.00%	0	14,030	1

Notes:

- # *Beijing Shougang Real Estate Development Co., Ltd. and Tonghua Steel Co., Ltd.\* are subsidiaries of Shougang Group Co., Ltd., Shougang Group Co., Ltd., a company established in the PRC, which is the holding company of Shougang Holdings (Hong Kong) Limited, which in turn, Shougang Holdings (Hong Kong) Limited is the controlling shareholder of the Company. Therefore, Beijing Shougang Real Estate Development Co., Ltd. and Tonghus Steel Co., Ltd. are connected persons of the Company.*
- ^ *Rugao Port Group Co., Ltd is a limited liability company established in the PRC. It is principally engaged in coal and timber trading and the provision of port logistic services in Rugao City, Jiangsu Province, the PRC. Jinyuan Huaxing Financial Leasing Co., Ltd.\* is a limited liability company principally engaged in the business of finance leases in Shangrao City, Jiangxi Province, the PRC. Xiangtan Municipal Construction Investment Management Co., Ltd.\* is a municipal development company of Xiangtan City, Hunan Province, the PRC. Therefore, Rugao Port Group Co., Ltd., Jinyuan Huaxing Financial Leasing Co., Ltd. and Xiangtan Municipal Construction Investment Management Co., Ltd. are independent of the Company and its connected persons.*

As at 31 December 2021, the Group had entered into 8,692 finance lease transactions of which 8,678 finance lease transactions were with independent individual customers, with principal amounts ranged from approximately RMB2,000 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.

The Board confirmed that the supplemental information provided in this announcement does not affect any other information contained in the Annual Report 2021 and, save as disclosed above, the contents of the Annual Report 2021 remain unchanged.

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

Hong Kong, 2 September 2022

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

*\* For identification purpose only*