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SY HOLDINGS GROUP LIMITED

盛業控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6069)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

PERFORMANCE HIGHLIGHTS

For the six months ended 30 June 2022

- Total cumulative supply chain assets processed was approximately RMB146 billion as of 30 June 2022, representing an increase of approximately 27.0% as compared to approximately RMB115 billion as of 30 June 2021.
- In line with the Group's platform-based strategy, total cumulative platform users were over 11,400 as of 30 June 2022, representing an increase of approximately 39.0% as compared to over 8,200 as of 30 June 2021. Total funding partners increased by 46.8% from 62 as of 30 June 2021 to 91 as of 30 June 2022.
- The Group's total revenue and income from principal activities increased by 29.1% year-on-year to RMB386.3 million for the six months ended 30 June 2022, compared to RMB299.3 million for the six months ended 30 June 2021.
- Revenue from platform-based services and supply chain technology services for the six months ended 30 June 2022 was RMB29.6 million representing an increase of approximately 27.3%, as compared to RMB23.3 million for the six months ended 30 June 2021.
- Income from digital financing solutions for the six months ended 30 June 2022 was RMB302.3 million representing an increase of approximately 50.7%, as compared to RMB200.6 million for the six months ended 30 June 2021.
- Profit after taxation for the six months ended 30 June 2022 was RMB179.1 million representing an increase of approximately 7.3%, as compared to the profit after tax of RMB167.0 million for the six months ended 30 June 2021.
- The Directors do not recommend the payment of a dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. About SY Holdings Group Limited

SY Holdings Group Limited (the “**Group**”, “**Company**” or “**SY**”) is a leading supply chain technology platform providing data-driven, efficient and inclusive industrial Internet-of-Things (“**IIoT**”) and digital financing solutions for companies across the Asia-Pacific. As the digital economy has become a new engine for China’s economic growth, the Group is strategically positioned as a supply chain technology platform, leveraging its technology capability to empower supply chain and to facilitate the digital upgrade of traditional industries. The Company is also committed to providing services which include one-stop supply chain technology services and digital financing solutions for enterprises and financial institutions, driving supply chain efficiency and making finance more inclusive.

The Group’s Dual-Engine, One-Platform strategy has laid a foundation for more efficient and sustainable growth in the future. Dual Engine refers to the two growth engines of IIoT and digital finance, which empowers each other in co-development. One-Platform means that the Group fully leverages its technological advantages to build an open, inclusive and complementary supply chain technology platform by linking core enterprises, funding partners, corporate partners and small and medium-size enterprises (“**SMEs**”).

The Group’s business segments comprise (i) digital financing solutions, (ii) platform-based services, (iii) supply chain technology services and (iv) sale of supply chain assets¹. Among which, the revenue from the supply chain technology services is an innovative business sector under the IIoT segment, whose products include smart construction solutions and hospital supply, processing and distribution solutions (“**hospital SPD solutions**”), to drive the digital upgrade of traditional industries. Through the efforts of building a comprehensive supply chain ecosystem, the Group will expand the scale of its IIoT business, leverage technology to empower digital finance business and maximize its platform linkage capability to create a mutually beneficial ecosystem throughout the supply chain.

¹ Supply chain assets refer to assets including accounts receivables and accounts payables arising from transactions in the supply chain ecosystem.

Digital Financing Solutions

SY leverages its technology platform to offer a range of flexible supply chain financing solutions which include accounts receivable (“AR”)-based lending as well as loan guarantee services to meet the vast financing needs of SMEs in the Asia-Pacific region. The Group’s proprietary technology platform, known as “SY Cloud Platform”, incorporates a comprehensive suite of technologies such as electronic signatures, optical character recognition (“OCR”), natural language processing (“NLP”), big data analytics, video authentication, facial recognition, the electronic signature by China Financial Certification Authority (“CFCA”), direct link with the Unified Registration and Publicity System for Chattel Financing (zhongdengwang.org.cn) under Credit Reference Center of the People’s Bank of China, and big data monitoring. Equipped with an efficient and smart risk management system, SY Cloud Platform has enabled the Company to validate the creditworthiness of underlying transactions related to supply chain financing, and provide customers with a seamless customer experience throughout the online application and approval process.

Platform-based Services

In recent years, the Group’s technological capabilities have also been instrumental in driving its platform-based businesses. Under this category, the Group provides AR management and asset origination services as part of its loan facilitation business, enabling banks and other financial institutions to tap on additional customer acquisition channels. By effectively connecting quality assets from the supply chain ecosystem to funding partners, the Group helps expand the reach of inclusive finance and address the financing needs of SMEs more efficiently, which facilitates financial support for real economy and foster the growth of SMEs.

As part of its platform-based offering, the Group also provides services that facilitate the issuance of asset-backed financial products, which include asset-backed securities (“ABS”) and asset-backed notes (“ABN”) issued by large corporations.

Supply Chain Technology Services

Supply chain technology services, which is under the IIoT segment, registered rapid growth. The pioneering sectors targeted by the Group under this category include smart construction and hospital SPD solutions, with the aim to drive smart and streamlined management of supply chains so as to reduce costs and improve efficiency for core enterprises.

The smart construction solutions leverage technologies such as Internet-of-Things, cloud computing, big data, artificial intelligence, virtual reality (“**VR**”), and augmented reality (“**AR**”) to provide advanced and smart management tools for construction projects. These solutions address the pain points of the traditional approaches by establishing a smart on-site monitoring and management system, which enables the all-round and real-time monitoring of key elements such as on-site staff, machinery, raw materials, work processes, and the environment. By integrating the construction site cloud platform powered by various digital technologies with smart hardware, the Group’s smart construction solutions enable the efficient management of staff, machinery, safety, quality-control, green construction and site monitoring. These solutions contribute to reducing safety hazards, improving public image for the project and increasing efficiency.

The hospital SPD solutions provide intelligent and centralized logistics management services to address the pain points faced by hospitals in medical consumables management, which integrates the supply, inventory, processing and distribution of medical supplies such as consumables and medical equipment. SY combines intelligent software such as Hospital Information System (“**HIS**”) and procurement system with intelligent hardware such as scanners, smart cabinets and robots, together with a professional management service team, to create a business matrix of “software + hardware + services”. These solutions help hospitals improve their efficiency, reduce costs and streamline medical supplies management.

These supply chain technology services further broaden the Group’s product and service offerings for core enterprises, SMEs and financial institutions, effectively positioning the Group as the go-to partner within the supply chain ecosystem, deepening its relationships with various partners including core enterprises, SMEs and financial institutions, and further solidifying its position as a one-stop service platform. The solutions in this segment not only help enterprises increase their operating efficiency, but also enable the Group to access real-time transaction data and strengthen its data analysis capability, which helps the Group create more accurate and comprehensive user profiles, thereby enhancing its risk management efficiency and customer acquisition capabilities in the digital financing segment.

Sale of supply chain assets

From time to time, the Group sells supply chain assets to various financial institutions, connecting quality assets to financial institutions including asset managers and trust companies, based on their risk appetites for fixed income products. The sale of these assets allows the Group to optimize its capital structure and improve its cash flow, thereby enabling it to advance its platform business.

2. First Half 2022 Highlights

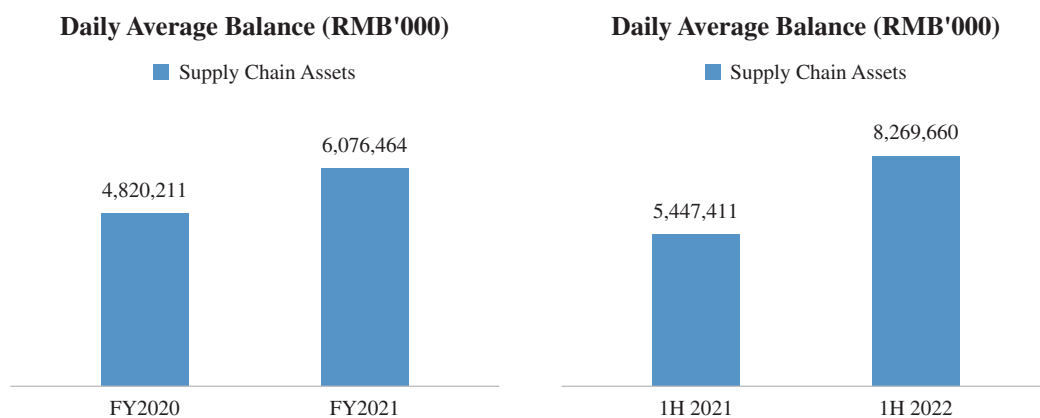
Accelerated development of industrial digital ecosystem stimulates strong growth in IIoT business

- Driven by its Dual-Engine, One-Platform strategy, SY has integrated digital technology within the industrial landscape to drive the transformation in traditional industries such as infrastructure and healthcare. Year to date, the value of new IIoT contracts in the IIoT segment exceeded RMB78 million², representing a significant increase of approximately 15 times over the number for the full year of 2021. This strong growth momentum demonstrates the Group's increased market recognition within the technology sector.
- In the smart construction segment, the Group has won a number of smart construction projects from various subsidiaries of China State Construction Engineering Corporation; within the hospital SPD solutions segment, the Group has also signed strategic cooperation agreements with a leading state-owned pharmaceutical distribution group in China to provide hospital SPD solutions for a Grade-3A hospital in southwest China. In August, the Group won the bids for a number of SPD solutions from a subsidiary of Sinopharm Lerentang Pharmaceutical Co., Ltd. ("**Sinopharm Group Lerentang**"), with an estimated contract value of approximately RMB39 million. Through the IIoT segment, SY can obtain more real-time transaction data, enhancing big data-driven risk management, to empower and support digital financing business.
- In terms of digital ecosystem development, SY made a strategic investment in Shaanxi Huazhu Technology Limited ("**Huazhu Technology**"), a high-tech company focusing on smart construction solutions, and has cumulatively served over 4,000 engineering projects. This investment deepens the strategic cooperation between SY and Huazhu Technology, in which SY is able to strengthen its smart construction modules and services, and gain more market share through this mutually beneficial collaboration.

² As of 24 August 2022, date of this announcement

Dual-engine cross-empowerment achieves another remarkable performance for digital finance

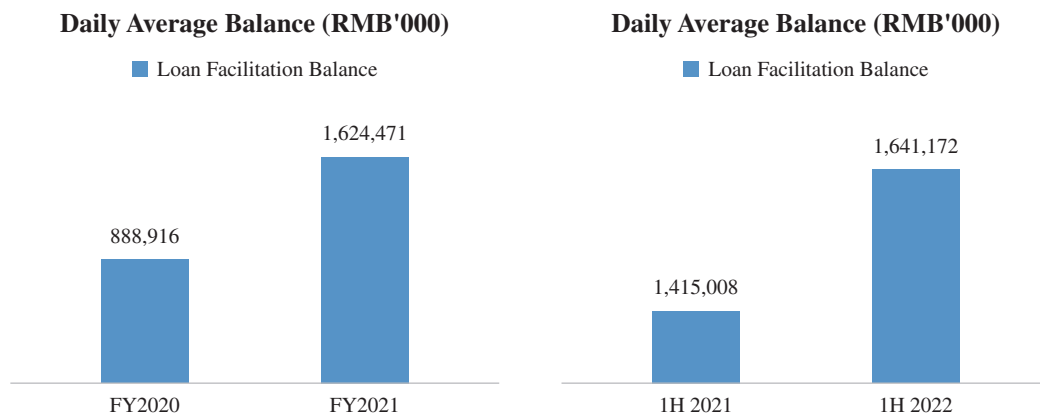
- While the IIoT segment demonstrated strong business expansion, it also empowers the technological aspect of the digital finance segment by facilitating precise customer acquisition and increasing risk management efficiency. Through the close integration of digital technology and industrial knowledge, the digital finance business has achieved stable growth. In the six months ended 30 June 2022, the revenue of digital financing solutions increased by 50.7% year-on-year to RMB302.3 million. The supply chain assets balance including both self-funded and loan facilitation supply chain assets as of 30 June 2022 increased by 41.5% year-on-year to approximately RMB8.66 billion. The daily average supply chain assets balance increased by 51.8% year-on-year to approximately RMB8.27 billion. The cumulative supply chain assets processed by the Group was approximately RMB145.6 billion, and the cumulative number of customers was approximately 11,400 representing growth of 27.0% and 39.0% respectively, as compared with 30 June 2021. Asset quality has remained healthy, with the non-performing ratio maintained at 0.10%.



- Benefiting from expanded scale of funding and improved asset quality, the Group's daily average loan facilitation balance³ was RMB1,641 million as of 30 June 2022, an increase of approximately 16.0% year-on-year. During the period, revenue from platform-based services reached RMB approximately 29.3 million, of which the loan facilitation revenue reached RMB27.7 million, an increase of 59.1% year-on-year. The Group remains confident that growth in its overall platform-based services will remain resilient, underpinned by robust

³ The daily average loan facilitation balance has been adjusted to be in line with the Group's reclassification of its business segments

SME financing demand coupled with encouraging government policies, particularly towards supporting the development and growth of the SME segment in China.



In terms of implementing digital innovation, under the guidance and support of the Tianjin Municipal Financial Regulatory Bureau, the Group partnered with the Tianjin Branch of the Industrial and Commercial Bank of China Limited, and rolled out the application of the digital Renminbi in supply chain finance to alleviate the difficulties of SMEs in Shanghai during the pandemic, unlocking supply chain financing of approximately RMB2.8 million.

Increased recognition from funding partners

- The Group’s platform growth benefited from the continued recognition of funding providers. China Construction Bank Corporation Shenzhen Branch raised the loan facilitation cooperation amount from RMB1 billion to RMB2 billion attributed to the positive experience of past cooperation. In addition, Ningbo Commerce Bank Company Limited increased its loan facilitation cooperation amount from RMB500 million to RMB800 million. As of 30 June 2022, the cumulative number of funding partners increased to 91 from 62 as of 30 June 2021.
- In terms of overseas financing, the Group secured a three-year loan facility of US\$50 million from Orion Capital Asia Pte. Ltd. (“**Orion**”). Orion is a private credit investment manager focused performing credit opportunities in the Asia-Pacific region. One of Canada’s largest pension plans is Orion’s equity investor. This underscores the recognition SY has gained from international capital markets and paves the way for the Group’s broadening of its overseas financing channels, lengthening its debt duration and optimizing its capital structure. It also enables the Group to further deploy capital in technology R&D and strategic investment, which will further promote the development of supply chain technology platforms and the industrial digital ecosystem.

- On 23 August 2022, SY officially signed a 2-year social and sustainability-linked dual ESG structure syndicated loan agreement of RMB500 million, with Bank SinoPac (China) Ltd. Guangzhou Branch acted as the lead and agent bank for the loan, with Bank of East Asia (China) Limited Shanghai Branch as the joint lead bank and sustainability-linked consultant, Tai Fung Bank Limited Guangzhou Branch and Korea Development Bank Beijing Branch as joint lead banks, which is the first-of-its-kind “dual ESG structure” syndicated loan with social and sustainability-linked features in China. This syndicated loan not only helps the Group expand financing channels, reduce financing costs, and optimize financing structure, but also shows the Group’s solid operating results and development outlook to domestic and overseas capital markets, demonstrating the Group’s commitment in promoting inclusive finance, practicing social responsibility, and promoting the green supply chain.
- The increase in scale of funding and number of funding partners reflects the recognition from funding partners towards the Group’s data-driven risk management and strong customer acquisition capabilities. Deepening cooperation with funding partners is also instrumental in terms of allowing the Group to address the funding pain points faced by SMEs, as well as to support the development of the real economy.

Driving cooperation with state-owned enterprises to start a new chapter of growth

- In December 2021, the Group completed the acquisition of the equity interests in Wuxi Guojin Factoring Limited (“**WXGJ**”), and became its controlling shareholder. WXGJ is a supply chain finance platform with a leading presence in the east China region, which was jointly established by Wuxi Tonghui Investment Co., Ltd, a subsidiary of Wuxi Communications Industry Group Co., Ltd (“**Wuxi Communications**”), and Sheng Zhuo Factoring Limited, a subsidiary of the Group. With the completion of the acquisition, the advantages of resources and empowerment from both the state-owned shareholder and SY, WXGJ has achieved stable growth and reduced the costs of capital of the Group. For the six months ended 30 June 2022, WXGJ has recorded a net profit of approximately RMB30.8 million, representing year-on-year growth of 30.5%, with a ROE of 15.0%, approximately 1.9 percentage points higher than that of the same period last year. Leveraging the strong ecosystem position of Wuxi Communications in the transport and infrastructure sectors, the Group can also strengthen its customer acquisition in the IIoT and digital finance sectors. Furthermore, the Group has also established its East China regional headquarters in Wuxi, which is slated to be the Group’s IIoT R&D center.

- In July 2022, the Group achieves another milestone based on the cooperation model with state-owned enterprises (“**SOEs**”) with close reference to WXGJ. Shenglong Information Technology Services (Ningbo) Limited (“**Shenglong Technology**”), a subsidiary of SY, and Ningbo Development & Investment Group Co., Ltd. (“**NDIG**”) jointly established Ningbo Guofu Factoring Co., Ltd. (“**NBGF**”). NBGF has a registered capital of RMB200 million, with NDIG and Shenlong Technology contributing 65% and 35%, respectively, in cash. Backed by NDIG’s strong industrial background and the Group’s supply chain technology platform service capabilities, NBGF will adopt advanced digital technology and a smart risk management system to provide differentiated digital financial solutions for NDIG’s ecosystem, to help solve the supply chain difficulties faced by SMEs and vigorously promote supply chain digital technology services.
- WXGJ and NBGF are both successful examples of cooperation in joint ventures with regional SOEs. Through the establishment of joint ventures, the Group can integrate itself into the comprehensive industrial supply chain ecosystems of state-owned shareholders, and provide one-stop supply chain technology services and differentiated digital finance services to the ecosystems. The endorsement of state-owned shareholders also enables the Group to receive more support from the funding partners in the joint ventures, thereby reducing capital costs and increasing leverage.

Sustainable development

- SY has been actively fulfilling its corporate social responsibilities and considers environmental, social and governance (“**ESG**”) factors as a core component of its business decisions. ESG has always been a core part of the Group’s DNA through its mission of “driving supply chain efficiency and making finance more inclusive”. Specifically, the Group has demonstrated its corporate social responsibility in the areas of inclusive finance, public facilities and healthcare, social welfare, and diversity and equality in workplace. Meanwhile, in response to the national call for “dual carbon” goals, the Group has achieved energy savings and emission reduction by innovating its products and services toward building a green supply chain, providing online and paperless services, and allocating more resources to low-carbon businesses, steps which have been widely recognized by society.
- SY also considers good governance framework and practice, and compliant operation as crucial factors for the sustainable development of the Group and the overall supply chain ecosystem. In response to increasing stakeholder expectations on ESG, the Group is also working on projects related to, among other things, data governance, cyber security and anti-corruption in order to further improve its governance and operations, and achieve zero customer data breaches and zero customer complaints about data privacy.

- SY is committed to integrating its corporate strategy and business development with sustainability and operating in a responsible manner. The Group launched the Social Financing Framework and Sustainability-linked Financing Framework in August 2022, which will facilitate the Group to support the substantial industries which include the infrastructure and healthcare sectors, firming up financial inclusion to address the capital needs of the underserved SMEs, and urge the Group to improve its sustainability management and performance in line with the international best practice.
- SY has continued its efforts on public welfare. On 12 May 2022, SY launched the SY Public Welfare Foundation (“**Foundation**”) in Tianjin. The Foundation plans to continuously carry out public welfare activities in three major areas: caring for children in need, supporting industry development and youth inspirational programs, contributing to the development of a harmonious society. In June 2022, the Foundation made donations to the Tibetan region of Qinghai Province, to which the funds were primarily used to improve the working and living conditions of local residents, help students in need to finish their studies, alleviate poverty in China, and promote rural revitalization. Since 2014, SY has donated a total of approximately RMB10 million, benefitting over 2,000 people.
- The Group’s ESG efforts and performance have also been recognized by the market. SY received an “A” rating from MSCI ESG Research, ranking among the top 20% of its industry peers globally and the top 5% within China. In addition, SY has been selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for two consecutive years and received an “A” ESG rating from Hang Seng Indexes Company Limited (“**HSIL**”). A report published by HSIL ranked SY’s overall ESG performance in the top 20% among its industry peers and the top 10% in terms of corporate governance. These achievements highlighted the Company’s outstanding ESG strategies and initiatives. The Group will continue to enhance its ESG management standards, integrate ESG measures into the Company’s long-term development strategies, and leverage technology to inject more impetus to its sustainable development.

Industry accolades

- SY's commitment to technology has also been acknowledged by the market. On 15 June 2022, the Industry and Information Technology Bureau of Shenzhen Municipality announced the 2021 List of "Specialized, Refined, Unique and Innovative" SMEs in Shenzhen (《關於2021年度深圳市「專精特新」中小企業名單公示通知》) and SY's subsidiary Sheng Ye Information Technology (Shen Zhen) Co.,Ltd. ("SYIT") was named on the list. To identify enterprises which exhibit the characteristics of "specialization, refinement, uniqueness, and innovation", the appraisal examines an enterprise's performance against a comprehensive suite of metrics including economic efficiency, specialization levels and operation management. To be named on the list, an enterprise must be a leader in its market segment and must demonstrate cutting-edge innovation capabilities and mastery of key industry technologies. The selection as a "Specialized, Refined, Unique and Innovative" enterprise highlights the recognition and affirmation of SYIT by the government authorities for its advanced technology, scale of business expansion and exemplary development practices.
- On 8 February 2022, SY won the "2021 Export Oriented Economy Award" (「2021年度外向型經濟獎」) of the Wuxi Economic Development Zone. Winning this award underlines the outstanding recognition earned by SY's investments and contributions to promoting quality economic development in the region. As a partner committed to growing along with Wuxi City since its foray into the city, SY has mapped a strategic growth path in line with Wuxi's development plan in terms of innovation, technology and industries, creating two-way interactions with Wuxi's Internet-of-Things development.
- On 28 July 2022, SY won the "Award for Leading Technological Innovation 2022" at the 11th CFS Financial Summit. The award demonstrates the recognition of SY's capabilities in technological innovation by the CFS Financial Summit and industry players.

FINANCIAL REVIEW

Revenue and income from principal activities

The principal activities of the Group include the provision of platform-based services, supply chain technology services, digital financing solutions and sales of supply chain assets.

The Group's total revenue and income from principal activities increased by 29.1% year-on-year to RMB386.3 million for the six months ended 30 June 2022, compared to RMB299.3 million for the corresponding period in last year, mainly due to the expansion of the digital financing solutions as a result of the acquisition of WXGJ completed in December 2021, and the expansion of loan facilitation business in SME segment.

The following table sets forth the comparative figures and as a percentage of total revenue and income from principal activities for the six months ended 30 June 2022 and 2021.

	Six months ended 30 June			2021	
	RMB'000	2022 % of total revenue	Year-on-year	RMB'000	% of total revenue
<i>Revenue from contracts with customers</i>					
— <i>Platform-based services</i>					
— Loan facilitation services	27,684	7.2%	59.1%	17,400	5.8%
— Technology service for asset-backed securitisation products	1,199	0.3%	-61.7%	3,130	1.1%
— Other services	441	0.1%	-83.9%	2,731	0.9%
Subtotal	29,324	7.6%	26.1%	23,261	7.8%
— <i>Supply chain technology services</i>	284	0.1%	N/A	—	—
<i>Income from digital financing solutions</i>					
— Interest income	292,987	75.9%	51.9%	192,896	64.4%
— Guarantee income	9,349	2.4%	21.6%	7,690	2.6%
Subtotal	302,336	78.3%	50.7%	200,586	67.0%
<i>Gain on sales of supply chain assets</i>	54,312	14.0%	-28.0%	75,427	25.2%
Revenue and income from principal activities	386,256	100.0%	29.1%	299,274	100.0%

Platform-based Services

Revenue from the platform-based services comprises (i) services fees received from customers by providing loan facilitation services through SY Cloud platform, (ii) technology service fees that the Group charged for facilitating the issuance of ABS/ABN by large core enterprises, and (iii) services fees received from customers by providing AR management services. Revenue from platform-based services significantly increased by 26.1% year-on-year to approximately RMB29.3 million for the six months ended 30 June 2022, compared to approximately RMB23.3 million for the corresponding period of last year, mainly driven by the expansion of its loan facilitation business, due to the Group's push towards a platform-based transformation, providing SMEs, core enterprises and funding partners with convenient one-stop supply chain financing services.

Supply chain technology services

Revenue from the supply chain technology services comprises technology services fees received from customers by providing supply chain technology solutions such as smart enterprise solutions and supply chain procurement systems. Revenue from the supply chain technology services amounted to RMB0.3 million for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Digital Financing Solutions

Income from the digital financing solutions comprises interest income received from providing flexible supply chain financing solutions and guarantee services fees arising mainly from the Group's loan facilitation business. Income from the digital financing solutions increased by 50.7% year-on-year to RMB302.3 million for the six months ended 30 June 2022, compared to RMB200.6 million for the corresponding period of 2021, mainly due to the net effect of (i) the increase in the daily average balance of supply chain assets as a result of the acquisition of WXGJ completed in December 2021; and (ii) the decrease in interest yield on supply chain assets as a result of higher allocation to low risk products with lower yield.

Gain on sales of supply chain assets

The Group may sell rights of supply chain assets as a way to improve cash flow and manage its supply chain assets portfolio. Gain from this business segment is equal to the excess of the consideration received and receivable over the carrying amount of the supply chain assets. The gain on sales of supply chain assets decreased by 28.0% year-on-year to RMB54.3 million for the six months ended 30 June 2022, compared to RMB75.4 million for the same period last year. The decrease was mainly attributable to the decrease in both the yield of transfer on supply chain assets and the total amounts of supply chain assets sold during the reporting period.

Other Gains and Losses

The Group booked other gains of RMB1.4 million in the first half of 2022, a decrease of RMB20.7 million or 93.9% year-on-year, which was mainly due to (i) the net effect of exchange loss as a result of the depreciation of RMB against HK\$ and US\$ and net gain arising from changes in fair value of derivative financial instruments in relation to foreign currency; and (ii) decrease in net gain arising from changes in fair value of other financial assets at fair value through profit or loss.

Expenses

The following table sets forth the comparative figures of the principal components of the operational expenses for the six months ended 30 June 2022 and 2021.

	six months ended 30 June		
	2022	2021	Year-on-year
	<i>RMB'000</i>	<i>RMB'000</i>	
Staff Costs	60,133	53,006	13.4%
Depreciation and amortisation	14,091	11,197	25.8%
Consumables used	354	–	N/A
Other operating expenses	27,245	23,418	16.3%
Total	101,823	87,621	16.2%

The Group's total operational expenses increased by 16.2% year-on-year to RMB101.8 million for the six months ended 30 June 2022, compared to RMB87.6 million for the corresponding period of last year, mainly due to (i) the increase in staff costs of RMB7.1 million as a result of the increase in staff headcount from 298 staff on 30 June 2021 to 364 staff on 30 June 2022; and (ii) the increase in depreciation of property, equipment, right-of-use assets and investment property and amortisation of intangible assets of RMB2.9 million and other operating expenses of RMB3.8 million as a result of business expansion.

Net Profit

Net profit in the first half of 2022 was RMB179.1 million, an increase of RMB12.1 million or 7.3% year-on-year.

Supply Chain Assets at Fair Value through Other Comprehensive Income (“FVTOCI”)

Supply chain assets at FVTOCI as of 30 June 2022 were RMB6,674.5 million, a 56.4% increase year-on-year. The increase in balance was mainly attributable to the acquisition of a subsidiary in December 2021. Daily average balance of self-funded supply chain assets over the first half of 2022 were RMB6,628.5 million, a 64.2% increase over the same period of 2021. Based on the daily average balance of self-funded supply chain assets, interest yield on supply chain assets in the first half of 2022 was 8.8%, which was 0.8 percentage points lower year-on-year, mainly due to (i) the lower market interest rates as part of the national policies for promoting financial inclusion and supporting the real economy; (ii) higher allocation to the low risk products with lower-yield; and (iii) encourage inclusive financing for the SME segment.

The details of major terms of supply chain assets, including collateral types, maturity profile, and the size and diversity of clients are set out below.

As at 30 June 2022, all of the total supply chain assets were secured by charge over trade receivable, in respect of which the legal title and legal right to receivable cash flows were also transferred to the Group. Furthermore, the supply chain assets of RMB513.9 million (31 December 2021: RMB680.9 million) were secured by certain commercial acceptance bills received from customers and the supply chain assets of RMB1,037.1 million (31 December 2021: RMB438.9 million) were secured by deposit from customers. The bills and deposits can be applied and used to settle any outstanding receivables of supply chain assets for the corresponding contract if default occurs.

As at 30 June 2022, there were a total of 3,110 (31 December 2021: 1,409) outstanding supply chain assets obtained by the Group, out of which 132 (31 December 2021: 136) supply chain assets are referred to as sizeable loans with principal amount exceeds RMB10,000,000, 752 (31 December 2021: 494) supply chain assets with principal amount between RMB1,000,000 and RMB10,000,000, 2,226 (31 December 2021: 779) supply chain assets with principal amount less than RMB1,000,000.

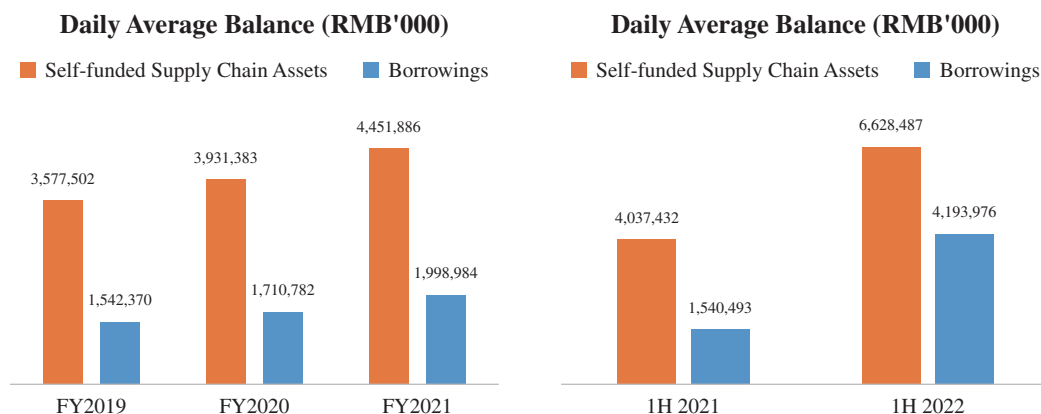
As at 30 June 2022, the outstanding supply chain assets of RMB909.3 million (31 December 2021: RMB910.4 million) were obtained from the related parties (all of which are associates of the Group under the Listing Rules) of the Group. The remaining balance of the outstanding supply chain assets were obtained from the independent third parties of the Group. The supply chain assets normally have a term of 1 to 24 months (31 December 2021: 1 to 17 months) and the effective interest rates ranging mainly from 5.00% to 16.00% (31 December 2021: 3.00% to 16.00%) per annum.

Movements in Impairment Loss Allowance on Supply Chain Assets

The Group's impairment loss allowance on supply chain assets increased by 14.2% year-on-year to RMB78.0 million as at 30 June 2022, compared to RMB68.3 million as at 30 June 2021, mainly due to the increase in gross carrying amount of supply chain assets. The writeoffs of impairment loss allowance were RMB15.9 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

Borrowings and Finance Cost

Borrowings, including loans from related parties, as of 30 June 2022 was RMB4,819.1 million, a 130.4% increase year-on-year. Daily average borrowings over the first half of 2022 was RMB4,194.0 million, a 172.2% increase year-on-year. The increase in finance cost of RMB68.1 million year-on-year was mainly due to the net effect of (i) the increase in the daily average balance of borrowings for the reporting period as a result of the acquisition of WXGJ completed in December 2021; and (ii) the decrease in borrowings average interest rate from 6.3% for the six months ended 30 June 2021 to 5.6% for the six months ended 30 June 2022.



Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC, withholding tax levied on interest income of Hong Kong subsidiaries, withholding tax levied on dividend declared by a PRC subsidiary and deferred tax. Except for certain PRC subsidiaries that enjoy preferential tax rates, PRC enterprise income tax is calculated at 25% of the estimated assessable profits for six months ended 30 June 2022 and 2021. The decrease in the effective tax rate from 11.0% for the six months ended 30 June 2021 to 4.7% for six months ended 30 June 2022 was mainly attributable to the reversal of deferred tax liabilities in relation to the capital injection of PRC subsidiaries through the undistributed earnings during the six months period ended 30 June 2022.

For the six months ended 30 June 2022, income tax expenses amounted to approximately RMB8.8 million (for the six months ended 30 June 2021: RMB20.6 million).

KEY INTERNAL CONTROLS IN RESPECTIVE OF DIGITAL FINANCING SOLUTIONS

The Group has established and maintained comprehensive approval and risk assessment procedures, sound internal control system and established credit risk control policies in place which take into account internal and external factors to determine the approval of digital financing solutions. The Group applies industry risk assessment model which is based on a conventional risk control and industry-specific evaluation model for credit assessment of digital financing solutions.

With an in-depth accumulated understanding of the industry, the Group verifies and validates the authenticity and rationality of transactions of SME customers by crosschecking transaction information with multi-dimensional data. By processing comprehensive evaluation of the SME customers which takes trading status in the supply chain into account when determining the customers' financial positions, the Group could approach and provide prudent and tailored digital financing solutions to the underserved SME customers and meanwhile mitigate the fraud risk thereunder.

Credit approval

Leveraged by the industry risk assessment model, the Group applies the double-layer credit approval system in the digital financing solutions business to manage the risk exposure on each customer and the operations of the Group as a whole. The double-layer credit approval system includes the assessment of the credit limit of a customer (the “**Customer Quota**”) and the credit limit of each utilization request made by the customer (the “**Utilization Quota**”).

- *Customer Quota*

The Group strategically focused on the selected key industries and core enterprises to develop and improve its industry risk assessment model. Therefore the Group is capable to assess the comprehensive value of its potential SME customers not merely by their financial performance, but also by their trading status in the supply chain ecosystem considering, inter alia, the credibility of the core enterprises, the stability of the cooperation between the SME customers and the core enterprises, and the continuous operation of the SME customers.

The Customer Quota is generally determined between the potential customer and the Group based on arm's length negotiation by considering, among others, (i) the capital needs of the potential customer; and (ii) the comprehensive value of the potential customer assessed and determined by the Group applying the industry risk assessment model.

- *Utilization Quota*

After the Customer Quota is approved by the Group, the customer could apply for the utilization of digital financing solutions. The aggregated outstanding amount of the utilizations of a customer shall not exceed the Customer Quota granted to the customer, and the amount of each application shall not exceed the Utilization Quota determined by the Group separately.

The Utilization Quota is generally determined by the Group upon each application considering, among others, (i) the amount of accounts receivables owned by the customer which is of sufficient value (being more than or equal to the amount of the utilization applied by the customer) as credit enhancement for the provision of the digital financing solutions under the specific application; and (ii) the transaction profile maintained on a real-time basis by the Group from which the accounts receivables are originated. The transaction profile is empowered by the Group's data-driven supply chain technology platform, known as "SY Cloud Platform", which verifies transactional authenticity with multi-dimensional and diversified-sourced data by incorporating a comprehensive suite of technologies such as electronic signatures, optical character recognition ("OCR"), natural language processing ("NLP"), big data analytics, video authentication and facial recognition.

Monitoring of loan recoverability

The timely repayment of the digital financing solutions and risk exposures is monitored by the Group's risk management department. Leveraging on the data-driven technology platform, the Group continues to monitor the assets through regular monitoring of repayment, invoice status verification and 24-hour public opinion monitoring to ensure that the entire financing process is under comprehensive, continuous and effective management and control.

The Group establishes close cooperation with various banks, opens designated accounts, collects and monitors the repayment information in a timely manner, and effectively tracks the customers' continuity of business operation and stability of cooperation with core enterprises, thereby further strengthening the risk control and realizing closed-loop cash flow management.

Loan collection

Where irregularity is noted by the risk management department, a working group comprised of multi-functional team members will plan and take remedial actions, which normally include extending repayment terms or negotiating settlement proposals with the customer. If these remedial actions prove unsuccessful, the Group will take legal action against the customer and take control of the collateral assets.

BUSINESS OUTLOOK AND PROSPECTS

During the first half of the year, the Group maintained steady growth in its digital financing business while accelerating deployment within the IIoT business segment. This is evidenced in the significant business growth of its supply chain technology services such as smart construction and hospital SPD solutions.

SY's Dual-Engine, One-Platform growth strategy will continue to drive the Company's development. Through strategic cooperation with core enterprises, the Group will continue to leverage its technology to integrate into the supply chain ecosystem, build a supply chain technology platform, and provide one-stop services to core state-owned enterprises, SMEs and funding partners. SY will also continue to identify opportunities in national strategic and emerging industries such as new energy and new infrastructure in a prudent and active manner, and conduct in-depth cooperation discussions with core enterprises within these industries to actively expand its development opportunities.

Technological capability will continue to be a core component of SY's DNA. Under the Dual-Engine, One-Platform strategy, SY will continue to invest in R&D and devote in innovation, to lay a solid foundation for its leading technological position in the supply chain ecosystem. For the IIoT business segment, SY has formed ecosystem alliances with leading enterprises in various sub-sectors, therefore the Group can integrate their leading products on SY's platforms to generate one-stop customized solutions, which in turn can accelerate the Group's ecological platformisation. Meanwhile, SY will also deepen ties with ecosystem partners through strategic investment including equity and debt commitment. Leveraging complementary strengths and resource advantages, the Group will be able to increase market share rapidly. The Group's IIoT segment will continue to empower the digital finance segment, which capitalizes on its platform linkage capabilities to provide differentiated services to the supply chain, thereby maintain its industry-leading position with rapid growth. SY will adhere to its long-term value, continue to invest in R&D and improve risk management capabilities through digital technologies, to drive high-quality and steady growth in business scale and achieve long-term sustainable development.

Collaboration with outstanding regional SOEs and participation in joint venture companies is an important part of the Group's platformisation strategy as leading regional SOEs are often well positioned within the industrial landscape with access to extensive resources. With the Group's precise customer acquisition and big data analytics capabilities developed through technological innovation, which efficiently bridges industrial scenarios with resources, the value of state-owned assets could be revitalized. Looking ahead, the Group will continue to strengthen its cooperation with high-quality SOEs and replicate its successful experience to more regions and cities, and further leverage its platform capability to build a digital ecosystem, as well as to solve the supply chain financing pain points of SMEs, thus contribute to the development of the real economy.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the six months ended 30 June 2022, the Group's main sources of funds were the cash generated from its daily operation, and proceeds from new borrowings. As at 30 June 2022, the Group had cash and cash equivalents of RMB958.4 million (31 December 2021: RMB800.4 million), of which 92.2%, 7.6%, 0.1% and 0.1% were denominated in RMB, HK\$, US\$ and S\$ respectively. Net cash from operating activities was RMB460.2 million in the first half of 2022 (for the six months ended 30 June 2021: net cash used in operating activities was RMB266.2 million), an increase of RMB726.4 million year-on-year was mainly due to the change from net cash used in supply chain assets at FVTOCI of RMB464.8 million for the six months ended 30 June 2021 to net cash from supply chain assets at FVTOCI of RMB162.2 million for the six months ended 30 June 2022.

As at 30 June 2022, the Group had interest-bearing borrowings and loans from related parties which amounted to RMB4,819.1 million (31 December 2021: RMB4,340.9 million). Its gearing ratio, expressed as total liabilities over total equity was 1.33 as at 30 June 2022 (31 December 2021: 1.23).

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the period ended 30 June 2022 (2021: Nil).

USE OF PROCEEDS

The Placement in 2021

On 24 September 2021 (after the trading hours), the Company and China International Capital Corporation Hong Kong Securities Limited (the "**Placement Agent**") entered into a placement agreement pursuant to which the Company conditionally agreed to place, through the Placement Agent on a best effort basis, a maximum of 63,068,000 ordinary shares at a price of HKD8.80 per share (the "**Placement**"). The placing shares were allotted and issued pursuant to the general mandate for the Company.

The Placement was completed on 5 October 2021. An aggregate of 63,068,000 new shares were successfully issued by the Company and placed by the Placing Agent to two placees, namely Xitong International Holdings (HK) Limited and Pavilion Capital Fund Holdings Pte. Ltd., at a price of HKD8.80 for each new share. The new shares from the Placement represent approximately 6.29% of the issued share capital of the Company translating to total net proceeds of approximately HKD550.8 million (equivalent to approximately RMB456.2 million).

The placing price of HKD8.80 per share represents: (i) a discount of approximately 7.95% to the closing price of HK\$9.56 per share as quoted on the Stock Exchange on 24 September 2021; (ii) a discount of approximately 9.45% to the average closing price of the shares of approximately HK\$9.718 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding but excluding 24 September 2021; and (iii) a discount of approximately 9.44% to the average closing price of the shares of approximately HK\$9.717 per share as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding but excluding 24 September 2021.

Use of proceeds from the Placement

During the year ended 31 December 2021 and six months ended 30 June 2022, details of the use of proceeds of the Placement were as follows:

Use of proceeds	Net proceeds raised (Approximately HK\$ million)	Actual use of net proceeds during the year ended 31 December 2021 (Approximately HK\$ million)	Actual use of net proceeds during the six months ended 30 June 2022 (Approximately HK\$ million)	Intended use and expected timeline of the remaining amount of net proceeds
Strategic acquisition of and/or investment in business(es) in the industrial technology and digital financing	275.4	275.4	–	The amount of strategic acquisition of and/or investment in business(es) in the industrial technology and digital financing had been fully utilised.
Expansion and development of the Group's supply chain technology services segment	165.2	2.3	19.1	The remaining unutilised amount of approximately HK\$143.8 million will be used for expansion and development of the Group's supply chain technology services segment and is expected to be fully utilised by 31 December 2023.
General working capital of the Group's platformisation	110.2	7.1	103.1	The amount of net proceeds for general working capital of the Group's platformisation had been fully utilised.

CAPITAL COMMITMENTS

As at 30 June 2022, the capital commitments of the Group comprised of purchase of equipment of approximately RMB0.7 million, purchase of intangible assets of approximately RMB0.4 million and investment in an associate of approximately RMB0.2 million (31 December 2021: purchase of equipment of approximately RMB0.5 million, purchase of intangible assets of approximately RMB0.4 million and investment in an associate of approximately RMB0.2 million).

CONTINGENT LIABILITIES

Save as disclosed in note 17 of the “Notes to the condensed consolidated financial statements”, the Group did not have any other guarantees or other material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2022, the Group had pledged bank deposits of RMB441.4 million, structured deposits of RMB163.0 million, security deposits of RMB16.5 million, and certain supply chain assets with an aggregate carrying amount of RMB2,535.3 million to banks, third parties and an associate for facilities, loan facilitation platform in partnership with banks and derivative financial instruments (31 December 2021: pledged bank deposits of RMB429.3 million, security deposits of RMB0.2 million, and certain supply chain assets with an aggregate carrying amount of RMB2,160.8 million to banks and third parties for facilities, loan facilitation platform in partnership with banks and derivative financial instruments).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In June 2022, the Group acquired 100% equity interest in Trade Nice Limited (“TNL”) for a consideration of HKD38,000,000. As at the date of the acquisition, TNL was indirectly wholly-owned by a trust of which Mr. Tung Chi Fung (“**Mr. Tung**”), the substantial shareholder of the Company as well as an Executive Director and the Chairman of the Board, and his family members are the beneficiaries. Subsequent to the acquisition, TNL became a wholly owned subsidiary of the Group.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 June 2022, the Group did not make any significant investments.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group aims to become the most reliable supply chain technology platform in Asia under the “Dual-Engine, One-Platform” strategy announced in January 2021. To achieve this goal, the Group will continue to explore initiatives to acquire technological capabilities, more comprehensive data insights and open new markets to capitalize on the burgeoning demand for supply chain financial services. Meanwhile, the Group will continue its investment in the key strategic areas, which include industrial internet and digital finance, and further strengthen the Group’s platform-based technology services and market position within the supply chain ecosystem.

FOREIGN EXCHANGE RISKS

The Group’s exposure to foreign currency risk related primarily to bank balances, pledged bank deposits, other receivables, borrowings and lease liabilities that are denominated in HK\$, US\$ and S\$. The Group entered into cross currency swap contracts, foreign currency forward contracts and foreign exchange swap contracts during the period to manage its foreign currency risk exposures arising from certain variable-rate bank borrowings denominated in HK\$ and US\$. The management manages and monitors this exposure to ensure appropriate measures are implemented on a timely and effective manner.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 364 staff (As at 31 December 2021: 347 staff). Total staff costs (including Directors’ emoluments) were approximately RMB69.5 million (including share option benefits RMB1.0 million and RSU benefits RMB0.1 million) for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB57.5 million (including share option benefits RMB6.1 million)). Remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employee. In light of the Group’s continuous strive to maintain its market position, recruitment and retention of talent is of paramount importance to the future development of the Group. Therefore, the Group is committed to continuously enhancing and optimizing its remuneration and benefits policies to remain competitive. A comprehensive incentive plan has been adopted to reward existing and retain new senior management members and employees. Year-end bonuses are based on individual performance and are paid to employees as recognition of and reward for their contributions. Other benefits include contributions to the statutory mandatory provident fund scheme and social insurance together with housing provident funds for the employees in Hong Kong, Singapore and the PRC, respectively.

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors, employees and contractors of the Group, who contribute to the success of the Group's operations.

In addition, the Group introduces a restricted share unit scheme to give incentives and retain the eligible grantees by recognizing their contributions, and to attract suitable personnel for further development of the Group.

In Hong Kong, the Group participates in a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) established under the Mandatory Provident Fund Schemes Ordinance (Cap 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant monthly income subject to a cap, which is currently set at HK\$1,500.

In Singapore, the Group participates in a defined contribution scheme which is administered by the Central Provident Fund (“**CPF**”) Board in Singapore. Under the CPF, the employer and the employees are each required to make contributions to the fund at the applicable rates of the eligible employees' salaries.

PRC employees are covered by the mandatory social security schemes operated by the PRC Government. The Group is required by the PRC laws to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits.

RECENT DEVELOPMENT OF REGULATORY FRAMEWORK

The Cybersecurity Review Measures of the PRC was amended and became effective on 15 February 2022, which (i) provide that the data processing activities carried out by network platform operators that affect or may affect national security shall be subject to a cybersecurity review, and (ii) stipulate that network platform operators holding personal information of more than 1 million users and seeking a listing overseas shall apply for a cybersecurity review with the Office of Cybersecurity Review. Specifically, data processing activities include the collection, storage, utilization, processing, transmission, provision, disclosure and other activities of data.

The Directors confirm that the Group will be able to comply with the above-mentioned relevant legal requirements. The Group is not involved in circumstances that affect national security and the listing in Hong Kong will not result in any cybersecurity review obligations. Meanwhile, the Group has established the Information Management Committee, which is responsible for the Group's strategy formulation and construction planning of information technology, information security and data management. The Group has long been committed to building a data management system that conforms to its strategic development, protects the interests of users, and meets regulatory requirements to ensure the sustainable development of its platform-based strategy. The fact that the Group has obtained the Level 3 certification of the China's National Information Security Level Protection Certification and the ISO/IEC 27001: 2013 International Information Security Certification demonstrates the Group's effort and capacity to comply with the national data protection framework.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

During the six months ended 30 June 2022, (i) 27,026,000 granted options were outstanding under the share option scheme; (ii) 11,000,000 granted options have been exercised; (iii) 4,065,000 granted options have lapsed; and (iv) no granted options have been cancelled.

Pursuant to Rule 17.07(2) of the Listing Rules, the closing prices of the Shares immediately before 11 September 2017, 14 November 2018, 15 July 2020 and 10 June 2022, being the dates on which the Options were granted, were HK\$4.14, HK\$6.50, HK\$6.60 and HK\$6.46 respectively.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 30 June 2022, the remaining life of the Share Option Scheme is about 4 years and 10 months old.

RESTRICTED SHARE UNIT ("RSU") SCHEME

During the six months ended 30 June 2022, (i) 1,340,000 RSUs were granted; (ii) no granted RSUs were outstanding under the RSU scheme; (iii) no granted RSUs were exercised; (iv) no granted RSUs were lapsed; and (v) no granted RSUs were cancelled.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING INTERESTS OR CONFLICT OF INTEREST

For the six months ended 30 June 2022, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with the provisions set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions adopted by the Company during the period from the Listing Date to the date of this announcement.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

(1) Mr. Hung Ka Hai Clement, Independent Non-executive Director

Mr. Hung resigned as an Independent Non-executive Director of the Company with effect from 15 July 2022. Following Mr. Hung's resignation, he also ceased to be the chairman of the audit committee (the "**Audit Committee**"), and a member of the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company on the same date.

(2) Ms. Chan Yuk Ying Phyllis, Independent Non-executive Director

Ms. Chan was appointed as an Independent Non-executive Director of the Company with effect from 15 July 2022.

(3) Mr. Tang King San Terence, Independent Non-executive Director

Mr. Tang was appointed as the chairman of the Audit Committee and a member of the Nomination Committee with effect from 15 July 2022.

(4) Mr. Fong Heng Boo, Independent Non-executive Director

Mr. Fong was appointed as a member of the Remuneration Committee with effect from 15 July 2022.

(5) Mr. Lo Wai Hung, Non-executive Director

Mr. Lo resigned as an independent non-executive director of Shandong Weigao Group Medical Polymer Company Ltd (stock code: 1066) with effect from 6 June 2022.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim results announcement, at least 25% of the Company's total issued Shares was held by the public throughout the six months ended 30 June 2022 and thereafter up to the date of this announcement.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

CORPORATE GOVERNANCE

The Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, the Group will continue to comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the associated Listing Rules (the "CG Code").

The shares of the Company were successfully listed on GEM on 6 July 2017 and were transferred to the Main Board on 24 October 2019. To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the period from the Listing Date to 30 June 2022.

AUDIT COMMITTEE

The Company established the Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.21 to 3.24 of the Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditors; review the financial statements and provide material advice in respect of financial reporting; and oversee the internal control and risk management procedures of the Company. The Audit Committee currently consists of three members, namely Mr. Tang King San Terence, Mr. Loo Yau Soon and Mr. Fong Heng Boo. The Chairman of the Audit Committee is Mr. Tang King San Terence.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2022 and the interim report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

The Company's independent auditor, Deloitte Touche Tohmatsu, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

EVENT AFTER THE REPORTING PERIOD

In July 2022, Shenglong Technology, a non-wholly owned subsidiary of the Group and NDIG established an entity named NBGF in the PRC for the purpose of provision of supply chain service. The initial registered and paid-in capital of NBGF is RMB200,000,000 which is contributed as to 65% by NDIG and 35% by Shenglong Technology.

Save as disclosed above, the Company had no other significant subsequent event after reporting period.

INTERIM RESULTS

The board of Directors of the Company (the “**Board**”) announces the unaudited interim consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 together with comparative figures for the corresponding period in 2021. The financial information has been approved by the Board.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
	NOTES	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>	4		
— Platform-based services		29,324	23,261
— Supply chain technology services		284	—
<i>Income from digital financing solutions</i>	4		
— Interest income		292,987	192,896
— Guarantee income		9,349	7,690
<i>Gain on sales of supply chain assets</i>	4	54,312	75,427
Revenue and income from principal activities		<u>386,256</u>	<u>299,274</u>
Other income	5(a)	21,091	12,196
Other gains and losses	5(b)	1,351	22,047
Staff costs	8	(60,133)	(53,006)
Depreciation and amortisation	8	(14,091)	(11,197)
Consumables used	8	(354)	—
Other operating expenses		(27,245)	(23,418)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	15	(2,320)	(16,587)
Finance costs	6	(118,662)	(50,595)
Donation	8	(329)	(700)
Share of profit of associates		2,290	9,518
Profit before taxation		<u>187,854</u>	<u>187,532</u>
Taxation	7	(8,771)	(20,573)
Profit for the period	8	<u>179,083</u>	<u>166,959</u>
Attributable to:			
— Owners of the Company		168,212	160,589
— Non-controlling interests		10,871	6,370
		<u>179,083</u>	<u>166,959</u>
Earnings per share	10		
— Basic (RMB cents)		17	17
— Diluted (RMB cents)		17	17

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	<i>NOTE</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Profit for the period	8	179,083	166,959
Other comprehensive income (expense)			
(“OCI”):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(32)	16
Fair value gain, net of ECL, and reclassification of fair value through OCI (“FVTOCI”) reserves upon derecognition on:			
— supply chain assets at FVTOCI		2,942	8,823
Income tax relating to items that may be reclassified subsequently		(812)	(1,326)
Share of other comprehensive income of associates, net of related income tax		351	1,912
		<u>2,449</u>	<u>9,425</u>
Other comprehensive income for the period, net of income tax			
		<u>2,449</u>	<u>9,425</u>
Total comprehensive income for the period		<u>181,532</u>	<u>176,384</u>
Attributable to:			
— Owners of the Company		170,869	169,747
— Non-controlling interests		10,663	6,637
		<u>181,532</u>	<u>176,384</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022	31 December 2021
	<i>NOTES</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current assets			
Property and equipment		6,845	7,687
Right-of-use assets		97,653	15,372
Investment property		32,303	–
Goodwill		316,028	316,028
Intangible assets		152,537	148,435
Investments in associates	11	14,021	11,380
Deferred tax assets		16,854	28,289
Supply chain assets at FVTOCI	12	249,159	115,974
Derivative financial instruments		922	–
Other financial assets at fair value through profit or loss (“FVTPL”)	13	178,364	93,165
Time deposits		103,806	–
Prepayments for non-current assets		10,770	11,066
Refundable rental deposits		698	3,924
		1,179,960	751,320
Current assets			
Supply chain assets at FVTOCI	12	6,425,375	6,562,402
Derivative financial instruments		2,064	–
Other financial assets at FVTPL	13	345,418	190,233
Debt instrument at amortised cost	14	37,965	–
Receivables from guarantee customers		5,744	6,253
Trade and bill receivables		25,441	19,968
Other receivables, prepayments and others		32,540	41,183
Contract costs		14,479	1,747
Time deposits		8,684	–
Restricted/pledged bank deposits		445,165	429,257
Cash and cash equivalents		958,417	800,410
		8,301,292	8,051,453

		30 June 2022	31 December 2021
	<i>NOTES</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Current liabilities			
Loans from related parties		731,797	399,866
Other payables and accrued charges	16	471,371	345,607
Derivative financial instruments		538	13,205
Contract liabilities		6,230	5,978
Income tax payable		23,788	36,835
Liabilities arising from guarantee contracts	17	23,114	20,116
Borrowings	18	3,345,847	3,000,013
Lease liabilities		9,280	12,051
		<u>4,611,965</u>	<u>3,833,671</u>
Net current assets		<u>3,689,327</u>	<u>4,217,782</u>
Non-current liabilities			
Derivative financial instruments		1,767	–
Borrowings	18	741,409	941,000
Lease liabilities		2,364	3,804
Deferred tax liabilities		53,639	70,704
		<u>799,179</u>	<u>1,015,508</u>
Net assets		<u>4,070,108</u>	<u>3,953,594</u>
Capital and reserves			
Share capital	19	8,698	8,687
Reserves		3,867,998	3,762,158
		<u>3,876,696</u>	<u>3,770,845</u>
Equity attributable to owners of the Company		3,876,696	3,770,845
Non-controlling interests		193,412	182,749
		<u>4,070,108</u>	<u>3,953,594</u>
Total equity		<u>4,070,108</u>	<u>3,953,594</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company											
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Share held for restricted share unit scheme ("RSU Scheme") <i>RMB'000</i>	Capital reserves <i>RMB'000</i>	FVTOCI reserves <i>RMB'000</i>	Translation reserves <i>RMB'000</i>	Share- based payments reserves <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022 (unaudited)	8,687	2,319,847	-	1,547	4,007	33	27,381	93,173	1,316,170	3,770,845	182,749	3,953,594
Profit for the period	-	-	-	-	-	-	-	-	168,212	168,212	10,871	179,083
Other comprehensive income (expense) for the period	-	-	-	-	2,689	(32)	-	-	-	2,657	(208)	2,449
Total comprehensive income (expense) for the period	-	-	-	-	2,689	(32)	-	-	168,212	170,869	10,663	181,532
Purchase of shares under RSU Scheme	-	-	(6,844)	-	-	-	-	-	-	(6,844)	-	(6,844)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	1,146	-	-	1,146	-	1,146
Dividends recognised as distribution (<i>note 9</i>)	-	(64,411)	-	-	-	-	-	-	-	(64,411)	-	(64,411)
Exercise of share options	11	6,777	-	-	-	-	(1,697)	-	-	5,091	-	5,091
Lapse of share options	-	-	-	-	-	-	(2,697)	-	2,697	-	-	-
At 30 June 2022 (unaudited)	<u>8,698</u>	<u>2,262,213</u>	<u>(6,844)</u>	<u>1,547</u>	<u>6,696</u>	<u>1</u>	<u>24,133</u>	<u>93,173</u>	<u>1,487,079</u>	<u>3,876,696</u>	<u>193,412</u>	<u>4,070,108</u>

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	FVTOCI reserves RMB'000	Translation reserves RMB'000	Share-based payments reserves RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021 (audited)	8,127	1,886,952	1,547	(29)	-	21,466	84,621	913,363	2,916,047	111,297	3,027,344
Profit for the period	-	-	-	-	-	-	-	160,589	160,589	6,370	166,959
Other comprehensive income for the period	-	-	-	9,142	16	-	-	-	9,158	267	9,425
Total comprehensive income for the period	-	-	-	9,142	16	-	-	160,589	169,747	6,637	176,384
Deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	(23,040)	(23,040)
Recognition of equity-settled share-based payments	-	-	-	-	-	6,102	-	-	6,102	-	6,102
Dividends recognised as distribution (note 9)	-	(49,146)	-	-	-	-	-	-	(49,146)	-	(49,146)
Exercise of share options	12	7,399	-	-	-	(1,873)	-	-	5,538	-	5,538
Lapse of share options	-	-	-	-	-	(147)	-	147	-	-	-
At 30 June 2021 (unaudited)	8,139	1,845,205	1,547	9,113	16	25,548	84,621	1,074,099	3,048,288	94,894	3,143,182

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	460,205	(266,200)
INVESTING ACTIVITIES		
Proceeds from disposal of other financial assets at FVTPL	372,239	54,265
Repayment of a loan receivable	83,345	–
Redemption of a debt instrument at amortised cost	10,847	–
Bank interest income received	4,982	1,975
Withdrawal of pledged bank deposits for derivative financial instruments	2,000	5,488
Interest received from a loan receivable	1,040	–
Net cash inflow arising on acquisition of assets through acquisition of a subsidiary (<i>note 20</i>)	262	–
Repayment of security deposits for derivative financial instruments	201	7,280
Refundable rental deposits received	95	200
Proceeds from disposal of equipment	1	3
Payments for refundable rental deposits	–	(99)
Investment in an associate	–	(200)
Placement of pledged bank deposits for derivative financial instruments	–	(3,689)
Security deposits paid for derivative financial instruments	–	(6,366)
Net cash outflow arising on deregistration of subsidiaries	–	(24,500)
Purchase of equipment	(659)	(2,414)
Payment for development costs and purchase of other intangible assets	(9,465)	(7,976)
Payment for settlement of derivative financial instruments	(10,666)	(22,902)
Purchases of debt instruments at amortised cost	(47,739)	–
Advances of a loan receivable	(83,345)	–
Payments for right-of-use assets	(86,314)	(144)
Placement of time deposits	(112,490)	–
Purchase of other financial assets at FVTPL	(430,773)	(171,612)
NET CASH USED IN INVESTING ACTIVITIES	(306,439)	(170,691)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
New borrowings raised	2,336,292	1,372,815
Loans raised from related parties	521,000	155,126
Withdrawal of restricted/pledged bank deposits for borrowings	88,183	41,381
Proceeds received on exercise of equity-settled share options	4,143	5,538
Withdrawal of pledged bank deposits for bank overdraft	–	8,419
Interest paid for bank overdraft	–	(79)
Dividends paid to a non-controlling shareholder of a PRC subsidiary	–	(5,531)
Security deposits paid for loans from an associate	–	(20,000)
Dividends paid to the shareholders of the Company	–	(49,158)
Interest paid for lease liabilities	(448)	(751)
Purchase of shares under RSU Scheme	(6,844)	–
Repayment of lease liabilities	(7,002)	(5,806)
Interest paid for loans from related parties	(13,658)	(986)
Security deposits paid for borrowings	(16,503)	–
Placement of restricted/pledged bank deposits for borrowings	(79,368)	(146,600)
Interest paid for borrowings	(101,986)	(56,479)
Placement of structured deposits pledged for borrowings	(160,000)	–
Repayment of loans from related parties	(190,000)	(90,126)
Repayment of borrowings	(2,345,966)	(814,164)
NET CASH FROM FINANCING ACTIVITIES	27,843	393,599
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	181,609	(43,292)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	800,410	337,887
Effect of foreign exchange rate changes	(23,602)	6,738
CASH AND CASH EQUIVALENTS AT 30 JUNE	958,417	301,333

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from the application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), and the application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Accounting policies which became relevant to the Group

Investment property

Investment property is a property held to earn rentals and/or for capital appreciation.

An investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over its estimated useful life and after taking into account of its estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leases

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. SEGMENT INFORMATION

The chief operating decision maker (“CODM”), being the executive directors of the Company, have determined that no segment information is presented other than entity wide disclosures throughout the reporting period, as the Group is principally engaged in providing platform-based services, digital financing solutions, supply chain technology services and sales of supply chain assets services mainly in the PRC, and the CODM, reviews the condensed consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

The Company is an investment holding company and the principal place of the Group’s operation is mainly in the PRC. Most of the Group’s revenue, income and major non-current assets are principally derived from or located in the PRC.

4. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES

Revenue and income from principal activities for the period represents income received and receivable mainly from the provision of platform-based services, digital financing solutions, supply chain technology services and sales of supply chain assets in the PRC.

(i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
<i>Platform-based services</i>		
— Loan facilitation services	27,684	17,400
— Technology service for asset-backed securitisation (“ABS”) products	1,199	3,130
— Other services	441	2,731
	<u>29,324</u>	<u>23,261</u>
Supply chain technology services	<u>284</u>	<u>—</u>
	<u>29,608</u>	<u>23,261</u>

(ii) **Income from digital financing solutions**

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Digital financing solutions		
— Interest income	292,987	192,896
— Guarantee income	9,349	7,690
	302,336	200,586

(iii) **Gain on sales of supply chain assets**

For the six months ended 30 June 2022 and 2021, the Group sold part of supply chain assets to certain financial institutions in the PRC. Sales of supply chain assets gave rise to full derecognition of the supply chain assets pursuant to the terms of sale agreements signed between the Group and relevant financial institutions.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on sales of supply chain assets	54,312	75,427

5. OTHER INCOME/OTHER GAINS AND LOSSES

(a) **Other income**

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government subsidies	13,703	10,201
Bank interest income	4,982	1,975
Interest income from debt instruments at amortised cost	1,073	—
Interest income from a loan receivable	1,040	—
Rental income	34	—
Others	259	20
	21,091	12,196

(b) Other gains and losses

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net gain from changes in fair value of other financial assets at FVTPL	21,850	27,773
Net gain (loss) arising from changes in fair value of derivative financial instruments	3,220	(10,976)
Gain (loss) from modification of lease contracts	33	(1)
Loss on disposal of equipment	–	(11)
Loss on deregistration of subsidiaries	–	(1,460)
Exchange (loss) gain, net	(23,641)	6,722
Others	(111)	–
	<u>1,351</u>	<u>22,047</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest and guarantee expenses on borrowings	103,625	48,559
Interest on loans from related parties	14,589	1,206
Interest on lease liabilities	448	751
Interest on bank overdraft	–	79
	<u>118,662</u>	<u>50,595</u>

7. TAXATION

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
The charge comprises:		
Current tax		
— PRC Enterprise Income Tax	14,171	17,689
— Withholding tax levied on interest income of a Hong Kong subsidiary	1,042	2,085
— Withholding tax levied on dividend declared of a PRC subsidiary	–	1,500
	<u>15,213</u>	<u>21,274</u>
Deferred tax	(6,442)	(701)
	<u>8,771</u>	<u>20,573</u>

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' emoluments (<i>note i</i>)	65	3,999
Other staff costs (excluding directors' emoluments)		
— Salaries, allowances and other staff benefits, including share-based payment expenses	64,218	49,904
— Staff's retirement benefit scheme contributions	5,223	3,562
	<hr/>	<hr/>
Total staff costs	69,506	57,465
Less: amount capitalised in intangible assets	(9,373)	(4,459)
	<hr/>	<hr/>
Staff costs recognised in profit or loss	60,133	53,006
	<hr/>	<hr/>
Depreciation of property and equipment	1,796	1,621
Depreciation of right-of-use assets	6,857	5,968
Depreciation of investment property	75	–
Amortisation of intangible assets	5,374	3,625
	<hr/>	<hr/>
Total depreciation and amortisation	14,102	11,214
Less: amount capitalised in development costs	(11)	(17)
	<hr/>	<hr/>
	14,091	11,197
	<hr/>	<hr/>
Research and development costs (<i>note ii</i>)	4,462	10,818
Cost of consumables recognised as an expense	354	–
Donation	329	700
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) During the six months ended 30 June 2022, the options granted to a director failed to satisfy a vesting condition other than a market condition and did not vest, which result in a reversal of RMB2,628,000 in the share-based payment expenses.
- (ii) During the six months ended 30 June 2022, research and development costs were mainly consists of staff costs amounted to RMB4,322,000 (six months ended 30 June 2021: RMB10,507,000).

9. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the period:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
2021 final — HK7.5 cents (2021: 2020 final dividend HK6.3 cents) per share	75,318	59,064

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Shown in the condensed consolidated financial statements	64,411	49,146

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022.

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	168,212	160,589

	Six months ended 30 June	
	2022	2021
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,004,395	936,998
Effect of dilutive potential ordinary shares:		
Share options/RSU Scheme	1,156	2,046
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,005,551	939,044

11. INVESTMENTS IN ASSOCIATES

Details of the Group's investments in associates are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cost of investments in associates, unlisted	10,200	10,200
Share of post-acquisition profit	3,230	940
Share of post-acquisition OCI	591	240
	<u>14,021</u>	<u>11,380</u>

12. SUPPLY CHAIN ASSETS AT FVTOCI

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Supply chain assets at FVTOCI	<u>6,674,534</u>	<u>6,678,376</u>
Analysed for reporting purposes as:		
Current assets	6,425,375	6,562,402
Non-current assets	<u>249,159</u>	<u>115,974</u>
	<u>6,674,534</u>	<u>6,678,376</u>

As at 30 June 2022, the effective interest rates of the supply chain assets at FVTOCI range mainly from 5.00% to 16.00% (31 December 2021: 3.00% to 16.00%) per annum.

As at 30 June 2022, the gross carrying amount of supply chain assets of RMB6,925,000 is past due (31 December 2021: RMB19,500,000). When analysing the credit quality of supply chain assets at FVTOCI, the entire outstanding of balance of the supply chain assets is classified as past due in the event that instalments repayment of a supply chain asset at FVTOCI is past due.

13. OTHER FINANCIAL ASSETS AS FVTPL

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Structured deposits	264,642	108,374
Equity tranche	181,361	107,545
Unlisted equity investments	75,550	65,550
Trust fund	2,229	1,929
	<u>523,782</u>	<u>283,398</u>
Analysed for reporting purposes as:		
Current assets	345,418	190,233
Non-current assets	178,364	93,165
	<u>523,782</u>	<u>283,398</u>

14. DEBT INSTRUMENT AT AMORTISED COST

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Investment in a senior tranche of ABS product and maturity dated in August 2022	<u>37,965</u>	<u>—</u>

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment losses recognised (reversed) on:		
— Supply chain assets at FVTOCI	2,293	11,105
— Financial guarantee contracts	24	5,599
— Receivables from guarantee contracts	3	(117)
	<u>2,320</u>	<u>16,587</u>

16. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Deposits from customers	216,263	155,101
Settlement payables to customers and funding providers	91,178	92,024
Dividend payable to shareholders of the Company	66,015	1,533
Other tax payables	43,852	38,881
Consideration payable for acquisition of assets through acquisition of a subsidiary	32,497	–
Accrued charges	17,344	57,484
Guarantee expenses payable	3,430	–
Refundable rental deposits received	207	–
Other payables	585	584
	471,371	345,607

17. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	30 June 2022			31 December 2021		
	Premium less accumulated amortisation	ECL provision	Carrying amount	Premium less amortisation	ECL provision	Carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Guarantee contracts in relation to third parties	12,577	22,967	23,114	9,603	19,669	20,116

The following is the maximum amount the Group has guaranteed under the contracts and details of liabilities arising from guarantee contracts.

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Guarantee contracts in relation to third parties	1,837,395	1,334,663

18. BORROWINGS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bank borrowings and bills discounted	2,664,776	2,764,858
ABS issued	453,186	452,986
Bank loans under finance arrangements	256,824	119,725
Entrusted loans	170,400	187,491
Other loans	542,070	415,953
	<u>4,087,256</u>	<u>3,941,013</u>
Secured	3,081,806	2,434,345
Unsecured	1,005,450	1,506,668
	<u>4,087,256</u>	<u>3,941,013</u>
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
The carrying amounts of the above borrowings are repayable*:		
— within one year	3,288,781	2,888,036
— within a period of more than one year but not exceeding two years	711,409	911,000
— within a period of more than two year but not exceeding five years	30,000	30,000
	<u>4,030,190</u>	<u>3,829,036</u>
The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
— within one year	57,066	93,518
— within a period of more than one year but not exceeding two years	—	18,459
	<u>4,087,256</u>	<u>3,941,013</u>
Less: Amounts due within one year shown under current liabilities	<u>(3,345,847)</u>	<u>(3,000,013)</u>
Amounts shown under non-current liabilities	<u>741,409</u>	<u>941,000</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

19. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2021, 1 January 2022 and 30 June 2022 (unaudited)	<u>5,000,000,000</u>	<u>50,000,000</u>
	Number of shares	Share capital HK\$
Issued:		
At 1 January 2021 (audited)	936,596,000	9,365,960
Issue of new shares from placing	63,068,000	630,680
Exercise of share options	<u>4,632,500</u>	<u>46,325</u>
At 31 December 2021 (audited)	1,004,296,500	10,042,965
Exercise of share options	<u>1,282,000</u>	<u>12,820</u>
At 30 June 2022 (unaudited)	<u>1,005,578,500</u>	<u>10,055,785</u>
	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Shown in the condensed consolidated statement of financial position	<u>8,698</u>	<u>8,687</u>

All the shares issued during the period ranked pari passu in all respects with the then existing shares in issue.

20. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 10 June 2022, the Group acquired 100% interest in Trade Nice Limited (“TNL”) at a cash consideration of HK\$38,000,000 (equivalent to RMB32,497,000) from a related company controlled by the Controlling shareholder. The major asset of TNL is the property located in Hong Kong.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 “Business Combinations” and concluded that the property is considered as a single identifiable asset. Consequently, the Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents) acquired is concentrated in a single identifiable asset and conclude that the acquired TNL is not a business.

Assets and liabilities recognised at the date of acquisition

	10 June 2022 <i>RMB'000</i> (Unaudited)
Investment property	32,378
Other receivable and prepayments	32
Cash and cash equivalents	262
Other payables and accrued expenses	<u>(175)</u>
	<u>32,497</u>

Consideration satisfied by

	<i>RMB'000</i> (Unaudited)
Consideration payable within 1 year	<u>32,497</u>

Net cash inflows arising on acquisition of TNL

	<i>RMB'000</i> (Unaudited)
Cash and cash equivalents acquired	<u>262</u>

PUBLICATION

This interim results announcement published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.syholdings.com) respectively.

By order of the Board
SY Holdings Group Limited
Tung Chi Fung
Chairman

Hong Kong, 24 August 2022

As at the date of this announcement, the Board comprises two Executive Directors: Mr. Tung Chi Fung and Mr. Chen Jen-Tse; one Non-executive Director: Mr. Lo Wai Hung; and four Independent Non-executive Directors: Mr. Loo Yau Soon, Mr. Fong Heng Boo, Mr. Tang King San Terence and Ms. Chan Yuk Ying Phyllis.

The English transliteration of the Chinese name(s) in this announcement, where indicated with “”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.

Unless otherwise stated, translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.17 for information purpose only.