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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **PERFORMANCE HIGHLIGHTS**

*For the year ended 31 December 2022*

- In line with the Group's platform-based strategy, total cumulative platform users were over 12,700 as of 31 December 2022, representing an increase of approximately 23.3% as compared to over 10,300 as of 31 December 2021. Total funding partners increased by 24.4% from 86 as of 31 December 2021 to 107 as of 31 December 2022.
- Total cumulative supply chain assets processed was approximately RMB159 billion as of 31 December 2022, representing an increase of approximately 20.5% as compared to approximately RMB132 billion as of 31 December 2021.
- The Group's total revenue and income from principal activities increased by 39.1% year-on-year to RMB800.4 million for the year ended 31 December 2022, compared to RMB575.3 million for the year ended 31 December 2021.
- Tech-related revenue generated from platform-based services and supply chain technology services for the year ended 31 December 2022 was RMB103.3 million representing an increase of approximately 105.8%, as compared to RMB50.2 million for the year ended 31 December 2021. The proportion of tech-related revenue in Group's total revenue and income from principal activities is approximately 12.9%, representing a significant increase as compared to approximately 8.8% for the year ended 31 December 2021.

- The Group's adjusted net profit<sup>1</sup> increased by 10.3% year-on-year to RMB249.6 million for the year ended 31 December 2022, compared to RMB226.2 million for the year ended 31 December 2021.
- The Directors recommend the payment of a dividend of HK7.5 cents per ordinary share of the Company for the year ended 31 December 2022 (for the year ended 31 December 2021: HK7.5 cents per ordinary share).

*Note:*

1. We define non-HKFRSs adjusted net profit as profit for the year, as adjusted by excluding (i) gains arising from acquisition of a subsidiary, (ii) net gain from changes in fair value of unlisted equity investments at FVTPL, (iii) equity-settled share-based payments based on our share incentive plan, and (iv) tax effects of non-HKFRSs adjustments. Please refer to pages 13 to 14 of the announcement for details.

## 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 region. As the digital economy becomes a new engine for China’s economic growth, the Group is strategically positioned as a supply chain technology platform, leveraging its technological capabilities to empower supply chains and facilitate the digital upgrade of traditional industries. The Company is also committed to providing services including 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 empower one another as they develop synergistically. 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-sized 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 assets. Supply chain technology services is an innovative business vertical under the IIoT segment that drives the digital upgrade of traditional industries through products including smart construction solutions and hospital supply, processing, and distribution solutions (“**hospital SPD solutions**”). Through building a comprehensive supply chain ecosystem, the Group will expand the scale of its IIoT business, leverage technology to empower its digital finance business and maximize its platform linkage capability to create a mutually beneficial ecosystem throughout the supply chain.

## 2. Full Year 2022 Highlights

*Achieving steady growth in various business lines despite the challenges of COVID-19*

- Against the backdrop of the macro environment affected by recurring COVID-19 outbreaks and headwinds to economic growth in 2022, SY continued to build out and transform the supply chain ecosystem by leveraging the “Dual-Engine, One-Platform” strategy to enhance its technology and platform service capabilities. Building on its solid track record and the synergies between its digital finance and IIoT segments, SY achieved steady growth driven by the platformisation strategy. Tech-related revenue generated from platform-based services and supply chain technology services for the year ended 31 December 2022 doubled to RMB103.3 million. The proportion of tech-related revenue in Group’s total revenue and income from principal activities significantly increased to approximately 12.9%.
- SY maintained resilience and steady growth in its supply chain ecosystem. As of 31 December 2022, the cumulative supply chain assets processed by the Group was approximately RMB159 billion, representing growth of 20.5% as compared with 31 December 2021. The Group’s total revenue and income from principal activities increased by 39.1% year-on-year to RMB800.4 million for the year ended 31 December 2022, compared to RMB575.3 million for the year ended 31 December 2021.

*Expanding cooperation with state-owned enterprises to build a new growth driver for the platformisation strategy*

- Following the Group’s acquisition of equity interest in Wuxi Guojin Factoring Limited (“**WXGJ**”) in December 2021, an RMB3 billion ABS shelf registration was approved under an innovative “N+N+N” model<sup>1</sup> in April 2022. During 2022, the Group established joint ventures closely modeled on past state-owned enterprise (“**SOE**”) partnerships with leading regional SOEs in Ningbo and Xiamen PRC, validating SY’s ability to turn its successful past experiences into a replicable model for SOE cooperation. The Group jointly established Ningbo Guofu Factoring Co., Ltd. (“**NBGF**”) and Xiamen Xiangsheng Factoring Limited (“**Xiangsheng Factoring**”) with subsidiaries of large local SOEs, and these joint ventures are expected to generate billions of RMB in business scale each year.

<sup>1</sup> The “N+N+N” model refers to a platformised supply chain financing structure pursuant to which the supply chain assets thereunder would be originated from multiple core enterprises, financed by multiple financial institutions and secured by multiple guarantors. The conventional supply chain financing structure is the “1+N” model, being the supply chain assets thereunder would be originated from the transactions between one core enterprise and its multiple suppliers.

- WXGJ, NBGF and Xiangsheng Factoring are all successful examples of the Group's joint venture partnerships with regional SOEs and form an essential part of its platformisation strategy. By establishing such joint ventures, the Group can embed itself into the comprehensive industrial supply chain ecosystems of state-owned shareholders, and provide one-stop supply chain technology services and inclusive digital finance services within these ecosystems, thus building a bridge that enables smart matching between assets and funding. The endorsement of state-owned shareholders also enables the Group to receive more support from its funding partners at the joint venture level, thereby reducing capital costs and increasing leverage.

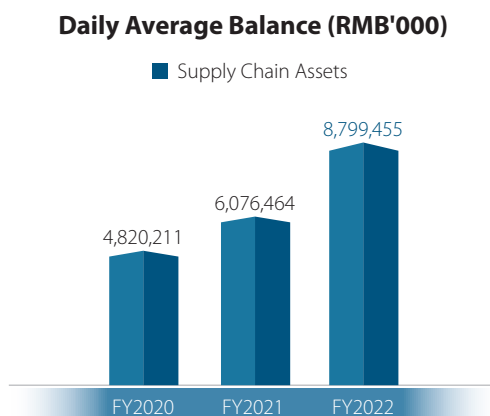
*A thriving industrial digital ecosystem stimulates continued growth in IIoT business*

- Driven by its Dual-Engine, One-Platform strategy, SY has integrated digital technology within the industrial landscape to drive the transformation of traditional industries such as infrastructure and healthcare. In 2022, the value of new IIoT contracts in the IIoT segment reached RMB78 million, 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 won a number of smart construction projects from subsidiaries of our core enterprise which is a global leading construction group. Within the hospital SPD solutions segment, the Group has 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 2022, the Group won a number of bids for SPD solutions from a subsidiary of Sinopharm Lerentang Pharmaceutical Co., Ltd.. Through the IIoT segment, SY accumulates more real-time transaction data to enhance its big data-driven risk management capabilities, empowering and supporting the digital financing business.

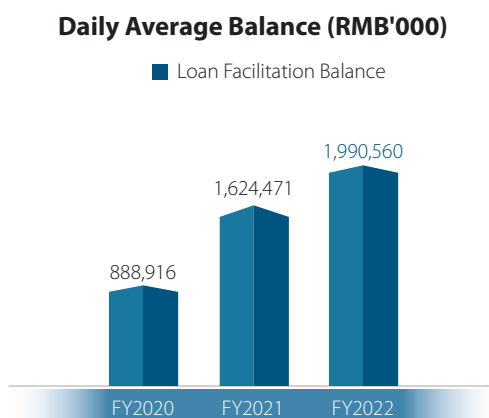
- In terms of digital ecosystem development, SY made a strategic investment in Shaanxi Huazhu Technology Limited, a high-tech company focused on smart construction solutions. In July and September 2022, SY signed strategic cooperation agreements with China Overseas Land & Investment Limited and the e-commerce platforms of China Communications Construction Group (Ltd.), respectively. Under these agreements, SY has established in-depth collaboration with these core enterprises in the areas of, among others, supply chain digital financing, supplier credit assessment systems, and smart constructions. Such partnerships enable SY to innovatively break down information silos, enhance its risk management capabilities through access to real-time transaction data and focus on various key stages in the supply chain digital financing business such as customer acquisition and risk assessment. By enhancing SY's technological capability, they also enable the Group to provide SMEs with more diversified and timely services, thus creating a mutually beneficial supply chain digital ecosystem in the infrastructure sector.

*Dual-engine cross-empowerment drives solid development of digital finance*

- The IIoT segment not only delivered strong business growth but also strengthened the digital finance segment technologically by facilitating precise customer acquisition and increased risk management efficiency. The digital finance business achieved stable growth by tightly integrating digital technology and industry knowledge. In the year ended 31 December 2022, the revenue of digital financing solutions increased by 45.3% year-on-year to RMB624.9 million. The supply chain assets balance including both self-funded and loan facilitation supply chain assets as of 31 December 2022 increased by 46.9% year-on-year to approximately RMB11.93 billion. The daily average supply chain assets balance increased by 44.8% year-on-year to approximately RMB8.80 billion. The cumulative supply chain assets processed by the Group was approximately RMB159 billion, and the cumulative number of customers was approximately 12,700 representing growth of 20.5% and 23.3% respectively, as compared with 31 December 2021. Asset quality has remained healthy, with the non-performing ratio maintained at 0%.



- Benefiting from the expanded scale of funding and improved asset quality, the Group’s daily average loan facilitation balance<sup>2</sup> was RMB1,991 million as of 31 December 2022, an increase of approximately 22.5% year-on-year. During the period, revenue from platform-based services reached approximately RMB71.0 million, of which loan facilitation revenue reached RMB53.4 million, an increase of 46.4% year-on-year. The Group remains confident that growth in its overall platform-based services will remain resilient, underpinned by robust SME financing demand coupled with favorable government policies, particularly those geared towards supporting the development and growth of SMEs in China.



#### *Increased recognition from funding partners*

- In terms of funding and capital markets, the Group’s expanding funding channels and the implementation of the platformisation strategy generated synergistic effects. The Group has deepened its collaboration with several financial institutions in championing innovative models which connect quality assets with funding partners to expand the reach of inclusive and sustainable finance. In May 2022, China Construction Bank Corporation Shenzhen Branch (“**CCB Shenzhen Branch**”) raised the loan facilitation cooperation amount from RMB1 billion to RMB2 billion to further deepen the partnership. In August 2022, the Group secured a three-year loan facility of US\$50 million from Orion Capital Asia Pte. Ltd. (“**Orion**”), a renowned private credit investment manager. Also in August 2022, SY secured a social and sustainability-linked dual ESG structure syndicated loan of RMB500 million, which was the first loan of its kind in China.

<sup>2</sup> The daily average loan facilitation balance has been adjusted to be in line with the Group’s reclassification of its business segments in 2022

- Driven by the platformisation strategy, the Group embedded itself into supply chain ecosystems in multiple regions, enabling it to break down market and information silos across geographies. Setting up joint ventures with local state-owned shareholders allows the Group to gain financial support and enhanced credit. These initiatives will empower SY with more efficient, accurate, and economical access to financing in the mid- and long-term, thus reducing capital costs incurred in the joint ventures and increasing leverage while enabling it to realize multiplier effects as it scales up its platform development.
- The Group’s increased scale of funding and the growing number of funding partners reflect market recognition of the Group’s data-driven risk management and strong customer acquisition capabilities. Deepening cooperation with funding partners is instrumental in allowing the Group to address the funding pain points faced by SMEs and support the development of the real economy.

*Embracing ESG and Contributing to Public Welfare*

- SY actively fulfills 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”. In August 2022, the Group launched the Social Financing Framework and the Sustainability-linked Financing Framework to incorporate the United Nations Sustainable Development Goals into its strategy, business development and daily operations.
- SY is also committed to promoting public welfare and charity efforts to the society. On 12 May 2022, SY launched the SY Public Welfare Foundation in Tianjin, PRC. The Foundation plans to continuously carry out public welfare activities in three major areas, including caring for children in need, supporting industry development and youth inspirational programs, and to contribute to the development of a harmonious society. Since 2014, SY has donated a total of approximately RMB10.5 million to public welfare causes, benefitting over 3,600 people.



### *Enhancing technological capabilities*

- The Group’s technology capability has also garnered external recognition. In June 2022, SY’s subsidiary Sheng Ye Information Technology (Shenzhen) Co., Ltd. (“SYIT”) was named on the list of “Specialized, Refined, Unique, and Innovative” SMEs in Shenzhen. In September 2022, SYIT received the “Software Enterprise Encouraged by China Certificate” and the “Software Product Certificate”. In November 2022 and January 2023, the China National Intellectual Property Administration granted two invention patents filed by SYIT. After obtaining the Level 3 certification of China’s National Information Security Level Protection Certification and ISO/IEC 27701:2013 Information Security Management Certification in 2021, SYIT also received ISO/IEC 27701:2019 Privacy Information Management Certification during the year. These achievements demonstrated SY’s leadership in terms of technology R&D capabilities, data security compliance, and customer privacy protection.

## **FINANCIAL REVIEW**

### **Revenue and income from principal activities**

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

The Group’s total revenue and income from principal activities increased by 39.1% year-on-year to RMB800.4 million for the year ended 31 December 2022, compared to RMB575.3 million for the last year, mainly due to (i) the expansion of the digital financing solutions as a result of the acquisition of WXGJ completed in December 2021; (ii) the rapid growth in supply chain technology business; and (iii) 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 year ended 31 December 2022 and 2021.

	Year ended 31 December				
	2022		Year-on-year	2021	
	RMB'000	% of total		RMB'000	% of total
<b>Revenue from contracts with customers</b>					
<b>— Platform-based services</b>					
— Loan facilitation services	53,430	6.7%	33.5%	40,029	7.0%
— Referral service fees	15,040	1.9%	N/A	—	—
— Technology service for asset-backed securitisation products	1,970	0.2%	-44.1%	3,525	0.6%
— Other services	531	0.1%	-89.2%	4,930	0.9%
<b>Subtotal</b>	<b>70,971</b>	<b>8.9%</b>	<b>46.4%</b>	<b>48,484</b>	<b>8.5%</b>
<b>— Supply chain technology services</b>	<b>32,296</b>	<b>4.0%</b>	<b>1,832.7%</b>	<b>1,671</b>	<b>0.3%</b>
<b>Income from digital financing solutions</b>					
— Interest income from supply chain assets	604,546	75.6%	47.3%	410,505	71.3%
— Guarantee income	20,167	2.5%	3.4%	19,509	3.4%
— Interest income from contracts contains significant financing components	158	0.0%	N/A	—	—
<b>Subtotal</b>	<b>624,871</b>	<b>78.1%</b>	<b>45.3%</b>	<b>430,014</b>	<b>74.7%</b>
<b>Gain on sales of supply chain assets</b>	<b>72,287</b>	<b>9.0%</b>	<b>-24.0%</b>	<b>95,164</b>	<b>16.5%</b>
<b>Revenue and income from principal activities</b>	<b>800,425</b>	<b>100%</b>	<b>39.1%</b>	<b>575,333</b>	<b>100.0%</b>

#### *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 during the loan period of the customers; (ii) services fees received from customers by referring the customers to the funding partners; (iii) technology service fees that the Group charged for facilitating the issuance of ABS/ABN by large core enterprises; and (iv) services fees received from customers by providing AR management services. Revenue from platform-based services significantly increased by 46.4% year-on-year to approximately RMB71.0 million for the year ended 31 December 2022, compared to approximately RMB48.5 million for the 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 significantly increased by 1,832.7% year-on-year to RMB32.3 million for the year ended 31 December 2022, compared to RMB1.7 million for the last year, mainly due to the successful bids and stage acceptance of several smart construction solutions and hospital SPD solutions in 2022.

### *Digital financing solutions*

Income from digital financing solutions comprises (i) interest income received from providing flexible supply chain financing solutions; (ii) guarantee services fees arising mainly from the Group's loan facilitation business; and (iii) interest income from supply chain technology services contracts which contains significant financing components. Income from digital financing solutions increased by 45.3% year-on-year to RMB624.9 million for the year ended 31 December 2022, compared to RMB430.0 million for the last year, 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 24.0% year-on-year to RMB72.3 million for the year ended 31 December 2022, compared to RMB95.2 million for the last year. The decrease was mainly attributable to the decrease in both yield of transfer on supply chain assets and the total amounts of supply chain assets sold during the year.

### **Other gains and losses**

The Group booked other losses of RMB10.1 million in the year of 2022. The change is mainly due to (i) the non-recurring gain arising from acquisition of a subsidiary of approximately RMB204.8 million recognised in the year of 2021; and (ii) exchange loss as a result of the depreciation of RMB against HK\$ and US\$.

## Expenses

The following table sets forth the comparative figures of the principal components of the operational expenses for the year ended 31 December 2022 and 2021.

	Year ended 31 December		
	2022	2021	Year-on-year
	<i>RMB'000</i>	<i>RMB'000</i>	
Staff costs	<b>144,822</b>	153,512	-5.7%
Depreciation and amortisation	<b>28,636</b>	22,886	25.1%
Materials cost	<b>28,595</b>	1,503	1,802.5%
Other operating expenses	<b>55,249</b>	54,738	0.9%
<b>Total</b>	<b><u>257,302</u></b>	<b><u>232,639</u></b>	<b><u>10.6%</u></b>

The Group's total operational expenses increased by 10.6% year-on-year to RMB257.3 million for the year ended 31 December 2022, compared to RMB232.6 million for the last year, mainly due to the increase in materials cost of RMB27.1 million and depreciation of property, equipment and right-of-use assets and amortisation of intangible assets of RMB5.8 million. The increase in the expansion in the supply chain technology business has led to an increase in procurement and investment. The staff cost decreased by 5.7% is mainly due to the fact that during 2022, (i) more granted share options were lapsed; and (ii) more tranches of share options were vested, resulting in the decrease in the recognition of share-based payment expenses.

The operational cost-to-income ratio for the year of 2022 was 28.6% as compared with 39.8% in 2021, excluding materials cost and one-time expenses. The decrease in cost-to-income ratio demonstrated the improvement in operating efficiency and the synergies brought about by the acquisition of WXGJ.

## Net profit

Net profit in the year of 2022 was RMB243.6 million, a decrease of RMB177.9 million or 42.2% year-on-year.

## Adjusted net profit

Adjusted net profit increased by 10.3% year-on-year to RMB249.6 million for the year ended 31 December 2022, compared to RMB226.2 million for the year ended 31 December 2021.

### **Non-HKFRSs Measure: adjusted net profit**

To supplement our consolidated results which are prepared and presented in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”), we utilize non-HKFRSs adjusted net profit (“**adjusted net profit**”) as an additional financial measure. We define adjusted net profit as profit for the year, as adjusted by excluding (i) gains arising from acquisition of a subsidiary, (ii) net gain from changes in fair value of unlisted equity investments at FVTPL, (iii) equity-settled share-based payments based on our share incentive plan, and (iv) income tax effects of non-HKFRSs adjustments.

Adjusted net profit is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of non-HKFRSs measures when shown in conjunction with the corresponding HKFRSs measures provides useful information to investors and management regarding financial and business trends in relation to our financial condition and results of operations, by eliminating any potential impact of items that our management does not consider to be indicative of our operating performance, such as certain non-cash items and the impact of certain non-recurring investment transactions. We also believe that the non-HKFRSs measures are appropriate for evaluating the Group’s operating performance. However, the use of this particular non-HKFRSs measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRSs. In addition, this non-HKFRSs financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures used by other companies.

The following tables set forth reconciliations of the Group’s non-HKFRSs measures for the year ended 31 December 2022 and 2021, respectively, to the nearest measures prepared in accordance with HKFRSs.

	<b>2022</b>	2021
	<b>RMB’000</b>	RMB’000
<b>Profit for the year</b>	<b>243,608</b>	421,473
<b>Less:</b>		
Gains arising from acquisition of a subsidiary ( <i>note 1</i> )	–	(204,752)
Net gain from changes in fair value of unlisted equity investments at FVTPL ( <i>note 2</i> )	–	(4,550)
<b>Add:</b>		
Equity-settled share-based payments based on our share incentive plan ( <i>note 3</i> )	<b>5,968</b>	12,882
Tax effect on non-HKFRSs adjustments	–	1,138
<b>Adjusted net profit for the year (non-HKFRSs)</b>	<b><u>249,576</u></b>	<b><u>226,191</u></b>

*Notes:*

1. It represents the non-recurring gain from the acquisition of WXGJ in December 2021, which is non-cash and one-off in nature.
2. The fair value changes of unlisted equity investments are non-cash in nature and are not directly related to our principal activities.
3. It represents the share options/restricted share unit (“RSU”) that we granted under our share incentive plan, which is a non-cash expense.

## **Supply chain assets at fair value through other comprehensive income (“FVTOCI”)**

Supply chain assets at FVTOCI as of 31 December 2022 were RMB8,422.1 million, a 26.1% increase year-on-year. Daily average balance of self-funded supply chain assets over the year of 2022 were RMB6,808.9 million, a 52.9% increase over the year of 2021. Based on the daily average balance of self-funded supply chain assets, interest yield on supply chain assets in the year of 2022 was 8.9%, which was 0.3 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 31 December 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 RMB373.8 million (31 December 2021: RMB680.9 million) were secured by certain commercial acceptance bills received from customers and the supply chain assets of RMB804.1 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 31 December 2022, there were a total of 4,782 (31 December 2021: 1,409) outstanding supply chain assets obtained by the Group, out of which 157 (31 December 2021: 136) supply chain assets are referred to as sizeable loans with principal amount exceeds RMB10,000,000, 1,011 (31 December 2021: 494) supply chain assets with principal amount between RMB1,000,000 and RMB10,000,000, 3,614 (31 December 2021: 779) supply chain assets with principal amount less than RMB1,000,000.

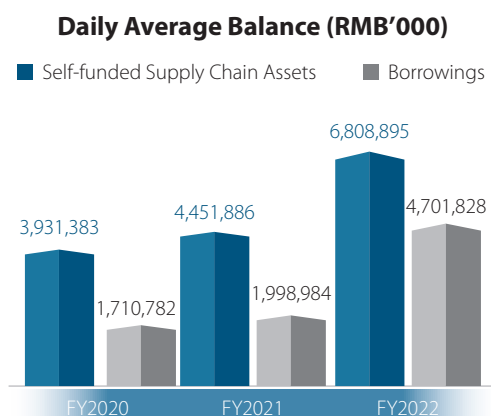
As at 31 December 2022, the outstanding supply chain assets of RMB1,017.7 million (31 December 2021: RMB910.4 million) were obtained from the related parties (all of which are associates of the Group under the Listing Rules) of the Group. The remaining balance of the outstanding supply chain assets were 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 4.00% to 15.00% (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 decreased by 2.6% year-on-year to RMB94.7 million as at 31 December 2022, compared to RMB97.2 million as at 31 December 2021, mainly attributable to the improvement on the quality of supply chain assets. The write-offs of impairment loss allowance were RMB15.9 million for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil).

## Borrowings and finance cost

Borrowings, including loans from related parties, as of 31 December 2022 was RMB6,610.4 million, a 52.3% increase year-on-year. Daily average balance of borrowings over the year of 2022 were RMB4,701.8 million, a 135.2% increase year-on-year. The increase in finance costs of RMB147.1 million year-on-year was mainly due to the net effect of the increase in daily average balance of borrowings and the decrease in average borrowings interest rate from 6.3% over the year of 2021 to 5.9% over the year of 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 of PRC subsidiaries 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 both years ended 31 December 2022 and 2021. The increase in effective tax rate from 8.8% for the year ended 31 December 2021 to 14.8% for the year ended 31 December 2022 was mainly due to the effect of gain from acquisition of 40% equity interest in WXGJ during the year of 2021 is not taxable for tax purpose.

For the year ended 31 December 2022, income tax expenses amounted to approximately RMB42.4 million (for the year ended 31 December 2021: RMB40.7 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.

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 a 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.

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 our 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 year, the Group accelerated the development of the IIoT business segment, as evidenced by the significant growth of its supply chain technology services such as smart construction and hospital SPD solutions. Meanwhile, the Group also maintained steady growth in its digital financing business amid the huge challenges from the external environment.

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 leverage its technology to embed itself 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 take a prudent, active, and open-minded approach to identify opportunities in national strategic and emerging industries such as new energy and new infrastructure, 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 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, enabling the Group to integrate their leading products on SY's platforms to generate one-stop customized solutions which can in turn accelerate the Group's platformisation. Meanwhile, SY will also deepen ties with ecosystem partners through strategic investments including equity and debt commitments. Leveraging complementary strengths and resource advantages, the Group will rapidly increase its market share. 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 maintaining its industry-leading position and rapid growth. SY will adhere to its long-term outlook, invest further in R&D and improve risk management through digital technologies to drive high-quality and steady growth and achieve long-term sustainable development.

Collaborating and forming joint ventures with outstanding regional SOEs remains an important part of the Group's platformisation strategy, as leading regional SOEs are often well-positioned within the industrial landscape and have access to extensive resources. At the same time, the Group's innovative technology can help revitalize the value of state-owned assets by efficiently connecting industrial supply chains with resources through its precise customer acquisition and big data analytics capabilities. Looking ahead, the Group will continue to strengthen its partnerships with high-quality SOEs and replicate its successful experience in more regions and cities. By further leveraging its platform capability to build a digital ecosystem, to the Group will solve SMEs' supply chain financing pain points and contribute to the development of the real economy.

## **CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

During the year ended 31 December 2022, the Group's main source of funds was the cash generated from its daily operations and proceeds from new borrowings. As at 31 December 2022, the Group had cash and cash equivalents of RMB577.0 million (31 December 2021: RMB800.4 million), of which 94.67% and 2.77% were denominated in RMB and HKD respectively. Net cash used in operating activities was RMB769.2 million in 2022 (for the year ended 31 December 2021: RMB95.5 million), an increase of RMB673.7 million year-on-year was mainly due to the increase in net cash used in supply chain assets at FVTOCI of RMB540.3 million for the year ended 31 December 2021 to RMB1,255.4 million for the year ended 31 December 2022.

As at 31 December 2022, the Group had interest-bearing borrowings and loans from related parties which amounted to RMB6,610.4 million (31 December 2021: RMB4,340.9 million). Its gearing ratio, expressed as total liabilities over total equity was 1.76 as at 31 December 2022 (at 31 December 2021: 1.23).

### **FINAL DIVIDEND**

The Directors recommend the payment of a final dividend of HK7.5 cents per ordinary share of the Company for the year ended 31 December 2022 (for the year ended 31 December 2021: HK7.5 cents per ordinary share).

### **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 HK\$8.80 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 HK\$8.80 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 HK\$550.8 million (equivalent to approximately RMB456.2 million).

The placing price of HK\$8.80 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 Placements

During the year ended 31 December 2021 and 31 December 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 year ended 31 December 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	33.2	The remaining unutilised amount of approximately HK\$129.7 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 31 December 2022, the capital commitments of the Group comprised purchase of property and equipment of approximately RMB20.5 million and investment in an associate of approximately RMB0.2 million (31 December 2021: purchase of property and 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 22 of the “Notes to the consolidated financial statements”, the Group did not have any other guarantees or other material contingent liabilities.

## **PLEDGE OF ASSETS**

As at 31 December 2022, the Group had pledged bank deposits of RMB472.8 million, structured deposits of RMB164.6 million, security deposits of RMB8.4 million, investment property with carrying amount of RMB31.9 million, and certain supply chain assets with an aggregate carrying amount of RMB3,452.1 million to banks and third parties 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 HK\$38,000,000. 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 31 December 2022 and up to the date this announcement, 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, inter alia, industrial technology and digital finance, to 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 cash and cash equivalents, pledged bank deposits, other receivables, equity instruments at FVTOCI, trade and other payables, borrowings and lease liabilities that are denominated in HK\$, US\$ and S\$. The Group has entered into foreign currency exchange swap contracts, cross currency swap contracts and foreign currency forward contracts during the year 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 31 December 2022, the Group had a total of 377 staff (31 December 2021: 347 staff). Total staff costs (including Directors’ emoluments) were approximately RMB162.8 million (including share option benefits RMB5.2 million and RSU benefits RMB0.7 million) for the year ended 31 December 2022 (for the year ended 31 December 2021: RMB172.4 million, including total share option benefits for employees were RMB12.9 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 the 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 its 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**

On 18 November 2022, the People's Bank of China issued the Administrative Measures for the Acceptance, Discounting and Rediscounting of Commercial Bills of Exchange, revising the business specifications of commercial bills of exchange after 25 years, the main contents include i) shortening the term of bills, and restricting the maximum term of commercial bills of exchange from one year to six months, which will accelerate the turnover of bill assets and promote the shortening of the recovery period of supply chain accounts; and ii) clarifying the status of supply chain bills, Article 5 clarifies that “supply chain bills shall be recognized as a kind of electronic commercial bills of exchange”, which clears institutional obstacles for the development of supply chain bills, facilitates the docking of SMEs in the supply chain with the bill market, and provides financial support for the sustainable and stable operation and development of the supply chain.



On 5 September 2022, the Standing Committee of the Shenzhen Municipal People's Congress promulgated the Regulations on the Promotion of Digital Economy Industry in the Shenzhen Special Economic Zone (the "**Shenzhen Digital Regulations**"). Based on the actual development of Shenzhen's industry, the Shenzhen Digital Regulations takes the promotion of core industries of the digital economy as the main line, and focus on the full life cycle and full-chain services of the development of the digital economy industry for institutional design. According to Article 47 of Chapter 6, governments and financial regulatory departments at all levels shall promote the digital transformation and upgrading of the financial industry, promote the construction of digital financial technology platforms, facilitate the innovation of financial digital technology, and build gathering areas of financial technology industry; develop new financial formats such as digital inclusive finance, supply chain finance, and green finance, improve the digital financial system that accurately serves SMEs, and explore and carry out financial innovation services such as data asset pledge financing, insurance, guarantee, and securitization.

On 19 December 2022, the Opinions on Building a Data Infrastructure System to Better Play the Role of Data Elements ("**Data 20 Articles**") was officially released, proposing 20 policy measures to build a data infrastructure system in terms of data property rights, circulation transactions, revenue distribution, and security governance. The promulgation of the Data 20 Articles shall give full play to the advantages of China's massive data scale and rich application scenarios, activate the potential of data elements, strengthen and optimize the digital economy, and enhance new momentum for economic development. In particular, it emphasizes encouraging the exploration of new models of corporate data authorization, promoting two-way fair authorization with SMEs, and jointly and rationally using data, so as to empower the SMEs for digital transformation.

The Directors confirmed that the Group will be able to comply with the above relevant laws and policies, and the relevant policies are conducive to the development of the Group's digital finance and IIoT business in the industry. The Group has established long-term cooperative relationships with core enterprises in many industries, providing digital transformation services such as smart construction sites and hospital SPDs and data-driven supply chain financing services for core enterprises and SMEs in the supply chain ecosystem. This Policy is conducive to the Group's further expansion of existing business. In addition, the Group has established an Information Management Committee which is responsible for the strategic formulation and construction planning of the Group's information technology, information security and data management in accordance with the overall strategy. The Group has long been committed to building a data management system that is in line with strategic development, protects the interests of users and meets regulatory requirements, so as to ensure the sustainable development of the platform-based strategy. The Group has obtained a number of internationally recognized certifications in information security management, demonstrating the Group's efforts and capabilities in complying with national data protection frameworks.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2022, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### Interest in the Company

Name of Director	Capacity/nature of interest	Number and class of securities interested	Percentage of shareholding
Mr. Tung ( <i>Note 1</i> )	Beneficiary of a trust and settlor of a discretionary trust	559,415,960 (L) ( <i>Note 2</i> )	55.51%
Mr. Chen Jen-Tse	Beneficial owner	581,000 (L) ( <i>Note 2</i> )	0.06%
	Share option	2,700,000 ( <i>Note 3</i> )	0.27%
Mr. Lo Wai Hung	Beneficial owner	360,000 (L) ( <i>Note 2</i> )	0.04%
	Share option	500,000 ( <i>Note 3</i> )	0.05%
Mr. Loo Yau Soon	Share option	500,000 ( <i>Note 3</i> )	0.05%
Mr. Fong Heng Boo	Share option	300,000 ( <i>Note 3</i> )	0.03%

#### Notes:

1. Wisdom Cosmos Limited (“**Wisdom Cosmos**”), a company incorporated in the British Virgin Islands (“**BVI**”), is the beneficial owner of 559,415,960 shares of the Company, representing approximately 55.51% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander Limited (“**Eander**”), a company incorporated in the BVI, which is in turn wholly owned by TMF (Cayman) Ltd (“**TMF Trust**”), trustee of the Pak Jeff Trust (“**PJ Trust**”), an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.
2. The letter “L” denotes long position of the shares of the Company.
3. This refers to the number of underlying Shares covered by its share option scheme.

Save as disclosed herein, as at 31 December 2022, none of the Directors or chief executive of the Company or their associates (as defined in the Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

As at 31 December 2022, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities interested</b> <i>(Note 1)</i>	<b>Percentage of shareholding</b>
TMF Trust <i>(Note 2)</i>	Trustee	559,415,960 (L)	55.51%
Eander <i>(Note 2)</i>	Interest in a controlled corporation	559,415,960 (L)	55.51%
Wisdom Cosmos <i>(Note 2)</i>	Beneficial owner	559,415,960 (L)	55.51%
Wuxi Communications Industry Group Co., Ltd ("WXCIG") <i>(Note 3)</i>	Interest in a controlled corporation	61,363,500 (L)	6.09%
Xitong International Holdings (HK) Limited ("Xitong") <i>(Note 3)</i>	Beneficial owner	61,363,500 (L)	6.09%

*Notes:*

1. The letter "L" denotes long position of the shares of the Company.
2. Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 559,415,960 shares of the Company, representing approximately 55.51% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander, a company incorporated in the BVI, which is in turn wholly owned by TMF Trust, trustee of the PJ Trust, an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

3. Xitong, a company incorporated in Hong Kong, is the beneficial owner of 61,363,500 shares of the Company, representing approximately 6.09% shareholding interests in the Company. The entire issued share capital of Xitong is owned by WXCIG, a company incorporated in the PRC, which is in turn wholly owned by State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government. Under the SFO, WXCIG and Xitong are deemed to be interested in all the shares of the Company registered in the name of Xitong.

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

### **SHARE OPTION SCHEME**

During the year ended 31 December 2022, (i) 11,000,000 share options were granted; (ii) 22,340,000 granted options were outstanding under the share option scheme; (iii) 3,418,000 granted options were exercised; (iv) 6,615,000 granted options were lapsed; and (v) no granted options were 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 31 December 2022, the remaining life of the Share Option Scheme is about 4 years and 4 months old.

Save for the grants of share options on 11 September 2017, 14 November 2018, 15 July 2020 and 10 June 2022 as disclosed in the announcements on the same date respectively, no new share options have been granted nor any existing share option schemes have been adopted by the Company as at 31 December 2022.

## **RSU SCHEME**

During the year ended 31 December 2022, (i) 1,340,000 RSUs were granted; (ii) 1,300,000 granted RSUs were outstanding under the RSU scheme; (iii) no granted RSUs were exercised; (iv) 40,000 granted RSUs were lapsed; and (v) no granted RSUs were cancelled.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 31 December 2022, the remaining life of the RSU Scheme is about 9 years and 3 months old.

Save for the adoption of the RSU Scheme grants on 6 April 2022 and the grant of RSUs on 10 June 2022 as disclosed in the announcements on the same date respectively, no new RSUs have been granted nor any existing RSU schemes have been adopted by the Company as at 31 December 2022.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Other than the purchase of Shares through a designated trustee which will be used as awards under the RSU Scheme, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2022. The Company adopted the RSU Scheme on 6 April 2022, please refer to the section headed “RSU Scheme” in this announcement for more details.

## **DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTEREST IN COMPETING INTERESTS OR CONFLICT OF INTEREST**

For the year ended 31 December 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 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 by directors adopted by the Company during the year ended 31 December 2022.

## **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.

## **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 announcement, at least 25% of the Company's total issued Shares was held by the public throughout the year ended 31 December 2022 and thereafter up to the date of this announcement.

## **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 (collectively, the “**CG Code**”).

The shares of the Company were successfully listed on GEM on 6 July 2017 (the “**Listing Date**”) and 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 year from the Listing Date to 31 December 2022.

## **DIVIDEND POLICY**

The Company has adopted a dividend policy that aims to provide the guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the dividend policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

- (1) the Group's actual and expected financial performance;
- (2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- (3) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (4) the Group's liquidity position;

- (5) interest of shareholders;
- (6) taxation consideration;
- (7) potential effect on creditworthiness;
- (8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continue to review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

## **OTHER INFORMATION**

### **Scope of work of Messrs. Deloitte Touche Tohmatsu**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.



## AUDIT COMMITTEE

The Company established an 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 D.3.3 of the CG Code as set out in Appendix 14 of 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 financial statements and oversee the internal control and risk management procedures and systems of the Group. The Audit Committee currently consists of three members, namely Mr. Tang King San Terence (appointed on 15 July 2022), Mr. Loo Yau Soon and Mr. Fong Heng Boo. Mr. Hung Ka Hai Clement resigned from the Audit Committee with the effect from 15 July 2022. The chairman of the Audit Committee is Mr. Tang King San Terence.

The Group's audited consolidated financial statements for the year and the annual 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.

## ANNUAL RESULTS

The board of Directors of the Company (the “**Board**”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022 together with comparative figures for the year ended 31 December 2021. The financial information has been approved by the Board.



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
<i>Revenue from contracts with customers</i>	5		
— Platform-based services		70,971	48,484
— Supply chain technology services		32,296	1,671
<i>Income from digital financing solutions</i>	5		
— Interest income from supply chain assets		604,546	410,505
— Guarantee income		20,167	19,509
— Interest income from contracts contains significant financing components		158	—
<i>Gain on sales of supply chain assets</i>	5	72,287	95,164
Revenue and income from principal activities		<u>800,425</u>	<u>575,333</u>
Other income	6	52,202	26,686
Other gains and losses	7	(10,079)	225,716
Staff costs	11	(144,822)	(153,512)
Depreciation and amortisation	11	(28,636)	(22,886)
Materials cost	11	(28,595)	(1,503)
Other operating expenses		(55,249)	(54,738)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	8	(21,270)	(17,184)
Finance costs	9	(276,348)	(129,228)
Donation		(703)	(3,349)
Share of results of associates		(927)	16,814
Profit before taxation		285,998	462,149
Taxation	10	(42,390)	(40,676)
Profit for the year	11	<u>243,608</u>	<u>421,473</u>
Attributable to:			
— Owners of the Company		219,399	411,043
— Non-controlling interests		24,209	10,430
		<u>243,608</u>	<u>421,473</u>
Earnings per share	13		
— Basic (RMB cents)		22	43
— Diluted (RMB cents)		22	43

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

*For the year ended 31 December 2022*

	<i>NOTE</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Profit for the year</b>	<i>11</i>	<b>243,608</b>	421,473
<b>Other comprehensive income (expense) (“OCI”):</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain on investments in equity instruments at fair value through OCI (“FVTOCI”)		<b>12,835</b>	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(170)</b>	33
Fair value (loss) gain, net of ECL and reclassification of FVTOCI reserves upon derecognition on:			
— supply chain assets at FVTOCI		<b>(2,948)</b>	4,843
Income tax relating to items that may be reclassified subsequently		<b>(50)</b>	(67)
Share of other comprehensive expense of associates, net of related income tax		<b>(103)</b>	(1,297)
		<b>(3,271)</b>	3,512
Other comprehensive income for the year, net of income tax		<b>9,564</b>	3,512
Total comprehensive income for the year		<b>253,172</b>	424,985
Attributable to:			
— Owners of the Company		<b>230,286</b>	415,112
— Non-controlling interests		<b>22,886</b>	9,873
		<b>253,172</b>	424,985

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	31/12/2022 RMB'000	31/12/2021 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property and equipment		17,426	7,687
Right-of-use assets		91,322	15,372
Investment property		31,936	–
Goodwill		316,028	316,028
Intangible assets		155,676	148,435
Investments in associates	14	209,350	11,380
Deferred tax assets		22,359	28,289
Derivative financial instruments		2,015	–
Other financial assets at fair value through profit or loss (“FVTPL”)	15	152,879	93,165
Supply chain assets at FVTOCI	16	235,137	115,974
Equity instruments at FVTOCI	17	53,629	–
Debt instrument at amortised cost	18	18,981	–
Trade and bill receivables		15,542	–
Other receivables, prepayments and others		11,230	14,990
Time deposits	20	105,534	–
		<u>1,439,044</u>	<u>751,320</u>
<b>CURRENT ASSETS</b>			
Derivative financial instruments		3,634	–
Other financial assets at FVTPL	15	256,264	190,233
Supply chain assets at FVTOCI	16	8,186,941	6,562,402
Loans to an associate		199,385	–
Loan receivable	19	164,000	–
Receivables from guarantee customers		4,558	6,253
Trade and bill receivables		37,930	19,968
Other receivables, prepayments and others		27,447	41,183
Contract costs		3,560	1,747
Time deposits	20	5,850	–
Pledged bank deposits	20	472,813	429,257
Cash and cash equivalents	20	577,033	800,410
		<u>9,939,415</u>	<u>8,051,453</u>

		<b>31/12/2022</b>	31/12/2021
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Loans from related parties		<b>370,052</b>	399,866
Trade and other payables	21	<b>494,285</b>	345,607
Derivative financial instruments		<b>12,904</b>	13,205
Contract liabilities		<b>5,180</b>	5,978
Income tax payable		<b>37,119</b>	36,835
Liabilities arising from guarantee contracts	22	<b>25,891</b>	20,116
Borrowings	23	<b>4,494,121</b>	3,000,013
Lease liabilities		<b>5,111</b>	12,051
		<u><b>5,444,663</b></u>	<u>3,833,671</u>
<b>NET CURRENT ASSETS</b>		<u><b>4,494,752</b></u>	<u>4,217,782</u>
<b>NON-CURRENT LIABILITIES</b>			
Derivative financial instruments		<b>2,056</b>	–
Borrowings	23	<b>1,746,189</b>	941,000
Lease liabilities		<b>1,263</b>	3,804
Deferred tax liabilities		<b>60,599</b>	70,704
		<u><b>1,810,107</b></u>	<u>1,015,508</u>
<b>NET ASSETS</b>		<u><b>4,123,689</b></u>	<u>3,953,594</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	24	<b>8,717</b>	8,687
Reserves		<b>3,907,475</b>	3,762,158
		<u><b>3,916,192</b></u>	<u>3,770,845</u>
Equity attributable to owners of the Company		<b>3,916,192</b>	3,770,845
Non-controlling interests		<b>207,497</b>	182,749
		<u><b>4,123,689</b></u>	<u>3,953,594</u>
<b>TOTAL EQUITY</b>		<u><b>4,123,689</b></u>	<u>3,953,594</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											
	Share capital	Share premium	Share held for restricted share unit scheme ("RSU Scheme")	Capital reserves	FVTOCI reserves/ Revaluation reserves	Translation reserves	Share-based payments reserves	Statutory reserves	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	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 year	-	-	-	-	-	-	-	-	411,043	411,043	10,430	421,473
Other comprehensive income (expense) for the year	-	-	-	-	4,036	33	-	-	-	4,069	(557)	3,512
Total comprehensive income for the year	-	-	-	-	4,036	33	-	-	411,043	415,112	9,873	424,985
Issue of new shares from placing	522	459,161	-	-	-	-	-	-	-	459,683	-	459,683
Transaction costs attributable to issue of new shares from placing	-	(3,260)	-	-	-	-	-	-	-	(3,260)	-	(3,260)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	100,993	100,993
Deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	-	(23,020)	(23,020)
Transfer to PRC statutory reserves	-	-	-	-	-	-	-	8,552	(8,552)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(16,394)	(16,394)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	12,882	-	-	12,882	-	12,882
Dividends recognised as distribution (note 12)	-	(49,146)	-	-	-	-	-	-	-	(49,146)	-	(49,146)
Exercise of share options	38	26,140	-	-	-	-	(6,651)	-	-	19,527	-	19,527
Lapse of share options	-	-	-	-	-	-	(316)	-	316	-	-	-
At 31 December 2021	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 year	-	-	-	-	-	-	-	-	219,399	219,399	24,209	243,608
Other comprehensive income (expense) for the year	-	-	-	-	11,057	(170)	-	-	-	10,887	(1,323)	9,564
Total comprehensive income (expense) for the year	-	-	-	-	11,057	(170)	-	-	219,399	230,286	22,886	253,172
Purchase of shares under RSU Scheme	-	-	(39,311)	-	-	-	-	-	-	(39,311)	-	(39,311)
Transfer to PRC statutory reserves	-	-	-	-	-	-	-	122,942	(122,942)	-	-	-
Capital injection to a subsidiary resulting in increase in interest in a subsidiary	-	-	-	228	-	-	-	-	-	228	11,772	12,000
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(9,910)	(9,910)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	5,968	-	-	5,968	-	5,968
Dividends recognised as distribution (note 12)	-	(64,712)	-	-	-	-	-	-	-	(64,712)	-	(64,712)
Exercise of share options	30	17,207	-	-	-	-	(4,349)	-	-	12,888	-	12,888
Lapse of share options	-	-	-	-	-	-	(3,067)	-	3,067	-	-	-
At 31 December 2022	8,717	2,272,342	(39,311)	1,775	15,064	(137)	25,933	216,115	1,415,694	3,916,192	207,497	4,123,689

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the year	<b>243,608</b>	421,473
Adjustment for:		
Taxation	<b>42,390</b>	40,676
Share of results of associates	<b>927</b>	(16,814)
Depreciation of property and equipment	<b>3,625</b>	3,264
Depreciation of right-of-use assets	<b>13,816</b>	12,129
Depreciation of investment property	<b>442</b>	–
Amortisation of intangible assets	<b>10,753</b>	7,493
Impairment losses under ECL model, net of reversal	<b>21,270</b>	17,184
(Gain) loss on disposal of equipment	<b>(6)</b>	22
Net loss arising from changes in fair value of derivative financial instruments	<b>4,272</b>	13,286
Loss on deregistration of subsidiaries	<b>–</b>	1,480
(Gain) loss from modification of lease contracts	<b>(74)</b>	1
Net gain from changes in fair value of other financial assets at FVTPL	<b>(41,370)</b>	(32,810)
Gains arising from acquisition of a subsidiary	<b>–</b>	(204,752)
Equity-settled share-based payments expense	<b>5,968</b>	12,882
Finance costs	<b>276,348</b>	129,228
Bank interest income	<b>(13,961)</b>	(5,304)
Interest income from loan receivables	<b>(13,085)</b>	(1,151)
Interest income from debt instrument at amortised cost	<b>(7,039)</b>	–
Interest income from loans to an associate	<b>(344)</b>	–
Exchange loss (gain), net	<b>47,142</b>	(2,964)

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Operating cash flows before movements in working capital	<b>594,682</b>	395,323
Increase in supply chain assets at FVTOCI	<b>(1,255,413)</b>	(540,334)
Decrease in other financial assets at FVTPL — distressed debt assets	<b>3,500</b>	3,653
Increase in pledged bank deposits for guarantee contracts	<b>(42,155)</b>	(18,276)
Decrease in receivables from guarantee customers	<b>1,729</b>	11,006
Increase in trade and bill receivables	<b>(33,908)</b>	(17,235)
Increase in contract costs	<b>(1,813)</b>	(1,747)
Decrease (increase) in other receivables, prepayments and others	<b>24,796</b>	(32,618)
(Decrease) increase in trade and other payables	<b>(18,185)</b>	139,445
(Decrease) increase in contract liabilities	<b>(798)</b>	4,853
Increase (decrease) in liabilities arising from guarantee contracts	<b>4,693</b>	(12,195)
	<hr/>	<hr/>
Cash used in operations	<b>(722,872)</b>	(68,125)
Enterprise income tax paid	<b>(46,331)</b>	(27,388)
	<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(769,203)</b>	(95,513)

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of other financial assets at FVTPL	<b>1,707,926</b>	207,312
Security deposit received for a loan receivable	<b>164,000</b>	–
Repayment of loan receivables	<b>106,219</b>	120,794
Redemption of a debt instrument at amortised cost	<b>54,697</b>	–
Bank interest income received	<b>11,673</b>	5,304
Withdrawal of pledged bank deposits for derivative financial instruments	<b>2,000</b>	8,853
Repayment of security deposits for derivative financial instruments	<b>201</b>	9,187
Refundable rental deposits received	<b>76</b>	14
Proceeds from disposal of equipment	<b>7</b>	57
Interest received from a loan receivable	–	1,151
Dividends received from an associate	–	20
Payments for refundable rental deposits	–	(99)
Security deposits paid for derivative financial instruments	–	(201)
Placement of pledged bank deposits for derivative financial instruments	–	(2,000)
Net cash outflow on acquisition of a subsidiary	–	(12,509)
Net cash outflow arising on deregistration of subsidiaries	–	(24,500)
Settlement of derivative financial instruments	<b>(8,166)</b>	(22,539)
Payment for purchase of equipment and prepayments of a property	<b>(10,162)</b>	(13,450)
Payment for development costs and purchase of other intangible assets	<b>(17,768)</b>	(20,207)
Net cash inflow arising on acquisition of assets through acquisition of a subsidiary	<b>(32,235)</b>	–
Purchases of equity instruments at FVTOCI	<b>(40,794)</b>	–
Purchases of debt instruments at amortised cost	<b>(66,739)</b>	–
Payments for right-of-use assets	<b>(86,314)</b>	(144)
Placement of time deposits	<b>(109,573)</b>	–
Investment in associates	<b>(199,000)</b>	(200)
Advances of loans to an associate	<b>(199,500)</b>	–
Advances of a loan receivable	<b>(257,134)</b>	(120,794)
Purchases of other financial assets at FVTPL	<b>(1,638,273)</b>	(356,412)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(618,859)</b>	(220,363)



	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>FINANCING ACTIVITIES</b>		
New borrowings raised	6,306,619	2,714,806
Loans raised from related parties	731,000	1,177,563
Repayment of pledged bank deposits for borrowings	146,622	100,966
Repayment of pledged structured deposits for borrowings	32,472	–
Proceeds received on exercise of equity-settled share options	12,888	19,527
Capital contribution from non-controlling shareholders of an subsidiary	12,000	–
Issue of placing shares	–	456,423
Repayment of pledged bank deposits for bank overdraft	–	8,419
Interest paid for bank overdraft	–	(79)
Interest paid for lease liabilities	(722)	(1,330)
Security deposits paid for borrowings	(8,449)	–
Dividends paid to non-controlling shareholders of subsidiaries	(9,910)	(21,925)
Repayment of lease liabilities	(12,859)	(12,042)
Purchase of shares under RSU Scheme	(39,311)	–
Interest paid for loans from related parties	(34,734)	(16,632)
Dividends paid to the shareholders of the Company	(64,570)	(48,615)
Pledged bank deposits paid for borrowings	(149,546)	(271,730)
Pledged structured deposits paid for bank borrowings	(190,000)	–
Interest paid for borrowings	(179,214)	(127,159)
Repayment of loans from related parties	(761,000)	(1,307,563)
Repayment of borrowings	(4,579,289)	(1,895,227)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>1,211,997</b>	<b>775,402</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	(176,065)	459,526
Effect of foreign exchange rate changes	(47,312)	2,997
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>800,410</b>	<b>337,887</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		
	<b>577,033</b>	<b>800,410</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

SY Holdings Group Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s immediate holding company is Wisdom Cosmos Limited. Its ultimate shareholder is Mr. Tung Chi Fung, who is also the Chairman and Executive Director of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are provision of digital financing solutions, platform-based services, supply chain technology services and sales of supply chain assets in the PRC.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

### 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

#### **Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**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 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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### ***Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)***

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

### **Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies***

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

### **Amendments to HKAS 8 *Definition of Accounting Estimates***

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

### ***Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB6,627,000 and RMB6,374,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

### **3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

### **4. 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 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.

## Information about major customers

Revenue and income from principal activities of the corresponding years contributing over 10% of the total revenue and income from principal activities of the Group are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A	82,880	N/A <sup>1</sup>
Customer B	<u>N/A<sup>1</sup></u>	<u>76,848</u>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 5. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES

Revenue and income from principal activities for the year 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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Platform-based services</i>		
— Loan facilitation services	53,430	40,029
— Referral service fees	15,040	—
— Technology service for asset-backed securitisation (“ABS”) products	1,970	3,525
— Other services	<u>531</u>	<u>4,930</u>
	<u>70,971</u>	<u>48,484</u>
 <i>Supply chain technology services</i>		
	<u>32,296</u>	<u>1,671</u>
	<u>103,267</u>	<u>50,155</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Timing of revenue recognition</b>		
Over time		
— Loan facilitation services	53,430	40,029
— Supply chain technology services	32,296	1,671
— Other services	531	3,959
	<u>86,257</u>	<u>45,659</u>
A point in time		
— Referral service fees	15,040	–
— Technology service for ABS products	1,970	3,525
— Other services	–	971
	<u>17,010</u>	<u>4,496</u>
	<u><u>103,267</u></u>	<u><u>50,155</u></u>

All the Group's platform-based services and supply chain technology services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2021 is not disclosed.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Digital financing solutions</i>		
— Interest income from supply chain assets	604,546	410,505
— Guarantee income	20,167	19,509
— Interest income from contracts contains significant financing components	158	–
	<u>624,871</u>	<u>430,014</u>

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

For the years ended 2022 and 2021, the Group sold part of supply chain assets to certain financial institutions mainly 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.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gain on sales of supply chain assets	<u><u>72,287</u></u>	<u><u>95,164</u></u>



## 6. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government subsidies	17,021	19,834
Interest income		
— bank deposits	13,961	5,304
— loan receivables (note 19)	13,085	1,151
— debt instruments at amortised cost	7,039	—
— loans to an associate	344	—
Rental income from an investment property	253	—
Others	499	397
	<u>52,202</u>	<u>26,686</u>

## 7. OTHER GAINS AND LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net gain from changes in fair value of other financial assets at FVTPL	41,370	32,810
Gain (loss) from modification of lease contracts	74	(1)
Gain (loss) on disposal of equipment	6	(22)
Gains arising from acquisition of a subsidiary	—	204,752
Loss on deregistration of subsidiaries	—	(1,480)
Net loss arising from changes in fair value of derivative financial instruments	(4,272)	(13,286)
Exchange (loss) gain, net	(47,142)	2,964
Others	(115)	(21)
	<u>(10,079)</u>	<u>225,716</u>

## 8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Impairment losses recognised (reversed) on:		
— Supply chain assets at FVTOCI	19,238	14,822
— Financial guarantee contracts	1,082	2,569
— Loans to an associate	480	—
— Trade and bill receivables	404	—
— Debt instrument at amortised cost	100	—
— Receivables from guarantee customers	(34)	(207)
	<u>21,270</u>	<u>17,184</u>

## 9. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest and guarantee expenses on borrowings	240,706	116,839
Interest on loans from related parties	34,920	10,980
Interest on lease liabilities	722	1,330
Interest on bank overdraft	—	79
	<u>276,348</u>	<u>129,228</u>

## 10. TAXATION

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The charge comprises:		
Current tax		
— PRC Enterprise Income Tax	44,247	18,578
— Withholding tax levied on interest income of Hong Kong subsidiaries	2,004	3,172
— Withholding tax levied on dividend declared of PRC subsidiaries	364	1,592
	<u>46,615</u>	<u>23,342</u>
Deferred tax	<u>(4,225)</u>	<u>17,334</u>
	<u>42,390</u>	<u>40,676</u>

## 11. PROFIT FOR THE YEAR

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

	2022 RMB'000	2021 RMB'000
Directors' emoluments ( <i>note i</i> )	3,418	8,149
Other staffs costs (excluding directors' emoluments)		
— Salaries, allowances and other staff benefits, including share-based payment expenses	149,102	156,547
— Staffs' retirement benefit scheme contributions	10,275	7,685
Total staff costs	162,795	172,381
Less: amount capitalised in intangible assets	(17,243)	(18,869)
amount capitalised in contract costs	(730)	—
Staff costs recognised in profit or loss	144,822	153,512
Depreciation of property and equipment	3,646	3,294
Depreciation of right-of-use assets	13,816	12,129
Depreciation of investment property	442	—
Amortisation of intangible assets	10,753	7,493
Total depreciation and amortisation	28,657	22,916
Less: amount capitalised in intangible assets	(21)	(30)
Depreciation and amortisation recognised in profit or loss	28,636	22,886
Research and development costs ( <i>note ii</i> )	18,636	15,598
Auditor's remuneration	3,620	3,080
Materials cost recognised as an expense	28,595	1,503
Donation	703	3,349

*Notes:*

- (i) During the year ended 31 December 2022, the options granted to directors failed to satisfy a vesting condition other than a market condition and did not vest, which result in a reversal of RMB2,778,000 in the share-based payment expenses.
- (ii) During the year ended 31 December 2022, research and development costs were mainly consists of staff costs amounted to RMB18,076,000 (2021: RMB15,062,000).

## 12. DIVIDENDS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
2021 final — HK7.5 cents (2021: 2020 final — HK6.3 cents) per share	<u>75,215</u>	<u>59,064</u>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Shown in the consolidated financial statements	<u>64,712</u>	<u>49,146</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK7.5 cents (2021: HK7.5 cents) per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting of the Company.

## 13. 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>219,399</u>	<u>411,043</u>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,003,517	953,753
Effect of dilutive potential ordinary shares:		
Share options/RSU Scheme	<u>742</u>	<u>3,161</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,004,259</u>	<u>956,914</u>

#### 14. INVESTMENTS IN ASSOCIATES

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

	<b>31/12/2022</b>	31/12/2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cost of investments in associates, unlisted	<b>209,200</b>	10,200
Share of post-acquisition profit	<b>13</b>	940
Share of post-acquisition OCI	<b>137</b>	240
	<b><u>209,350</u></b>	<u>11,380</u>

#### 15. OTHER FINANCIAL ASSETS AT FVTPL

	<b>31/12/2022</b>	31/12/2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Structured deposits	<b>164,634</b>	108,374
Equity tranche	<b>146,730</b>	107,545
Unlisted equity investments	<b>95,550</b>	65,550
Trust fund	<b>2,229</b>	1,929
	<b><u>409,143</u></b>	<u>283,398</u>
Analysed for reporting purposes as:		
Current assets	<b>256,264</b>	190,233
Non-current assets	<b>152,879</b>	93,165
	<b><u>409,143</u></b>	<u>283,398</u>

## 16. SUPPLY CHAIN ASSETS AT FVTOCI

	<b>31/12/2022</b>	31/12/2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Supply chain assets at FVTOCI	<b><u>8,422,078</u></b>	<u>6,678,376</u>
Analysed for reporting purposes as:		
Current assets	<b>8,186,941</b>	6,562,402
Non-current assets	<b><u>235,137</u></b>	<u>115,974</u>
	<b><u>8,422,078</u></b>	<u>6,678,376</u>

As at 31 December 2022, the effective interest rates of the supply chain assets range mainly from 4.00% to 15.00% (31 December 2021: 3.00% to 16.00%) per annum.

As at 31 December 2022, the gross carrying amount of supply chain assets of RMB4,453,000 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.

The following is an aging analysis based on due dates of the supply chain assets at FVTOCI instalments which are past due (instalments which are not yet due at the end of the reporting period are excluded):

	<b>31/12/2022</b>	31/12/2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Past due by:		
0–30 days	–	2,295
31–60 days	<b>2,177</b>	–
61–90 days	<b>2,276</b>	–
Over 90 days	–	<u>17,205</u>
	<b><u>4,453</u></b>	<u>19,500</u>

## 17. EQUITY INSTRUMENTS AT FVTOCI

	31/12/2022 <i>RMB'000</i>	31/12/2021 <i>RMB'000</i>
Unlisted equity investments	<u>53,629</u>	<u>–</u>

## 18. DEBT INSTRUMENT AT AMORTISED COST

	31/12/2022 <i>RMB'000</i>	31/12/2021 <i>RMB'000</i>
Investment in a senior tranche of ABS product with fixed interest of 5.00% and maturity dated in June 2024	19,081	–
Less: ECL allowance	<u>(100)</u>	<u>–</u>
	<u>18,981</u>	<u>–</u>

## 19. LOAN RECEIVABLE

	31/12/2022 <i>RMB'000</i>	31/12/2021 <i>RMB'000</i>
Carrying amount receivable based on maturity set out in the loan agreement:		
— within one year	164,000	–
Less: ECL allowance	<u>–</u>	<u>–</u>
	<u>164,000</u>	<u>–</u>

As at 31 December 2022, the deposit is received from a related party of the debtor with fair value amounting of RMB164,000,000 as a security deposit to the loan receivable. The deposits can also be applied and used to settle any outstanding receivable for the corresponding contract if default occurs, otherwise the Group needs to return the deposit if the outstanding receivable is settled. The loan receivable is fully repaid in January 2023.

## 20. TIME DEPOSITS/PLEGGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

The ranges of fixed interest rates/market rates on the Group's time deposits/pledged bank deposits/cash and cash equivalents are as follows:

	Range of interest rates (per annum)	
	31/12/2022 %	31/12/2021 %
Fixed-rate time deposits	2.05–2.40	N/A
Fixed-rate pledged bank deposits	0–4.00	0–2.20
Market rate cash and cash equivalents	<u>0–1.90</u>	<u>0–1.82</u>

An analysis of the Group's pledged bank deposits for the reporting period is as follows:

	31/12/2022 <i>RMB'000</i>	31/12/2021 <i>RMB'000</i>
The bank deposits pledged for:		
— bank borrowings	334,338	330,937
— loan guarantee contracts in relation to third parties	138,475	96,320
— derivative financial instruments	—	2,000
	<u>472,813</u>	<u>429,257</u>



## 21. TRADE AND OTHER PAYABLES

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
Security deposit for a loan receivable	<b>164,000</b>	–
Deposits from digital financing solutions customers	<b>157,261</b>	155,101
Settlement payables to customers and funding providers	<b>84,649</b>	92,024
Other tax payables	<b>44,695</b>	38,881
Accrued charges	<b>34,489</b>	57,484
Trade payables	<b>4,489</b>	–
Construction payables	<b>2,525</b>	–
Dividend payable to shareholders of the Company	<b>1,675</b>	1,533
Rental deposit received	<b>162</b>	–
Other payables	<b>340</b>	584
	<b><u>494,285</u></b>	<b><u>345,607</u></b>

## 22. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	31/12/2022			31/12/2021		
	Premium less accumulated amortisation <i>RMB'000</i>	ECL provision <i>RMB'000</i>	Carrying amount <i>RMB'000</i>	Premium less accumulated amortisation <i>RMB'000</i>	ECL provision <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
Guarantee contracts in relation to:						
— third parties	13,635	23,911	25,196	9,603	19,669	20,116
— an associate	661	342	695	–	–	–
	<b><u>14,296</u></b>	<b><u>24,253</u></b>	<b><u>25,891</u></b>	<b><u>9,603</u></b>	<b><u>19,669</u></b>	<b><u>20,116</u></b>

At the end of the reporting period, the directors of the Company have assessed the past due status of the debts under guarantee, the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate.

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

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee contracts in relation to:		
— third parties	<b>2,216,570</b>	1,334,663
— an associate	<b>145,430</b>	–
	<b><u>2,362,000</u></b>	<b><u>1,334,663</u></b>

## 23. BORROWINGS

	31/12/2022 <i>RMB'000</i>	31/12/2021 <i>RMB'000</i>
Bank borrowings and bills discounted	3,166,919	2,764,858
ABS issued	1,108,513	452,986
Bank loans under supplier finance arrangements	207,630	119,725
Entrusted loans	150,392	187,491
Other loans	<u>1,606,856</u>	<u>415,953</u>
	<u><b>6,240,310</b></u>	<u><b>3,941,013</b></u>
Secured	5,372,246	2,434,345
Unsecured	<u>868,064</u>	<u>1,506,668</u>
	<u><b>6,240,310</b></u>	<u><b>3,941,013</b></u>
	<b>31/12/2022</b> <i>RMB'000</i>	<b>31/12/2021</b> <i>RMB'000</i>
The carrying amounts of the above borrowings are repayable*:		
— within one year	4,443,604	2,888,036
— within a period of more than one year but not exceeding two years	932,397	911,000
— within a period of more than two year but not exceeding five years	<u>813,792</u>	<u>30,000</u>
	<u><b>6,189,793</b></u>	<u><b>3,829,036</b></u>
The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
— within one year	50,517	93,518
— within a period of more than one year but not exceeding two years	<u>—</u>	<u>18,459</u>
	<u><b>6,240,310</b></u>	<u><b>3,941,013</b></u>
Less: Amounts due within one year shown under current liabilities	<u>(4,494,121)</u>	<u>(3,000,013)</u>
Amounts shown under non-current liabilities	<u><b>1,746,189</b></u>	<u><b>941,000</b></u>

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

## 24. SHARE CAPITAL

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

	<b>Number of shares</b>	<b>Share capital HK\$</b>
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 January 2021, 31 December 2021 and 31 December 2022	5,000,000,000	50,000,000
	<u>5,000,000,000</u>	<u>50,000,000</u>
	<b>Number of shares</b>	<b>Share capital HK\$</b>
<b>Issued:</b>		
At 1 January 2021	936,596,000	9,365,960
Issue of new shares from placing	63,068,000	630,680
Exercise of share options	4,632,500	46,325
	<u>1,004,296,500</u>	<u>10,042,965</u>
At 31 December 2021	1,004,296,500	10,042,965
Exercise of share options	3,418,000	34,180
	<u>1,007,714,500</u>	<u>10,077,145</u>
At 31 December 2022	1,007,714,500	10,077,145
	<u>1,007,714,500</u>	<u>10,077,145</u>
	<b>31/12/2022</b>	<b>31/12/2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Shown in the consolidated statement of financial position	<u><b>8,717</b></u>	<u>8,687</u>

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

## EVENT AFTER THE REPORTING PERIOD

On 12 January 2023, the Group, Xiamen Xiangyu Jinxiang Holdings Group Limited 廈門象嶼金象控股集團有限公司 (“**XYJX**”) and Xiamen Xiangyu Group Limited 廈門象嶼集團有限公司 (“**XMXYG**”) (XYJK and XMXYG are collectively referred to as “Xiangyu Group”) entered into a financial assistance agreement with Xiangsheng Factoring.

Pursuant to the financial assistance agreement, Xiangyu Group agreed to provide guarantees as security for the debt financing of Xiangsheng Factoring (“**Controlling Shareholder Guarantees**”) and/or provide shareholder loans to Xiangsheng Factoring (“**Controlling Shareholder Loans**”). The Group will, in proportion to its shareholding interest in Xiangsheng Factoring, (i) provide counter guarantees to Xiangyu Group in respect of the Controlling Shareholder Guarantees; and/or (ii) provide joint and several guarantees to Xiangyu Group in respect of the Controlling Shareholder Loans. At the date of this announcement, the aggregated maximum amount of the financial assistance shall not exceed RMB1.29 billion.

On 23 February 2023, Qingdao Sunful, an indirect wholly owned subsidiary of the Company, and Qingdao Ocean Holdings Investment Holdings Limited 青島海控投資控股有限公司 (“**Ocean Holdings Investment**”) entered into a share transfer agreement, pursuant to which Ocean Holdings Investment transferred 40% of its equity interest in Qingdao Ocean Holdings Factoring Limited 青島海控商業保理有限公司 (“**Ocean Holdings Factoring**”) to Qingdao Sunful with consideration of RMB139,620,000.

On 1 March 2023, the Group and Qingdao West Coast New Area Ocean Holdings Group Limited 青島西海岸新區海洋控股集團有限公司 (“**Ocean Holdings**”) entered into a financial assistance agreement.

Pursuant to the financial assistance agreement, Ocean Holdings agreed to provide guarantees as security for the debt financing of Ocean Holdings Factoring (“**Controlling Shareholder Guarantees**”) and/or provide shareholder loans to Ocean Holdings Factoring (“**Controlling Shareholder Loans**”). The Group will, in proportion to its shareholding interest in Ocean Holdings Factoring, (i) provide counter guarantees to Ocean Holdings in respect of the Controlling Shareholder Guarantees; and/or (ii) provide joint and several guarantees to Ocean Holdings in respect of the Controlling Shareholder Loans. The aggregated maximum daily average balance of the financial assistance shall not exceed RMB400 million.

In January 2023, the Company repurchased 4,061,000 of its own shares from the market which were subsequently cancelled on 21 February 2023. The shares were acquired at prices ranging from HK\$5.96 to HK\$6.14.

Except as disclosed above and in note 12 of the consolidated financial statements, the Group had no other significant subsequent event after the reporting period.

## **PUBLICATION**

This annual results announcement published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.syholdings.com](http://www.syholdings.com)) respectively.

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

Hong Kong, 23 March 2023

*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\$1.12 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.*