MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. About SY Holdings Group Limited

SY

Digital Financing Solutions

SY leverages its technology platform to offer a range of flexible supply chain financing solutions which include accounts receivable ("**AR**")-based lending as well as loan guarantee services to meet the vast financing needs of SMEs in the Asia-Pacific region. The Group's proprietary technology platform, known as "SY Cloud Platform", incorporates a comprehensive suite of technologies such as electronic signatures, ŝu ⌠hen k < DY naŸ Pacific K Ђ d a

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

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

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

Sale of supply chain assets

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

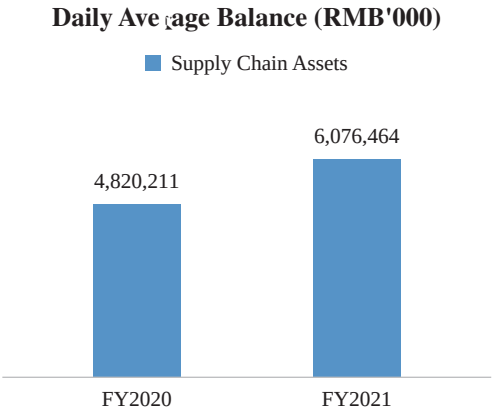
2. First Half 2022 Highlights

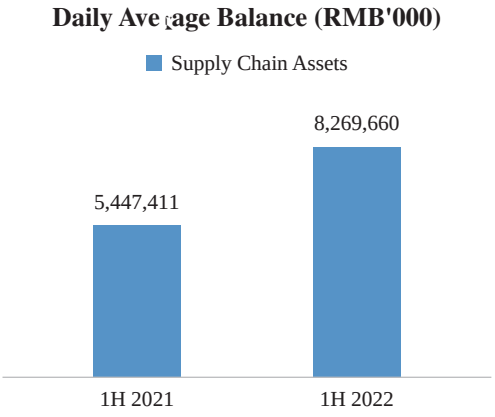
Accelerated development of industrial digital ecosystem stimulates strong growth in IIoT business

- Driven by its Dual-Engine, One-Platform strategy, SY has integrated digital technology within the industrial landscape to drive the transformation in traditional industries such as infrastructure and healthcare. Year to date, the value of new IIoT contracts in the IIoT segment exceeded RMB78 million[2], representing a significant increase of approximately 15 times over the

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

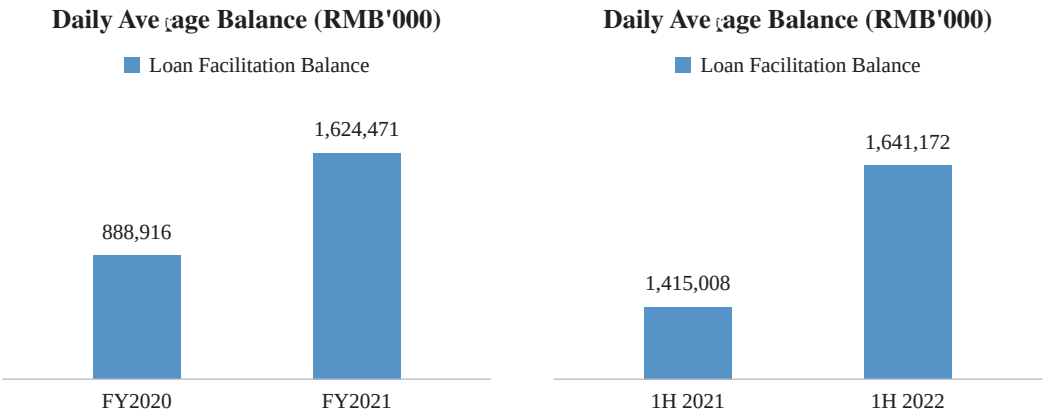
- While the IIoT segment demonstrated strong business expansion, it also empowers the technological aspect of the digital finance segment by facilitating precise customer acquisition and increasing risk management efficiency. Through the close integration of digital technology and industrial knowledge,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





- Benefiting from expanded scale of funding and improved asset quality, the Group's daily average loan facilitation balance[3] was RMB1,641 million as of 30 [illegible] increase of approxim =

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



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

Increased recognition from funding partners

- The Group's platform growth benefited from the continued recognition of funding providers. China Construction Bank Corporation Shenzhen Branch raised the loan facilitation cooperation amount from RMB1 billion to RMB2 billion attributed to the positive experience of past cooperation. In addition, Ningbo Commerce Bank Coopg ê ɤ ľ

- On 23 August 2022, SY officially signed a 2-year social and sustainability-linked dual ESG structure syndicated loan agreement of RMB500 million, with Bank SinoPac (China) Ltd. Guangzhou Branch acted as the lead and agent bank for the loan, with Bank of East Asia (China) Limited Shanghai Branch as the joint lead bank and sustainability-linked consultant, Tai Fung Bank Limited Guangzhou Branch and Korea Development Bank Beijing Branch as joint lead banks, which is the first-of-its-kind "dual ESG structure" syndicated loan with social and sustainability-linked features in China. This syndicated loan not only

- In July 2022, the Group achieves another milestone based on the cooperation model with state-owned enterprises ("**SOEs**") with close reference to WXGJ. Shenglong Information Technology Services (Ningbo) Limited ("**Shenglong Technology**"), a subsidiary of SY, and Ningbo Development

Industry accolades

- SY's commitment to technology has also been acknowledged by the market. On 15 June 2022, the Industry and Information Technology Bureau of Shenzhen Municipality announced the 2021 List of "Specialized, Refined, Unique and Innovative" SMEs in Shenzhen (《關於2021年度深圳市「專精特新」中小企業名單公示通知》) and SY's subsidiary Sheng Ye Information Technology (Shen Zhen) Co.,Ltd. ("**SYIT**") was named on the list. To identify enterprises which exhibit the characteristics of "specialization, refinement, uniqueness, and innovation", the appraisal examines an enterprise's performance against a comprehensive suite of metrics including economic efficiency, specialization levels and operation management. To be named on the list, an enterprise must be a leader in its market segment and must demonstrate cutting-edge innovation capabilities and mastery of key industry technologies. The selection as a "Specialized, Refined, Unique and Innovative" enterprise highlights the recognition and affirmation of SYIT by the government authorities for its advanced technology, scale of business expansion and exemplary development practices.

- On 8 February 2022, SY won the "2021 Export Oriented Economy Award" (「2021年度外向型經濟獎」) of the Wuxi Economic Development Zone. Winning this award underlines the outstanding recognition earned by SY's investments and contributions to promoting quality economic development in the region. As a partner committed to growing along with Wuxi City since its foray into the city, SY has mapped a strategic growth path in line with Wuxi's development plan in terms of innovation, technology and industries, creating two-way interactions with Wuxi's Internet-of-Things development.

- On 28 July 2022, SY won the "Award for Leading Technological Innovation 2022" at the 11th CFS Financial Summit. The award demonstrates the recognition of SY's capabilities in technological innovation by the CFS Financial Summit and industry players.

FINANCIAL REVIEW

Revenue and income from principal activities

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

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

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

	Six months ended 30 June				
	2022			2021	
	RMB'000	**% of total revenue**	**Year-on-year**	*RMB'000*	% of total revenue
R f					
— P f -					
— Loan facilitation services	**27,684**	**7.2%**	**59.1%**	17,400	5.8%
— Technology service for asset-backed securitisation products	**1,199**	**0.3%**	**-61.7%**	3,130	1.1%
— Other services	**441**	**0.1%**	**-83.9%**	2,731	0.9%
Subtotal	**29,324**	**7.6%**	**26.1%**	23,261	7.8%
— S	**284**	**0.1%**	**N/A**	–	–
I f f					
— Interest income	**292,987**	**75.9%**	**51.9%**	192,896	64.4%
— Guarantee income	**9,349**	**2.4%**	**21.6%**	7,690	2.6%
Subtotal	**302,336**	**78.3%**	**50.7%**	200,586	67.0%
G f	**54,312**	**14.0%**	**-28.0%**	75,427	25.2%
Revenue and income from principal activities	**386,256**	**100.0%**	**29.1%**	299,274	100.0%

Platform-based Services

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

Supply chain technology services

Revechain chain

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

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

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

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

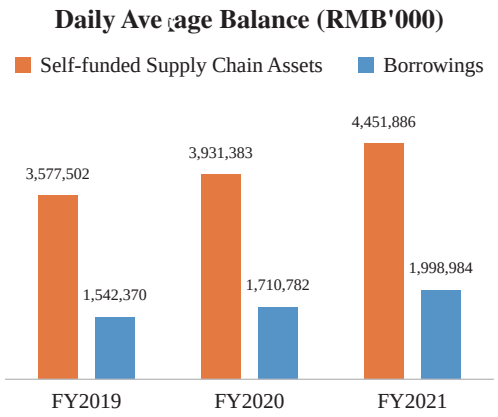
As at 30 June 2022, there were a total of 3,110 (31 December 2021: 1,409) outstanding supply chain asset[illegible] of which 132 (31 December 2021:

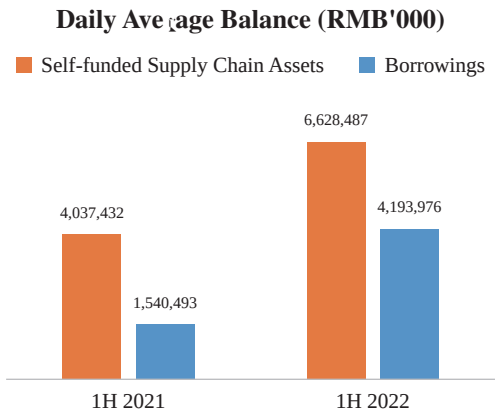
Movements in Impairment Loss Allowance on Supply Chain Assets

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

Borrowings and Finance Cost

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





Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC, wit wit by the the

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 Quo a and Group

- *Utilization Quota*

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

  The Utilization Quota is generally determined by the Group upon each application considering, among others, (i) the amount of accounts receivables owned by the customer which is of sufficient value (being more than or equal to the amount of the utilization applied by the customer) as credit enhancement for the provision of the digital financing solutions under the specific application; and (ii) the transaction profile maintained on a real-time basis by the Group from which the accounts receivables are originated. The transaction profile is empowered by the Group's data-driven supply chain technology platform, known as "SY Cloud Platform", which verifies transactional authenticity with multi-dimensional and and

BUSINESS OUTLOOK AND PROSPECTS

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

SY's Dual-Engine, One-Platform growth strategy will c$ the v ϐ γ ᴰ ϊ γ ઌ

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

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

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

INTERIM DIVIDEND

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

USE OF PROCEEDS

The Placement in 2021

On 24 September 2021 (after the trading hours), the Company and China International

The placing price of HKD8.80 per share represents: (i) a discount of approximately 7.95% to the closing price of HK$9.56 per share as quoted on the Stock Exchange on 24 September 2021; (ii) a discount of approximately 9.45% to the

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In June 2022, the Group acquired 100% equity interest in Trade Nice Limited ("**TNL**") for a consideration of HKD38,000,000. As at

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN EXCHANGE RISKS

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 364 staff (As at 31 December 2021: 347 staff). Total staff costs (including Directors' emoluments) were approximately RMB69.5 million (including share option benefits RMB1.0 million and RSU benefits RMB0.1 million) for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB57.5 million (including share option benefits RMB6.1 million)). Remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employee. In light of the Group's continuous strive to maintain its market position, recruitment and retention of talent is of paramount importance to the future development of the Group. Therefore, the Group is committed to continuously enhancing and optimizing its remuneration and benefits policies to remain competitive. A comprehensive pol3 ofommS Td’ IpmOD Soptm6 ɔ ɣ Ď

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

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

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

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

RESTRICTED SHARE UNIT ("RSU") SCHEME

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

CHANGES IN INFORMATION OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

There

AUDIT COMMITTEE

The Company established the Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.21 in

INTERIM RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	NOTES	**30 June 2022** ***RMB'000*** **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Non-current assets			
Property and equipment		**6,845**	7,687
Right-of-use assets		**97,653**	15,372
Investment property		**32,303**	–
Goodwill		**316,028**	316,028
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	NOTES	**30 June 2022** ***RMB'000*** **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
Current liabilities			
Loans from related parties		**731,797**	399,866
Other payables and accrued charges	*16*	**471,371**	345,607
Derivative financial instruments		**538**	13,205
Contract liabilities		**6,230**	5,978
Income tax payable		**23,788**	36,835
Liabilities arising from guarantee contracts			

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

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

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

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of amendments to HKFRSs

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

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

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

2.1 Accounting policies which became relevant to the Group

I

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

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

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

L

The Group as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are

3. SEGMENT INFORMATION

The chief operating decision maker ("**CODM**"), being the executive directors of the Company, have determined that no segment information is presented other than entity wide disclosures throughout the reporting period, as the Group is principally engaged in providing platform-based services, digital financing solutions, supply chain technology services and sales of supply chain assets services mainly in the PRC. The CODM reviews the condensed consolidated financial position and results of the Group as a wholk c ₰ of c P D"z¬JÊM B U™ì)a ð !Ãi † Q

(ii) Income from digital financing solutions

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

(iii) Gain on sales of supply chain assets

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

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

5. OTHER INCOME/OTHER GAINS AND LOSSES

(a) Other income

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government subsidies	**13,703**	10,201
Bank		

(b) Other gains and losses

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

6. FINANCE COSTS

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

7. TAXATION

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax		
— PRC Enterprise Income Tax	**14,171**	17,689
— Withholding tax levied on interest income of a Hong Kong subsidiary	**1,042**	2,085
— Withholding tax levied on dividend declared of a PRC subsidiary	**–**	1,500

8. PROFIT FOR THE PERIOD

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

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

Notes:

(i) During the six months ended 30 June 2022, the options granted to a director failed to satisfy a vesting condition other than a market condition and did not vest, which result in a reversal of RMB2,628,000 in the share-based payment expenses.

(ii) During the six months ended 30 June 2022, research and development costs were mainly consists of staff costs amounted to RMB4,322,000 (six months ended 30 June 2021: RMB10,507,000).

9. DIVIDENDS

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

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

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

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

10. EARNINGS PER SHARE

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

Six months ended 30 June	
2022	2021
RMB'000	*RMB'000*
(Unaudited)	! the"

16. OTHER PAYABLES AND ACCRUED CHARGES

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

17. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	30 June 2022	31 December 2021
	Premium less accumulated	

20. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

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

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

Assets and liabilities recognised at the date of acquisition

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

Consideration satisfied by

	RMB'000 (Unaudited)
Consideration payable within 1 year	32,497

Net cash inflows arising on acquisition of TNL

	RMB'000 (Unaudited)
Cash and cash equivalents acquired	262

PUBLICATION

This interim results announcement published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company aesu Ь btot ̃Ωbصh < Ч ((uthe