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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT 2021

Reference is made to the annual report of SY Holdings Group Limited (the “**Company**” together with its subsidiaries, the “**Group**”) for the year ended 31 December 2021 published on 14 April 2022 (the “**Annual Report 2021**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the Annual Report 2021.

In addition to the information set out in the Annual Report 2021, the Company wishes to provide the Shareholders and the potential investors with the following supplemental information.

DIGITAL FINANCING SOLUTIONS

The Group is a leading supply chain technology platform providing data-driven efficient and inclusive industrial internet of things and digital financing solutions for companies across the Asia-Pacific. 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 which reflects the distinctive nature of each segment.

Among these segments, digital financing solutions refer to that a range of flexible supply chain financing solutions which include accounts receivable (“**AR**”)-based lending and AR-based loan guarantee services.

Key internal controls

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 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 cross-checking 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 applied 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 include the assessment of the credit limit of a customer (the “**Customer Quota**”) and the credit limit of each utilization request made by the customer (the “**Utilization Quota**”).

- ***Customer Quota***

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

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

- ***Utilization Quota***

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

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

comprehensive suite of technologies such as electronic signatures, optical character recognition (“**OCR**”), natural language processing (“**NLP**”), big data analytics, video authentication and facial recognition.

Monitoring of loan recoverability

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

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

Loan collection

Where irregularity is noted by the risk management department, a working group comprised of multi-functional team members would 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.

Major terms of supply chain assets

Supply chain assets in the Annual Report 2021 are referred to as the balance of AR-based lending in digital financing solutions as at 31 December 2021. 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 2021, 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 RMB680,894,000 were secured by certain commercial acceptance bills received from customers and the supply chain assets of RMB438,859,000 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 2021, there were a total of 1,409 outstanding supply chain assets obtained by the Group, out of which 136 supply chain assets are referred to as sizeable loans with principal amount exceeds RMB10,000,000, 494 supply chain assets with principal amount between RMB1,000,000 and RMB10,000,000, 779 supply chain assets with principal amount less than RMB1,000,000.

As at 31 December 2021, the outstanding supply chain assets of RMB910,443,000 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 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 17 months and effective interest rates ranging mainly from 3.00% to 16.00% per annum.

The supplementary information set out in this announcement does not affect other information contained in the Annual Report 2021 and, save as disclosed in this announcement, all other information set out in the Annual Report 2021 remains unchanged.

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

Hong Kong, 15 August 2022

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

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