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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in the Company, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)**

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY AND MAJOR TRANSACTION IN RELATION TO FINANCIAL ASSISTANCE AND EQUITY PLEDGE PROVIDED BY THE GROUP**

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Capitalised terms used on this cover page have the same meaning as defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 21 of this circular.

The transactions have been approved by written shareholders’ approval obtained from a Shareholder who holds more than 50% of the voting rights at that general meeting of the Company, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

24 April 2024

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Articles of Association”	Articles of Association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Business Day(s)”	any day (excluding a Saturday, Sunday and public holidays in Hong Kong SAR) on which licensed banks are generally open for business in Hong Kong SAR and the Stock Exchange is generally open for trading of securities in Hong Kong SAR
“Capital Increase”	the capital contribution of RMB569.4 million to the Target Company by Wuxi Taihu New City
“Collaboration Agreement”	the collaboration agreement entered into on 28 February 2024
“Company”	SY Holdings Group Limited 盛業控股集團有限公司, an exempted company duly incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Stock Exchange (stock code: 6069)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB569.4 million payable by Wuxi Taihu New City for the Capital Increase pursuant to the Collaboration Agreement
“Controlling Shareholder Guarantees”	has the meaning given to this term in “I. Principal Terms of the Collaboration Agreement” below
“Controlling Shareholder Loans”	has the meaning given to this term in “I. Principal Terms of the Collaboration Agreement” below
“Digital Financing Solutions”	supply chain financing solutions provided by the Group to its customers through the Platform, including but not limited to accounts receivable based lending and loan guarantee services
“Director(s)”	the director(s) of the Company
“Equity Pledge”	has the meaning given to this term in “I. Principal Terms of the Collaboration Agreement” below
“Financial Assistance”	Financial Assistance A and Financial Assistance B

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## DEFINITIONS

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“Financial Assistance A”	has the meaning given to this term in “I. Principal Terms of the Collaboration Agreement” below
“Financial Assistance B”	has the meaning given to this term in “I. Principal Terms of the Collaboration Agreement” below
“Group”	the Company and its subsidiaries
“Guarantors”	has the details set out in “About the Guarantors” below
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong SAR
“Hong Kong SAR”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company
“Latest Practicable Date”	24 April 2024, being the latest practicable date for the purpose of ascertaining information contained in this circular before its despatch
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Performance Target”	has the meaning given to this term in “I. Principal Terms of the Collaboration Agreement” below
“PRC” or “Mainland China”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong SAR, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares from time to time
“Share Repurchase”	has the meaning given to this term in “I. Principal Terms of the Collaboration Agreement” below
“Sheng Ye Digital”	盛業數字科技(無錫)有限公司 (Sheng Ye Digital Technology (Wuxi) Co., Ltd.*)
“Sheng Ye Information”	盛業信息科技服務(深圳)有限公司 (Sheng Ye Information Technology Service (Shenzhen) Co., Ltd.*)

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SY Factoring”	SY Factoring Limited* (盛業商業保理有限公司)
“SY Group”	collectively, the Company, Sheng Ye Information, SY Factoring, Tianjin Shengzhuo and Tianjin Shengye
“Target Company”	無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.*)
“Tianjin Shengye”	天津盛業(集團)有限公司 (Tianjin Sheng Ye (Group) Co., Ltd.*)
“Tianjin Shengzhuo”	天津盛卓企業管理諮詢有限公司 (Tianjin Shengzhuo Enterprise Management Consulting Co., Ltd.*)
“Valuation Report”	the valuation report on the appraised value of entire equity interest of the Target Company as at the 31 December 2023 complied by the Valuer
“Valuer”/“Jiangsu Puxin”	Jiangsu Puxin Assets Appraisal Property and Land Valuation Co., Ltd.* (江蘇普信資產評估房地產土地估價有限公司), an independent certified PRC public valuer approved and regulated by China Securities Regulatory Commission and Ministry of Finance
“Wisdom Cosmos”	Wisdom Cosmos Limited, a company incorporated in the British Virgin Islands, is the beneficial owner of 560,601,960 Shares, representing approximately 56.64% shareholding interests in the Company
“Wuxi Taihu New City”	無錫市太湖新城資產經營管理有限公司 (Wuxi Taihu New City Asset Management Co., Ltd.*)
“Wuxi Taihu New City Group”	collectively, Wuxi Tiahu New City, its associated companies and/or Wuxi Taihu New City Group Co., Ltd.* (無錫市太湖新城發展集團有限公司) (as the case may be)
“Wuxi Tonghui”	Wuxi Tonghui Capital Co., Ltd* (無錫通匯資本有限公司), which is previously named as Wuxi Tonghui Investment Co., Ltd* (無錫通匯投資有限公司) until the change of the company name in October 2023
“%”	per cent

References to time and dates in this circular are to Hong Kong time and dates.

\* For identification purpose only

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## LETTER FROM THE BOARD

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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)**

***Executive Directors:***

Mr. Tung Chi Fung (*Chairman*)

Mr. Chen Jen-Tse

***Non-executive Director:***

Mr. Lo Wai Hung

***Independent Non-executive Directors:***

Mr. Loo Yau Soon

Mr. Fong Heng Boo

Mr. Tang King San Terence

Ms. Chan Yuk Ying Phyllis

***Registered Office:***

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

***Headquarters and principal place of  
business in the Mainland China:***

10/F and 18/F

Kerry Plaza Tower 2

1-1 Zhong Xin No. 4 Road

Futian, Shenzhen 518048

PRC

***Principal Place of Business in Hong Kong SAR:***

Room 4202, 42/F

Tower 1, Lippo Centre

89 Queensway, Admiralty

Hong Kong SAR

24 April 2024

*To the Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO DEEMED DISPOSAL OF  
EQUITY INTEREST IN A SUBSIDIARY  
AND  
MAJOR TRANSACTION IN RELATION TO FINANCIAL ASSISTANCE AND  
EQUITY PLEDGE PROVIDED BY THE GROUP**

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# LETTER FROM THE BOARD

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## BACKGROUND

Reference is made to the announcements of the Company dated 28 February 2024 and 20 March 2024 in relation to, among other things, the Collaboration Agreement, the Financial Assistance, the Equity Pledge and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) details of the Collaboration Agreement, the Financial Assistance, the Equity Pledge and the transactions contemplated thereunder; and (ii) other information as required under the Listing Rules.

## MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE DEEMED DISPOSAL UNDER THE COLLABORATION AGREEMENT

On 28 February 2024 (after trading hours), (i) Wuxi Taihu New City; (ii) Sheng Ye Digital, a wholly-owned subsidiary of the Company, (iii) Tianjin Shengzhuo, a wholly-owned subsidiary of the Company, (iv) the Target Company, and (v) the Company (together with its certain subsidiaries) entered into the Collaboration Agreement. As at the Latest Practicable Date, the Target Company is held as to 20% by Wuxi Taihu New City, 40% by Sheng Ye Digital, and 40% by Tianjin Shengzhuo.

Pursuant to the Collaboration Agreement, Wuxi Taihu New City agreed to subscribe RMB569.4 million of the capital increase in the Target Company, Sheng Ye Digital and Tianjin Shengzhuo both agreed not to exercise their pre-emptive rights in relation to the Capital Increase. Upon completion of the Capital Increase, the registered capital of the Target Company will increase from RMB300.0 million to RMB489.8 million, and the Target Company will be owned as to 51% by Wuxi Taihu New City, 24.5% by Sheng Ye Digital, and 24.5% by Tianjin Shengzhuo. As each of Sheng Ye Digital's equity interest and Tianjin Shengzhuo's equity interest in the Target Company will be diluted from 40% to 24.5% respectively, and accordingly, the Group's total indirect equity interest in the Target Company will be diluted from 80% to 49% as a result of the Capital Increase. Upon completion of the Capital Increase, the Target Company will cease to become a non-wholly owned subsidiary of the Company. These 49% remaining shares are to be retained by the Group.

### I. PRINCIPAL TERMS OF THE COLLABORATION AGREEMENT

The principal terms of the Collaboration Agreement are set out below.

Date: 28 February 2024

Parties:

- (i) Wuxi Taihu New City;
- (ii) Sheng Ye Digital, a wholly-owned subsidiary of the Company;
- (iii) Tianjin Shengzhuo, a wholly-owned subsidiary of the Company;
- (iv) the Target Company;
- (v) the Company;

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## LETTER FROM THE BOARD

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- (vi) Tianjin Sheng Ye, a wholly-owned subsidiary of the Company;
  - (vii) Sheng Ye Information, a wholly-owned subsidiary of the Company; and
  - (viii) SY Factoring, a wholly-owned subsidiary of the Company
- Capital Increase: Wuxi Taihu New City agreed to subscribe RMB569.4 million of the capital increase in the Target Company, Sheng Ye Digital and Tianjin Shengzhuo both agreed not to exercise their pre-emptive rights in relation to the Capital Increase. Upon completion of the Capital Increase, the registered capital of the Target Company will increase from RMB300.0 million to RMB489.8 million.
- Consideration: Wuxi Taihu New City subscribed for the Capital Increase in cash at RMB569.4 million, of which RMB189.8 million will be accounted for as the registered capital of the Target Company, and the remaining RMB379.6 million will be accounted for as the capital reserve of the Target Company.
- Payment terms: Wuxi Taihu New City makes the full payment of the Consideration on or before 31 March 2024. As at the Latest Practicable Date, the full payment of the Consideration has already been made.
- Completion of Capital Increase: Completion of the Capital Increase will take place on the date when the change of business registration procedure for the Capital Increase is completed. As at the Latest Practicable Date, the change of business registration procedure for the Capital Increase has not yet been completed. Upon completion of the Capital Increase, any further changes to the registered capital and shareholder structuring of the Target Company shall be unanimously agreed by all shareholders of the Target Company.
- Board composition: Upon the completion of the Capital Increase, the board of the Target Company shall comprise of five directors, of which three directors shall be appointed by Wuxi Taihu New City, and the rest shall be appointed by Sheng Ye Digital, while the chairman of the board shall be designated by Wuxi Taihu New City.
- Management composition: Upon the completion of the Capital Increase, the risk management committee of the Target Company shall comprise of five members, of which two members shall be appointed by Wuxi Taihu New City, and the rest shall be appointed by Sheng Ye Digital;

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## LETTER FROM THE BOARD

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The majority of the management team including the general manager, the general manager assistant, the marketing director, the operations director and the risk management director shall be appointed by Sheng Ye Digital, while the vice general manager and the finance director shall be appointed by Wuxi Taihu New City.

- Platform services: In addition to the systems required to be accessed by the local financial regulatory authorities and the financial systems required to be accessed by Wuxi Taihu New City Group, the Target Company shall only and exclusively use the platform systems provided by the companies designated by SY Group or Sheng Ye Digital in conducting its business.
- Controlling Shareholder Guarantees: Wuxi Taihu New City Group shall provide guarantees as security for the debt financing of the Target Company.
- Controlling Shareholder Loans: Wuxi Taihu New City Group shall provide shareholder loans to the Target Company. The maximum principal amount of the Controlling Shareholder Loans shall not exceed RMB3 billion.
- Term and maximum principal amount of the Controlling Shareholder Guarantees and the Controlling Shareholder Loans: During the years 2024-2026, the maximum aggregated principal amount of the Controlling Shareholder Guarantees and the Controlling Shareholder Loans shall not exceed the lower of (i) RMB10 billion; and (ii) ninth times of the amount of the net assets of the Target Company.
- Financial Assistance A: In respect of the Controlling Shareholder Guarantees, SY Group shall provide counter guarantees to Wuxi Taihu New City Group in proportion to the aggregated shareholding interest of Sheng Ye Digital and Tianjin Shengzhuo in the Target Company, being 49% as at the date upon the completion of the Capital Increase.
- SY Group will not charge any fee on the Target Company in relation to the Financial Assistance A.
- Financial Assistance B: In respect of the Controlling Shareholder Loans, SY Group shall provide joint and several guarantees to Wuxi Taihu New City Group.
- SY Group will not charge any fee on the Target Company in relation to the Financial Assistance B.

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## LETTER FROM THE BOARD

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Term of the Financial Assistance: Within three (3) years from the expiry dates of the Controlling Shareholder Guarantees and/or the Controlling Shareholder Loans.

Equity Pledge: Upon the later of the date of the completion of the Capital Increase and the discharge of the pledged equity by Wuxi Tonghui (the previous shareholder of the Target Company) being no later than 28 June 2024, the SY Group shall provide the following pledges in favour of Wuxi Taihu New City to secure the Controlling Shareholder Guarantees and/or the Controlling Shareholder Loans:

- (i) Sheng Ye Digital shall pledge 24.5% equity interest in the Target Company held by it to Wuxi Taihu New City; and
- (ii) Tianjin Shengzhuo shall pledge 24.5% equity interest in the Target Company held by it to Wuxi Taihu New City.

Performance Target: For the years of 2024 to 2026, the cumulative net profits for Target Company shall be not less than RMB374.52 million. The Performance Target would be reviewed at the end of each year and adjustment mechanism is applicable for the years of 2025 and 2026. If Wuxi Taihu New City Group fails to provide sufficient amount of the Controlling Shareholder Guarantees and the Controlling Shareholder Loans as prescribed in the Collaboration Agreement, the aforesaid Performance Target shall be reduced pro rata, based on the Target Company's actual daily average amount of financing.

The calculation formula is as follows:

$$PA = (DA/DC) \times PC$$

Where:

PA: Adjusted Performance Target

DA: Target Company's actual daily average amount of financing

DC: Target Company's daily average amount of financing agreed in the Collaboration Agreement, most of which would be facilitated by the Controlling Shareholder Loans and the Controlling Shareholder Guarantees

PC: Performance Target agreed in the Collaboration Agreement

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## LETTER FROM THE BOARD

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In particular, the DC and PC during 2024 to 2026 are set out as below:

	<b>PC</b> <b>(cumulative</b> <b>amount from</b> <b>1 January 2024</b> <b>to 31 December</b> <b>of the particular</b> <b>year)</b> <i>RMB million</i>	<b>DC</b>  <b>(during</b> <b>the particular</b> <b>year)</b> <i>RMB million</i>
2024	90	nil
2025	222.79	6,030
2026	374.52	6,766.72

Share repurchase:

Wuxi Taihu New City shall have a right to request the Group to repurchase all or part of the equity interests of the Target Company held by Wuxi Taihu New City under any of the following circumstances: (i) failure of the Target Company to meet the Performance Target for a consecutive of three years; or (ii) a material change of the business scope of the Target Company without the consent of Wuxi Taihu New City; or (iii) upon the occurrence of any breach of certain warranties by Sheng Ye Digital, Tianjin Shengzhuo or the Guarantors which are not rectified within the prescribed time under the Collaboration Agreement; or (iv) pursuant to the Collaboration Agreement, the occurrence of any event that result in Sheng Ye Digital, Tianjin Shengzhuo or the Guarantors being unable to fulfill the guarantee obligations thereunder.

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## LETTER FROM THE BOARD

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The parties agree that the repurchase price of the Share Repurchase shall be the higher of:

- (i) Price = the relevant proportional investment amount corresponding to the proportion of equity interests to be repurchased as requested by Wuxi Taihu New City  $\times (1 + 8\% \times N)$  – the total dividend payment received by Wuxi Taihu New City for the three years from 2024 to 2026;

“N”: being the number of days from the first payment date of Wuxi Taihu New City’s for the previous purchase of the 20% equity interests of the Target Company from Wuxi Tonghui, being 5 January 2024, to the date on which the Group fully pays such share repurchase price to Wuxi Taihu New City (both days inclusive) divided by 360;

“investment amount”: being approximately RMB749.4 million, comprising of the consideration paid by Wuxi Taihu New City for the previous purchase of the 20% equity interests of the Target Company from Wuxi Tonghui (a previous shareholder of the Target Company) and the amount of the Capital Increase made by Wuxi Taihu New City;

- (ii) the value of the equity interests to be repurchased pursuant to a valuation report issued by a valuer jointly selected by Wuxi Taihu New City and Sheng Ye Digital.

Based on the repurchase price described above, the percentage of equity interests to be repurchased, the total dividend payment to be received by Wuxi Taihu New City for the three years from 2024 to 2026, the variable “N”, as well as the value of the Share Repurchase based on a valuation report to be issued by a valuer cannot be determined or predicted at this stage, it is therefore currently not possible for the Company to provide an accurate estimation of the repurchase price of the Share Repurchase, nor the highest possible value of the Share Repurchase at this stage.

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## LETTER FROM THE BOARD

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The Company supplements that Wuxi Taihu New City's right to request the Group to repurchase all or part of the equity interests held by Wuxi Taihu New City is subject to the compliance with Chapter 14 of the Listing Rules. Should the Share Repurchase constitute a major or above transaction under Chapter 14 of the Listing Rules, shareholders' approval requirement has to be fulfilled before proceeding with the Share Repurchase; in other words, if shareholders' approval is not obtained, the Share Repurchase cannot be proceeded despite the fact that the repurchase circumstances (as set out above) has occurred and Wuxi Taihu New City has requested the Group to make the Share Repurchase. The Company will comply with the requirements under Chapter 14 of the Listing Rules before proceeding with the Share Repurchase in the future.

### **Basis of determination of the Capital Increase**

The amount of capital contribution was arrived based on normal commercial terms arm's length negotiations among the parties with reference to, (i) the appraised value of the entire equity interest of the Target Company as at 31 December 2023, being RMB900 million (i.e. approximately RMB279 million for an increase of 31% shareholding in the Target Company), as per the valuation prepared by Jiangsu Puxin Assets Appraisal Property and Land Valuation Co., Ltd.\* (江蘇普信資產評估房地產土地估價有限公司), a certified PRC public valuer approved and regulated by China Securities Regulatory Commission and Ministry of Finance, based on income approach; and (ii) the reasons as mentioned in the section headed "Reasons for and Benefits for the Collaboration Agreement". The consideration of the Capital Increase at RMB569.4 million contributed by Wuxi Taihu New City represents a premium to the appraised value, therefore favourable to the Company and the Shareholders as a whole.

Jiangsu Puxin is an independent certified PRC public valuer approved and regulated by China Securities Regulatory Commission and Ministry of Finance in the PRC. The Valuer possesses the requisite qualifications for conducting valuation for the Target Company.

### **Basis of determination of the Financial Assistance**

The maximum principal amount of the Financial Assistance was determined by the parties based on arm's length negotiation by considering: (i) the anticipated business expansion and growing funding needs of the Target Company subsequent to the increase in its registered capital; (ii) the terms of the previous financial assistance agreements with the previous shareholders; (iii) the credit rating and repayment track record of the Target Company; (iv) the credit rating and endorsement of the state-owned shareholder Wuxi Taihu New City; and (v) the Group will benefit as a shareholder from the Target Company's growing business scale and business income. As at the Latest Practicable Date, approximately RMB3,882.0 million of the Financial Assistance has been utilised by the Target Company, RMB1,731.6 million of which constitutes guarantees as security for banking facilities utilised by the Target Company. The Financial Assistance by the Group is financed by its internal resources and/or external borrowings if the relevant guarantees/counter guarantees were to be enforced.

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## LETTER FROM THE BOARD

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### Shareholding Structure of the Target Company

The table below sets forth the shareholding structure of the Target Company (i) immediately before the completion of the Capital Increase; and (ii) immediately after the completion of the Capital Increase:

	Immediately before the completion of the Capital Increase				Amount of capital contributions (RMB million)	Immediately after the completion of the Capital Increase		
	Registered capital (RMB million)	Capital reserve (RMB million)	Equity interest (%)			Registered capital (RMB million)	Capital reserve (RMB million)	Equity interest (%)
Sheng Ye Digital	120.0	-	40%	-	120.0	-	24.5%	
Tianjin Shengzhuo	120.0	-	40%	-	120.0	-	24.5%	
Wuxi Taihu New City	60.0	-	20%	569.4	249.8	379.6	51%	
Total	<u>300.0</u>	<u>-</u>	<u>100.0%</u>	<u>569.4</u>	<u>489.8</u>	<u>379.6</u>	<u>100.0%</u>	

### VALUATION REPORT OF THE TARGET COMPANY

The valuation of the Target Company was prepared based on income approach which involves projection of profits which constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rule 14.60A of the Listing Rules apply.

Under the income approach, discounted cash flows method was adopted. The details of the principal assumptions upon which the valuation was based are as follows:

#### General Assumptions

1. Transaction assumptions: All assets to be appraised are already in the process of being traded, and asset valuation professionals simulate the market for valuation based on the trading conditions of the assets to be appraised.
2. Open market assumption: Both parties to an asset transaction are on an equal footing with each other, and that both parties to the asset transaction have access to sufficient market information and time to make rational judgments about the function and use of the asset and its transaction price, etc., when the asset is traded in the market or is proposed to be traded in the market.
3. Going concern assumption: the Target Company will comply fully with all relevant laws and regulations and continue in business for the foreseeable future.
4. There will be no material adverse effects on the Target Company caused by force majeure or unforeseeable factors after the valuation date.
5. There will be no material changes in the relevant laws and regulations and policies in force, the macroeconomic situation and the political, economic and social environment of the region in which the parties are located.

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## LETTER FROM THE BOARD

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### Special Assumptions

1. The management of the Target Company after the valuation date is stable and capable of assuming its duties.
2. The scope and manner of operation of the Target Company after the valuation date will be consistent with the current direction on the basis of the existing management style and management level.
3. The accounting policies adopted by the Target Company after the valuation date and the accounting policies adopted in the preparation of the valuation report are consistent in all material respects.
4. There are no significant changes in interest rates, exchange rates, tax rates, and policy levies related to the Target Company after the valuation date.
5. The Target Company fully complies with all relevant laws and regulations.
6. The relevant basic data and financial information being provided regarding the Target Company are true, accurate and complete.
7. The financial reports and transaction data of comparable companies relied upon by the valuer are true and reliable.
8. The Target Company will obtain net cash flows evenly during the year.
9. The signed leases of the Target Company are legal and valid; the signed leases are actually performed, will not be changed and terminated without cause, and will continue to be renewed upon expiration.
10. The judgment made by the asset valuer through on-site field investigation without technical testing of the technical parameters and performance of the equipment as at the valuation date, on the assumption that the information being provided in respect of the equipment is true and valid.
11. The on-site inspection of the assets by the asset valuer was limited to the appearance and utilization of the assets and did not test their structure and other intrinsic qualities, so that it was not possible to ascertain whether there were any intrinsic defects. This valuation report is premised on the assumption that the intrinsic quality of the assets complies with the relevant standards and is sufficient to maintain its normal use.
12. The Target Company complies with the regulatory requirement that its assets at risk should not exceed 10 times of its net assets.
13. It is assumed that after the Target Company has fully utilized the total amount of guarantees and borrowings (including direct borrowings) of RMB3.3 billion provided by Wuxi Taihu New City (or its affiliates) in the future, and that the balance of the debt financing actually utilized each month (i.e. direct borrowings) shall be RMB3.0 billion, the remaining insufficiency will be satisfied or financed by other financing methods.

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## LETTER FROM THE BOARD

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Pursuant to Rule 14.60A(2) of the Listing Rules, Deloitte Touche Tohmatsu, the auditor of the Company, was engaged by the Company to report on the calculations of the discounted cash flows used in the appraisal report compiled by the Jiangsu Puxin and issue a letter (the “**Letter from Deloitte**”). The full text of the Letter from Deloitte is set out in the Appendix II of this circular.

The Board has reviewed the assumptions used in the appraisal report compiled by the Jiangsu Puxin in respect of the total shareholders’ equity of the Target Company and has also considered the Letter from Deloitte. Having considered the above basis, the Board confirms that the profit forecast has been made after due and careful enquiry. The letter of the board in respect of the profit forecast disclosed by the Company under Rule 14.60A(3) of the Listing Rules (the “**Letter from the Board regarding Profit Forecast**”) is set out in the Appendix III of this circular.

### REASONS FOR AND BENEFITS OF THE COLLABORATION AGREEMENT

The Board believes that the entering into of the Collaboration Agreement between the Group and Wuxi Taihu New City Group is in line with the Group’s platformization strategy. Through the strategic cooperation with high-quality local state-owned enterprises, the Group will accelerate the construction of an inclusive financial service platform for the regional supply chain, achieve efficient connexion of industrial resources and precise customer acquisition, and focus on meeting the financing needs of micro, small and medium-sized enterprises.

Despite certain impacts could be anticipated upon the completion of the Capital Increase, including but not limited to that the total assets and the interest income of the Target Company would be unconsolidated in the Group’s financial statements. However, with the rapid expansion of the business of the Target Company, the Company expects that the relevant impacts will be mitigated and the overall revenue structure of the Group will be further optimized for the following reasons: Firstly, empowered by the Capital Increase and the financial support provided by shareholders, at the end of 2026 the net assets and the business scale of the Target Company could be expected to approach RMB1 billion and RMB10 billion respectively. Referred to the Performance Target set in the Collaboration Agreement, the cumulative net profits of the Target Company during years 2024 to 2026 shall be not less than RMB374.52 million, representing an expected growth of approximately 109% compared to that of the corresponding period from 2021 to 2023. Hence the Group expects to record share of profit from an associate as the non-controlling shareholder of the Target Company. In addition, subsequent to the completion of the Capital Increase, the Target Company will replicate the cooperation model with high-quality local state-owned assets again. Leveraging the business growth opportunities presented by the Target Company, the Group could extend its leading supply chain technology services and inclusive financial solutions to micro, small and medium-sized enterprise customers within the ecosystem. This initiative aims to foster additional growth in platform-based service fees, thereby driving further optimization of revenue structure.

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## LETTER FROM THE BOARD

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The Capital Increase at a premium underscores the market's support and recognition of the Group's platform capabilities, especially from the local government of Wuxi and the state-owned shareholder Wuxi Taihu New City. As Wuxi Taihu New City Group focuses on the business of city construction and infrastructure development, the Board is of the view that the ecosystem of Wuxi Taihu New City Group aligns with our Group's client base and industrial preference and is conducive for the Group to expand its market presence in the Yangtze River Delta region, which is one of the most developed and vibrant areas in China. Utilizing the platform with the joint ventures including the Target Company, we could continuously deliver platform technology services to partners and carry out echelon construction, and facilitate the constant iteration of the system, and share costs through economies of scale to improve overall efficiency.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Collaboration Agreement are fair and reasonable, and that the Collaboration Agreement is on normal commercial terms and in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the Collaboration Agreement, nor was required to abstain from voting on the relevant resolutions of the Board approving the Collaboration Agreement.

Although the appraised value under the income approach is substantially higher than the audited book value of the Target Company, the Board is of the view that the adoption of the valuation using income approach to form the basis of the Consideration is fair and reasonable, on the following basis:

1. The valuation of the income approach is based on the expectation of the Target Company's future development and business expansion, which is more realistic than the asset approach;
2. The above business expectation is based on the holding of state-owned shareholders (more favorable cost of capital and more favorable customer acquisition) together with performance commitment provided by the Group, which has a high probability of realization;
3. The choice of a higher valuation (i.e. the income approach) for the transaction is commercially favorable to the former controlling shareholder in the deemed disposal, i.e. the Group, as evidenced by the unimpaired goodwill from past acquisitions together with the fact that the counterparty in the current transaction, i.e. Wuxi Taihu New City, is purchasing at a premium.

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## LETTER FROM THE BOARD

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The Valuer has adopted the asset-based approach and the income approach to appraise the value of the entire equity interests of the Target Company using December 31, 2023 as the valuation reference date. The income approach is a valuation method in which the expected future earnings of the assets under appraisal are estimated and discounted to present value using an appropriate discount rate, and then summed up to arrive at the appraised value of the assets under appraisal. As the appraised entity is engaged in factoring business and is a financial enterprise, the appraisal has adopted the discounted free cash flow model for equity of a financial enterprise, with the value of total shareholders' equity = total present value of equity cash flow + value of non-operating assets and liabilities. Equity free cash flow = net profit – increase in equity, increase in equity = ending owner's equity – beginning owner's equity. The cost of equity capital is selected for the discount rate and is calculated using the Capital Asset Pricing Model (CAPM). Non-operating assets and liabilities refer to assets and liabilities that are not related to the production and operation of the appraised entity and are not involved in the forecast of free cash flow from equity after the valuation date. The result of the valuation under the income approach is: value of total shareholders' equity = total present value of equity cash flows + non-operating assets and liabilities = RMB1,046 million – RMB146 million = RMB900 million.

After the completion of the Capital Increase, the proportion of equity interest held by the Group in the Target Company became 49%, and the fair value of such equity interest was RMB720 million, which was higher than its net identifiable assets to the Group of approximately RMB719.8 million continuously calculated since the date of acquisition, therefore, the Capital Increase was beneficial to the shareholders of the Company and the Company did not incur any loss in this transaction.

From a business perspective, although the interest income from supply chain assets of the Group is expected to decrease in 2024 after the disposal of the Target Company by the Group, the “platform strategy” pursued by the Group will be strengthened in the future through the capital increase of the local state-owned enterprises, which will unite with the local funds with lower financing costs to promote the factoring business of the Group in the future, and to increase in overall scale and volume of the Group's factoring business. The Target Company, as an associate of the Group, will increase the share of profit of associates and revenue from platform-based services of the Group. Therefore, from the perspective of the Group, the Collaboration Agreement is favorable to the shareholders of the Company.

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## LETTER FROM THE BOARD

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### FINANCIAL INFORMATION OF THE TARGET COMPANY

Based on the audited financial statements of the Target Company for the financial years ended 31 December 2021, 2022 and 2023 prepared in accordance with the PRC Accounting Standards for Business Enterprises, the net profits before and after taxation for the financial years ended 31 December 2021, 2022 and 2023 are set out below:

	<b>For the year ended 31 December 2023 (audited) <i>RMB million</i></b>	<b>For the year ended 13 December 2022 (audited) <i>RMB million</i></b>	<b>For the year ended 31 December 2021 (audited) <i>RMB million</i></b>
Revenue	299.4	227.5	173.7
Profit before tax	89.3	82.9	66.6
Profit after tax	66.9	62.2	49.9

Based on the audited financial statements of the Target Company prepared in accordance with the PRC Accounting Standards for Business Enterprises, the total assets and net assets of the Target Company as of 31 December 2023 were RMB4,259.4 million and RMB383.7 million, respectively.

### FINANCIAL EFFECTS OF THE COLLABORATION AGREEMENT

Upon completion of the Capital Increase, the Group's equity interest in the Target Company (through Sheng Ye Digital and Tianjin Shengzhuo) will be diluted from 80% to 49%, and the Target Company will no longer be a subsidiary of the Group and will become an associated company of the Group. As such, the Target Company will be equity accounted for in the financial statements of the Group and its financial results will cease to be consolidated into the financial statements of the Group. Therefore, the Capital Increase constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

To the best knowledge, information and belief, the estimated amount of gains arising from the deemed disposal of the Target Company shall be approximately RMB0.2 million. The actual financial effects on the Collaboration Agreement to be recorded by the Group is subject to the final audit to be performed by the Group's auditors.

The gross proceeds from the Capital Increase will be RMB569.4 million, which is intended to be applied as general working capital of the Target Company for the disbursements of factoring business of the Group.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE PARTIES

#### About Wuxi Taihu New City

Wuxi Taihu New City is a limited company established in the PRC. Wuxi Taihu New City is one of the top ten state-owned enterprise groups in Wuxi City, which is principally engaged in urban infrastructure construction and comprehensive land development, including but not limited to constructions of roads, public space and infrastructures in the Jiangsu Wuxi Economic Development Zone in the PRC. With a registered capital of RMB20.41 billion, Wuxi Taihu New City records a steady credit rating of AAA. As the sole construction and development platform in the Wuxi Economic Development Zone (as known as Taihu New City) and echoes with the “14th Five-Year Plan”, Wuxi Taihu New City strategically plans to dive into the selected areas of urban development, urban operations and industrial investment by its capital allocation and industrial development.

It is wholly owned by Wuxi Taihu New City Group Co., Ltd.\* (無錫市太湖新城發展集團有限公司). As at the Latest Practicable Date, Wuxi Taihu New City Group Co., Ltd. was owned as to approximately 62.95% by Stated-owned Assets Administration Committee of Wuxi\* (無錫市人民政府國有資產監督管理委員會), approximately 25.53% by China Life Wuxi Urban Development Investment Enterprise (Limited Partnership)\* 國壽(無錫)城市發展產業投資企業(有限合夥) (“CLWU”), approximately 8.15% by Wuxi Guolian Development Group Co., Ltd.\* (無錫市國聯發展(集團)有限公司) (“WGDG”), and approximately 3.37% by Wuxi Real Estate Development Co., Ltd.\* (無錫市房地產開發集團有限公司) (“WRED”). WGDG and WRED were majority held and controlled by Stated-owned Assets Administration Committee of Wuxi\* (無錫市人民政府國有資產監督管理委員會). The sole general partner of CLWU holding approximately 0.01% of its general partnership interest is Wuxi Guolian Investment Private Equity Fund Management Co., Ltd.\* (無錫國聯產業投資私募基金管理有限公司). The limited partnership interest was held as to approximately 59.41% by China Life Insurance Company Limited, the shares of which are listed on the Stock Exchange (stock code: 2628), and approximately 40.58% by Wuxi Fortune Investment Co. Ltd.\* (無錫豐潤投資有限公司), which is ultimately controlled by a state-owned enterprise. As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the above-mentioned individuals or entities is an Independent Third Party.

#### About Sheng Ye Digital

Sheng Ye Digital is a limited company established in the PRC and an indirect wholly owned subsidiary of the Company. It is the regional headquarter of the Group in the eastern China.

#### About Tianjin Shengzhuo

Tianjin Shengzhuo is a limited company established in the PRC and an indirect wholly owned subsidiary of the Company. It is principally engaged in the equity investment aligned with the Group’s strategy.

#### About Target Company

The Target Company is established in the PRC. It is principally engaged in the provision of commercial factoring services.

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## LETTER FROM THE BOARD

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### **About the Guarantors**

#### ***The Company***

The Company is incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code 6069). The Company (together with its subsidiaries) is a leading supply chain technology platform. Through the Dual-Engine development of “industrial technology” and “digital finance”, it has built a supply chain technology platform which has given it significant advantages in technological innovation. It also uses big data analysis to break through information barriers, the platform links the asset side and the capital side thereby efficiently addressing the supply chain financing needs of SMEs.

#### ***Tianjin Sheng Ye***

Tianjin Sheng Ye is a limited company established in the PRC and an indirect wholly owned subsidiary of the Company. It is principally engaged in the shareholding of the Group’s subsidiaries in the PRC.

#### ***Sheng Ye Information***

Sheng Ye Information is a limited company established in the PRC and an indirect wholly owned subsidiary of the Company. It is principally engaged in provision of information technology services.

#### ***SY Factoring***

SY Factoring is a limited company established in the PRC and an indirect wholly owned subsidiary of the Company. It is principally engaged in the business of provision of commercial factoring services.

### **LISTING RULES IMPLICATIONS**

As the Capital Increase will result in the reduction of the Group’s equity interest in the Target Company (through Sheng Ye Digital and Tianjin Shengzhuo), the Collaboration Agreement constitutes a deemed disposal under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Capital Increase exceeds 25% but all are less than 75%, the Collaboration Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Wuxi Taihu New City is a substantial shareholder of the Target Company (which is a subsidiary of the Company), and therefore Wuxi Taihu New City is a connected person of the Company at the subsidiary level. As such, the Capital Increase under the Collaboration Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) Wuxi Taihu New City is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Collaboration Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the Collaboration Agreement are fair and reasonable, and that the Collaboration Agreement is on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Capital Increase is subject to the announcement requirement but is exempt from the circular and independent shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules.

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## LETTER FROM THE BOARD

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Upon the completion of the Capital Increase, the Target Company will become an affiliate of the Company. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Financial Assistance and the Equity Pledge exceed 25%, the Collaboration Agreement will constitute major transactions for the Company upon the completion of the Capital Increase, and will be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, pursuant to Rules 13.13 and 13.16 of the Listing Rules, a general disclosure obligation arises where the relevant advances to an entity by the Group or the financial assistance to affiliated companies of the Group exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. As the Financial Assistance constitutes advances to an entity and/or financial assistances to affiliated company of the Group and the asset ratio (as defined in the Listing Rules) for the Collaboration Agreement exceeds 8%, the Collaboration Agreement is subject to the general disclosure obligation pursuant to Rules 13.13, 13.15 and 13.16 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval without the need of convening a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Collaboration Agreement; and (ii) written approval has been obtained from a Shareholder who holds more than 50% of the voting rights at that general meeting of the Company to approve the Collaboration Agreement. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is materially interested in the Collaboration Agreement. As such, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Collaboration Agreement. The Company has received a written approval of the Collaboration Agreement from Wisdom Cosmos, which is beneficially interested in approximately 56.64% of the Shares as at the Latest Practicable Date, and therefore holds more than 50.00% of the voting rights at that general meeting of the Company. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Collaboration Agreement.

### **RECOMMENDATION**

Having considered the reasons set out above, the Directors are of the opinion that the Collaboration Agreement are conducted in the ordinary and usual course of business of the Company, the terms of the Collaboration Agreement are fair and reasonable, on normal commercial terms or better to the Group, and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution regarding the transactions if the Company were to convene an extraordinary general meeting for the approval of the transactions.

The above statement is for Shareholders' reference only given that the Company has already obtained the written approval from Wisdom Cosmos for the transactions and hence pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened to approve the transactions.

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## LETTER FROM THE BOARD

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### FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By order of the Board  
**SY Holdings Group Limited**  
**TUNG Chi Fung**  
*Chairman*

## 1. FINANCIAL INFORMATION OF THE GROUP

Details of the consolidated financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023 are disclosed in the following documents which have been 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)):

- the Company's annual report for the year ended 31 December 2021 published on 14 April 2022 (pages 55 to 189), which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0414/2022041400336.pdf>

- the Company's annual report for the year ended 31 December 2022 published on 27 April 2023 (pages 66 to 209), which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042700571.pdf>

- the Company's annual results announcement for the year ended 31 December 2023 published on 21 March 2024 (pages 30 to 54), which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0321/2024032100982.pdf>

## 2. INDEBTEDNESS STATEMENT

As at the close of business on 29 February 2024, the Group has outstanding loans from related parties of approximately RMB2,647.0 million, borrowings of approximately RMB2,668.3 million, other financial liability at fair value through profit or loss ("FVTPL") of approximately RMB55.0 million and lease liabilities of approximately RMB19.3 million, details of which are as follows:

	<i>RMB million</i>
<b>Loans from related parties</b>	
– Secured and unguaranteed	2,647.0

RMB million

**Borrowing**

Bank borrowings	
– Secured and guaranteed	1,040.5
– Secured and unguaranteed	336.6
– Unsecured and guaranteed	178.1
– Unsecured and unguaranteed	210.4
Other borrowings	
– Secured and guaranteed	347.7
– Secured and unguaranteed	197.9
– Unsecured and guaranteed	357.1
Sub total	<u>2,668.3</u>
<b>Other financial liability at FVTPL (principal amount)</b>	
– Unsecured and guaranteed	<u>55.0</u>
<b>Lease liabilities</b>	
– Secured and unguaranteed	19.2
– Unsecured and unguaranteed	<u>0.1</u>
Sub total	<u>19.3</u>
<b>Total</b>	<b><u><u>5,389.6</u></u></b>

As at 29 February 2024, the above secured loans from related parties of the Group are secured by supply chain assets.

As at 29 February 2024, the above secured borrowings of the Group are secured by supply chain assets, bills, investment property, equity tranche, shares and assets of subsidiaries, structured deposits, security deposits and/or bank deposits. The above guaranteed borrowings of the Group are guaranteed by the Company and/or the subsidiaries of the Company.

As at 29 February 2024, the above guaranteed other financial liability at FVTPL of the Group are guaranteed by the Company.

As at 29 February 2024, the above secured and unguaranteed lease liabilities are secured by deposits.

**Contingent liabilities or guarantees**

As at 29 February 2024, the Group provided guarantees to loans amounting to RMB6,201.3 million, raised by associates of the Group from banks and the controlling shareholder of the associates.

Except as described above and apart from intra-group liabilities, normal trade and other payables and guarantee contracts for service provided to customers which are part of the normal business, as at 29 February 2024, being the latest practicable date for determining our indebtedness, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, debentures, mortgages, charges, guarantees or other material contingent liabilities.

**3. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

The Group is a leading supply chain technology platform providing data-driven efficient and inclusive industrial technology and digital financing solutions for companies across the Asia-Pacific. Amidst the surge in connectivity and digitalization shaping the future of economies and businesses, the Group strategically positions itself as the one-stop supply chain technology and digital financing solution for enterprises and financial institutions, driving supply chain efficiency and making finance more inclusive.

For the year ended 31 December 2023, the profit for the year attributable to the owners of the Company was approximately RMB268.2 million.

Backed by the strong industrial background of Wuxi Taihu New City as well as the Group's supply chain technology platform service capabilities, the Target Company is expected to achieve robust growth and delightful results by adopting advanced digital technology and a smart risk management system to provide differentiated digital financial solutions for the ecosystem of Wuxi Taihu New City, to help solve the supply chain difficulties faced by SMEs and vigorously promote supply chain digital technology services.

The increment of the registered capital of the Target Company and the financial assistance to be provided together with the state-owned shareholder will support the Target Company to obtain debt financing more efficiently and economically for its business expansion. The endorsement of the state-owned shareholder also enables the Group to receive more support from the funding partners in the joint venture, thereby reducing capital costs and increasing leverage.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**5. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the financial resources available to the Group (including but not limited to the internally generated cash flows, existing bank balances, bank borrowings and available credit facilities), the Group has sufficient working capital for at least 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

**INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 100% EQUITY INTEREST IN WUXI GUOJIN COMMERCIAL FACTORING CO., LTD (無錫國金商業保理有限公司)**

**TO THE DIRECTORS OF SY HOLDINGS GROUP LIMITED**

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Jiangsu Puxin Assets Appraisal Property and Land Valuation Co., Ltd. (江蘇普信資產評估房地產土地估價有限公司) dated 2 February 2024, of the entire equity interest in Wuxi Guojin Commercial Factoring Co., Ltd (無錫國金商業保理有限公司) (the “**Target Company**”) as at 31 December 2023 (the “**Valuation**”) is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and will be included in a circular dated 24 April 2024 to be issued by SY Holdings Group Limited (the “**Company**”) in connection with the deemed disposal of equity interest in the Target Company (the “**Circular**”).

**Directors’ Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Circular (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibility**

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.60A(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Target Company.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

**Opinion**

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

24 April 2024

**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)**

Dear Sirs,

**RE: MAJOR AND CONNECTED TRANSACTION IN RELATION TO DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY AND MAJOR TRANSACTION IN RELATION TO FINANCIAL ASSISTANCE AND EQUITY PLEDGE PROVIDED BY THE GROUP**

Reference is made to the appendix to this circular containing information extracted from the valuation report (the “**Valuation Report**”) on the appraised value of entire equity interest of Wuxi Guojin Commercial Factoring Co., Ltd. (the “**Target Company**”) as at the 31 December 2023 (the “**Valuation of the Target Company**”) compiled by Jiangsu Puxin Assets Appraisal Property and Land Valuation Co., Ltd. (the “**Valuer**”).

We have reviewed the Valuation Report. As income approach has been adopted in forming the conclusion of the Valuation of the Target Company in the Valuation Report, the valuation under the income approach constitutes a profit forecast under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the valuation has been prepared, and reviewed the Valuation Report compiled by the Valuer. We have also considered the assurance report issued by Deloitte Touche Tohmatsu in relation to the arithmetical calculations and the compilation of the discounted cash flows upon which the Valuation Report was based. We have noted that the calculations of the profit forecast in the Valuation of the Target Company is accurate and aligns with the standards and assumptions outlined in the Valuation Report.

Based on the aforesaid, pursuant to the requirements of Rule 14.60A(3) of the Listing Rules, the Board of the Company confirms that the profit forecast as contained in the Valuation Report has been made after due and careful enquiry.

Yours faithfully,  
By order of the Board  
**SY Holdings Group Limited**  
**TUNG Chi Fung**  
*Chairman*

24 April 2024

*The following is only a summary of the valuation report dated 2 February 2024 in respect of Wuxi Guojin Commercial Factoring Co., Ltd.\* (無錫國金商業保理有限公司) for the purpose of inclusion in this circular. The English translation is provided for your reference only. In the event of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.*

**Summary of Asset Valuation Report**  
**on the Value of Entire Equity Held by the Shareholders of**  
**無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*)**  
**Arising from the Proposed Capital Increase by**  
**無錫市太湖新城資產經營管理有限公司**  
**(Wuxi Taihu New City Asset Management Co., Ltd.\*)**  
**Su Pu Ping Bao Zi (2024) No. 012**

**Purpose of valuation:** to determine the market value of the entire shareholders' equity of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) as at the valuation benchmark date, so as to provide a value reference for the above economic behavior.

**Valuation target:** the value of the entire shareholders' equity of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*).

**Asset appraisal agency:** Jiangsu Puxin Assets Appraisal Property and Land Valuation Co., Ltd. (江蘇普信資產評估房地產土地估價有限公司)

**Scope of valuation:** all assets and liabilities of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*), including current assets, supply chain assets at fair value through other comprehensive income, fixed assets, right-of-use assets, intangible assets, deferred tax assets, other non-current assets, current liabilities and non-current liabilities.

**Valuation benchmark date:** 31 December 2023.

**Value type:** Market value

**Valuation methods:** asset-based approach and income approach

**Valuation conclusion:** this asset valuation report adopts the valuation results of the income approach as the valuation conclusion. The specific conclusions are as follows:

As at the valuation benchmark date, i.e. 31 December 2023, the audited book value of total assets of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) was RMB4,259,377,200, the book value of liabilities was RMB3,875,654,000, and the book value of total shareholders' equity was RMB383,723,300.

The value of total shareholders' equity appraised under the income approach was RMB900 million, representing an appreciation of RMB516,276,700, or 134.54%.

This asset valuation report only provides a value reference for the economic behavior described herein. In principle, the validity period of the valuation conclusion is one year from the valuation benchmark date. If there are significant changes in the asset status and market conditions as compared with the relevant conditions on the valuation benchmark date, the principal shall entrust the valuation agency to carry out the valuation update or re-valuation.

**Special notes:**

The following are the relevant matters that have been found in the valuation process that may affect the valuation conclusion but cannot be assessed and estimated by the asset valuation professionals in terms of their practicing level and ability, and users of the report are advised to pay attention to:

- (I) The unqualified audit report (Tianheng Xishen Zi (2024) No. 00011) issued by Tianheng Certified Public Accountants (Special General Partnership) Wuxi Branch (天衡會計師事務所(特殊普通合伙)無錫分所) was used in this valuation. The asset valuation professionals have analyzed and judged the use of the financial statements according to the valuation methods adopted, but it is not the responsibility of the asset valuation professionals to express professional opinions on whether the relevant financial statements fairly reflect the financial position as at the valuation benchmark date and the current operating results and cash flows.
- (II) Mortgage, Pledge and Litigation
  - 1) 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*), 無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development & Construction Co., Ltd.\*) and 上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.\*) have disputes over bills recourse. 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) has applied to the People's Court of Liangxi District, Wuxi City, Jiangsu Province for property preservation on 3 August 2022. On 9 August 2023, under the Civil Judgment ((2022) Su 0213 Min Chu No. 7750) issued by the People's Court of Liangxi District, Wuxi City, Jiangsu Province, the first-instance judgment was that 無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development & Construction Co., Ltd.\*) shall pay the bill amount of RMB58,430,322.98 and the interest accrued thereon to 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) within ten days from the date when the judgment takes effect, and 上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.\*) shall be jointly and severally liable for the debts of 無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development & Construction Co., Ltd.\*).

無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) and 無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development & Construction Co., Ltd.\*) filed an appeal to the Intermediate People's Court of Wuxi City, Jiangsu Province in the case of dispute over the right of recourse of bills with 上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.\*), not to accept the civil judgment (2022) Su 0213 Min Chu No. 7750 issued by the People's Court of Liangxi District, Wuxi City. On 3 August 2023, according to the Civil Judgment ((2023) Su 02 Min Zhong No. 3359) issued by the Intermediate People's Court of Wuxi City, Jiangsu Province, the second-instance judgment was that the civil judgment (2022) Su 0213 Min Chu No. 7750 issued by the People's Court of Liangxi District, Wuxi City shall be revoked; 無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development & Construction Co., Ltd.\*) shall pay the bill amount of RMB70 million and the interest accrued thereon to 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) within ten days from the effective date of the judgment; and 上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.\*) shall be jointly and severally liable for the above debts of 無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development & Construction Co., Ltd.\*).

On 27 May 2022, the rights of the factoring contract involved in the above case has been transferred in its entirety by 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) to 深圳天山百川進出口有限公司 (Shenzhen Tianshan Baichuan Import and Export Trading Limited\*). 深圳天山百川進出口有限公司 (Shenzhen Tianshan Baichuan Import and Export Trading Limited\*) entrusted 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) to exercise the right of recourse for bills on its behalf in the name of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) and file a lawsuit.

The lawsuit had no impact on the financial statement data of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*), and was an off-balance-sheet item. As of the valuation benchmark date, the litigation has not been completed, and the impact of the above matters on the total shareholders' equity of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) was not considered in this valuation.

## 2) Assets with restricted ownership or use rights

Item	Amount (RMB)	Reasons for restriction
Monetary funds	70,000,000.00	Security deposits for bank acceptance bills
Monetary funds	236,351,214.20	Pledged time deposits and certificates of deposit
Monetary funds	13,178.03	Other restricted amount
Supply chain assets	<u>1,059,893,510.36</u>	Pledged loans
Total	<u><u>1,366,257,902.59</u></u>	

The impact of the above matters on the total shareholders' equity of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) was not considered in this valuation.

## 3) Other Circumstances that may have a Significant Impact on the Valuation Conclusion Due to the Economic Behavior Related to this Asset Valuation

3.1 On 4 January 2022, 無錫通匯投資有限公司 (Wuxi Tonghui Investment Co., Ltd\*), 無錫市交通產業集團有限公司 (Wuxi Communications Industry Group Co., Ltd\*), 盛業商業保理有限公司 (SY Factoring Limited\*) and 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) entered into the Guarantee Agreement (No.: TZ-DB-2022-001), pursuant to which, 無錫通匯投資有限公司 (Wuxi Tonghui Investment Co., Ltd\*) and 無錫市交通產業集團有限公司 (Wuxi Communications Industry Group Co., Ltd\*) shall provide guarantees or loans to 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd\*), with a specific limit and a term of 48 calendar months after the signing of the Guarantee Agreement. The total amount of guarantees and loans (including direct loans) provided by 無錫通匯投資有限公司 (Wuxi Tonghui Investment Co., Ltd\*) and 無錫市交通產業集團有限公司 (Wuxi Communications Industry Group Co., Ltd\*) to 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) shall be RMB3.3 billion, of which the amount of the balance of the principal of debt financing (including direct loans) actually used by 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) shall not exceed RMB3.0 billion per month within 48 months, and the guarantee fee rate shall be 0.5% per annum.

On 29 December 2023, 無錫通匯資本有限公司 (Wuxi Tonghui Capital Co., Ltd\*) and 無錫市太湖新城資產經營管理有限公司 (Wuxi Taihu New City Asset Management Co., Ltd.\*) entered into an equity transfer agreement, pursuant to which 無錫通匯資本有限公司 (Wuxi Tonghui Capital Co., Ltd\*) transferred its 20% equity interest in 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) to 無錫市太湖新城資產經營管理有限公司 (Wuxi Taihu New City Asset Management Co., Ltd.\*). According to the provisions of the equity transfer agreement, as of 30 November 2023, the outstanding financing balance of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) guaranteed by 無錫通匯資本有限公司 (Wuxi Tonghui Capital Co., Ltd\*) and its related companies was RMB2,977,020,000, with transition period of 6 months commencing from 29 December 2023. During the transition period, the guarantee liability of 無錫通匯資本有限公司 (Wuxi Tonghui Capital Co., Ltd\*) for the aforementioned bank loan will be gradually transferred to 無錫市太湖新城資產經營管理有限公司 (Wuxi Taihu New City Asset Management Co., Ltd.\*) or its related parties.

At present, no formal written agreement has been entered into for the above guarantee transfer. Considering that there are still guarantees provided by 無錫市太湖新城資產經營管理有限公司 (Wuxi Taihu New City Asset Management Co., Ltd.\*) or its related parties for the appraised entity after the expiration, the valuation is still based on the guarantee amount and guarantee fee rate as agreed in the original Guarantee Agreement.

- 3.2 The risk reserve provided by 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) was not included in the item of “general risk reserve” in the net assets, but was provided in the form of credit impairment losses. Specifically, the provision for credit impairment losses for the current period is calculated by applying the bad debt model of the controlling party at a higher level based on the book value of each period. This practice is inconsistent with the Accounting Standards for Commercial Factoring Business issued by the China Association of Trade in Services. This valuation is based on the actual provision method of the enterprise, and users of the report are advised to pay attention to this matter.
- 3.3 天津盛卓企業管理諮詢有限公司 (Tianjin Shengzhuo Enterprise Management Consulting Co., Ltd.\*) pledged its 40% equity interest in 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) to 無錫通匯資本有限公司 (Wuxi Tonghui Capital Co., Ltd\*), with the pledge registration number of 320211000582. On 21 March 2022, the Administrative Approval Bureau of Binhu District, Wuxi City completed the equity pledge registration procedures in accordance with the application and issued the Notice on Registration of the Share Pledge Registration ((02118009) Share Pledge Registration Zi [2022] No. 03210001). This valuation has not considered the impact of the such matter on the total shareholders’ equity of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*).

- 3.4 盛業數字科技(無錫)有限公司 (Sheng Ye Digital Technology (Wuxi) Co., Ltd.\*) pledged its 40% equity interest in 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) to 無錫通匯投資有限公司 (Wuxi Tonghui Investment Co., Ltd\*), with the pledge registration number of 320211000583. On 21 March 2022, the Administrative Approval Bureau of Binhu District, Wuxi City completed the equity pledge registration procedures in accordance with the application and issued the Notice on Registration of the Share Pledge Registration ((02118009) Share Pledge Registration Zi [2022] No. 03210002). This valuation has not considered the impact of the such matter on the total shareholders' equity of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*).
- 4) During the valuation process, when conducting survey on the appraised equipment, the asset appraisal professionals mainly relied on appearance observation and inquiries to relevant personnel for judgment due to the limitations of testing methods and the fact that some equipment were in operation.
- 5) The future profit forecast of the appraised entity involved in this valuation was based on the profit forecast formulated by the management of the appraised entity. We made necessary analysis, judgment and adjustments to the future income forecast data provided by the appraised entity in accordance with the law, and reasonably determined the valuation assumptions based on the operating conditions, historical performance and development trends of the appraised entity, taking into account macroeconomic factors, the current situation and development prospects of the industry, and formed the future income forecast. The income forecast adopted in the valuation and calculation was determined after necessary analysis, judgment and adjustment based on the future income forecast data provided by the enterprise. The acceptance and consent of the enterprise had been obtained after full communication with the enterprise. The valuation and calculation conclusions in this report relied on the above-mentioned income forecast data, and should not be regarded as providing any guarantee for the achievability of the income forecast data.
- 6) On 29 December 2023, 無錫通匯資本有限公司 (Wuxi Tonghui Capital Co., Ltd\*) and 無錫市太湖新城資產經營管理有限公司 (Wuxi Taihu New City Asset Management Co., Ltd.\*) entered into an equity transfer agreement, pursuant to which 無錫通匯資本有限公司 (Wuxi Tonghui Capital Co., Ltd\*) transferred its 20% equity interest in 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) to 無錫市太湖新城資產經營管理有限公司 (Wuxi Taihu New City Asset Management Co., Ltd.\*) at a consideration of RMB180 million. Such change of shareholders had been registered by the Administrative Approval Bureau of Binhu District, Wuxi City on 11 January 2024.

- 7) Except for the above matters, the appraised entity undertakes that there are no other major subsequent events, contingent liabilities and mortgage and pledge that have an impact on the valuation results. After performing the valuation procedures such as interviews and verification, we did not find any other significant subsequent events, contingent liabilities and mortgage and pledge from the valuation benchmark date to the date of issuance of the report that have an impact on the valuation results.
- 8) The valuation conclusion does not take into account the impact of control and liquidity on the value of the valuation target.
- 9) The impact of inflation has not been considered in the forecast of future income in this valuation conclusion.

Users of the asset valuation report shall fully consider the impact of the assumptions, limitations and special notes set out in the asset valuation report on the valuation conclusion.

The valuation report is a statutory valuation report prepared in accordance with the PRC Asset Valuation Standards and filed with the regulatory authority of the SASAC. Such report has strict institutional requirements, including that general enterprises comply with Guidelines for the Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42) and enterprises in the financial industry comply with Guidelines for the Valuation Report of State-owned Assets of Financial Enterprises (Zhong Ping Xie [2017] No. 43). The appraised entity belongs to “other enterprises engaged in financial business in state-owned assets”, and the valuation report under the purpose of changes in its shareholding shall comply with the Guidelines for the Valuation Report of State-owned Assets of Financial Enterprises (Zhong Ping Xie [2017] No. 43). The regulatory requirements for statutory asset valuation reports in Mainland China do not explicitly require sensitivity analysis and disclosure. The valuer can determine whether to conduct sensitivity analysis and disclose the results of sensitivity analysis based on the actual situation and project needs. The valuer has carefully reviewed the Valuation Report on Capital Increase, and is of the view that the Valuation Report on Capital Increase complies with the above guidance of the Guidelines for the Valuation Report of State-owned Assets of Financial Enterprises and has analyzed and disclosed the necessary contents, and also believes that the changes in the relevant inputs will not have a significant impact on the valuation results, so no sensitivity analysis is performed.

#### **TYPES OF VALUE AND DEFINITIONS**

Reasons for choosing the type of market value: considering that there are no special restrictions and requirements on the market conditions and the use of the valuation target for the asset valuation business performed, the valuation results should reflect the market value of the valuation target, and the type of value of the valuation target is determined to be the market value according to the valuation purpose, market conditions, the conditions of the valuation target and other factors.

Market value refers to the estimated value of the normal and fair transaction of the valuation target on the valuation benchmark date when the voluntary buyer and the voluntary seller act rationally without any coercion.

**VALUATION METHODS****(1) Selection of valuation methods**

According to the Asset Valuation Standards – Enterprise Value: Asset valuation professionals should analyze the applicability of the three basic asset valuation methods, namely the market approach, the income approach and the cost approach, and select the valuation method based on the valuation purpose, valuation target, value type, data collection, etc.

The market approach in the valuation of enterprise value refers to the valuation method to determine the value of the valuation target by comparing the valuation target with comparable listed companies or comparable transaction cases. The preconditions for the application of the market approach are:

- 1) The comparable references of the valuation target have a public market and active transactions;
- 2) The necessary information in relation to such transaction can be obtained.

The income approach in the valuation of enterprise value refers to the valuation method to determine the value of the valuation target by capitalizing or discounting the expected income. The preconditions for the application of the income approach are:

- 1) The future income of the valuation target can be reasonably expected and measured in currency;
- 2) The risk associated with the expected income can be measured;
- 3) The income period can be determined or reasonably expected.

The asset-based approach in the valuation of enterprise value refers to the valuation method to determine the value of the valuation target by reasonably assessing the value of the on-balance sheet and recognizable off-balance sheet assets and liabilities of an enterprise based on the balance sheet of the appraised entity as at the valuation benchmark date. The preconditions for the application of the asset-based approach are:

- 1) The valuation target can be used normally or in use;
- 2) The valuation target can be obtained through replacement;
- 3) The replacement cost of the valuation target and the relevant depreciation can be reasonably estimated.

The valuation methods selected for this valuation are: income approach and asset-based approach. The reasons for selecting the valuation methods are as follows:

Reasons for not selecting the market approach for valuation: the principal business of the appraised entity is to provide trade financing by way of transfer of accounts receivable, and its equity interest is relatively closed compared with the circulating shares of the listed companies, and it is not possible to obtain comparable and effective market reference objects. Meanwhile, the market approach is not applicable to this valuation due to the lack of public market information and the inability to obtain comparable and valid market reference objects for non-listed companies.

Reasons for selecting the income approach for the valuation: the appraised entity is mainly engaged in the commercial factoring business that provides trade financing by way of transfer of accounts receivable, and its income has a continuous predictability. Therefore, the future income period and income amount can be reasonably predicted and measured in currency, and the risk borne by obtaining the expected income can also be quantified. Therefore, the income approach is adopted for the valuation.

Reasons for selecting the asset-based approach for the valuation: the assets and liabilities of the appraised entity on and off the balance sheet as at the valuation benchmark date can be identified and can be appraised separately by appropriate methods, so the asset-based approach is adopted for the valuation.

Based on the foregoing, according to the purpose of this valuation and taking into account the characteristics of the assets to be appraised and the analysis of the income, we believe that the appraised entity has the basic conditions for adopting the asset-based approach and the income approach for valuation. Therefore, the asset-based approach and the income approach are adopted for the valuation of the entire shareholders' equity of the appraised entity.

**(2) Introduction to valuation methods*****Income approach***

The equity free cash flow discount model of the cash flow discount method was adopted in this valuation. Taking into account the business features and operation model of commercial factoring companies, the specific formula is described as below:

Value of total shareholders' equity = Total present value of equity cash flow + Value of non-operating assets and liabilities

1. *Determination of the present value of equity cash flows*

The present value of equity cash flows is calculated as follows:

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n \times (1+g)}{r-g} \times \frac{1}{(1+r)^n}$$

where:

P: Total present value of equity cash flows as at the valuation benchmark date

Fi: Estimated equity free cash flow for Year i after the valuation benchmark date

Equity free cash flow = Net profit-Increase in equity + Other comprehensive income

Increase in equity = Owners' equity at the end of the period-Owners' equity at the beginning of the period

r: Cost of Equity Capital (CAPM)

n: Forecast period

i: Year i of the forecast period

g: Growth rate for sustainable period

Selection of Discount Rate Model:

Where, the cost of equity capital  $r$  is calculated using the Capital Asset Pricing Model (CAPM) with the following formula

$$r = r_f + \beta \times ERP + r_s$$

where:  $r_f$ : risk-free rate; ERP: market risk premium;  $\beta$ : beta coefficient;  $r_s$ : specific risk-return rate.

The discount rate calculation result is 10.88%.

Determination of Specific Parameters of Discount Rate

(I) Determination of Risk-Free Yield

Treasury bond yield is usually believed to be of no risk because the risk of failure to redeem such bond held to maturity is very low and negligible. Based on the information disclosed in the China Bond Information Network, 10-year treasury bond has a yield to maturity rate of 2.56% per annum as at the valuation reference date.

(II) Determination of Beta Coefficient  $\beta_L$

In accordance with Article 17 of the “Guidelines for Asset Appraisal Experts No. 3 – Income Approach Appraisal Models and Determination of Parameters for Financial Enterprises” (《資產評估專家指引第3號—金融企業收益法評估模型與參數確定》), the unlevered beta  $\beta_U$  was adopted for the current appraisal.

The selection of comparable companies is mainly to determine the systematic risk of equity faced by the appraised entity. According to the value purpose of parameters and practical experience, comparable companies in the same stock market, same industry and same field shall be given priority, and comparable companies in similar industries affected by the same and similar factors may be selected when comparable companies in the same industry and same field are not available.

As introduced in the valuation technical description of the Valuation Report on Capital Increase, the principal business of the appraised entity is commercial factoring, and there is no principal business that is purely commercial factoring business among A-share listed companies. Therefore, the appraisers inquired about the listed companies in the A-share category of “other financial industries” through iFinD as the secondary comparable companies to determine the systematic risk level of the equity of the appraised entity. In order to mitigate subjective impact, the appraisers have chosen to include all listed companies under the category of “other financial industries” as the final selection of comparable companies. This approach ensures a comprehensive analysis by considering a broader range of companies within the industry. The appraisers consider these comparable companies share a similar interest rate risk, foreign exchange risk and liquidity risk with the appraised entity.

The valuer has examined the  $\beta_L$  values of all comparable companies as at 31 December 2023, and then converted them into  $\beta_U$  values based on the income tax rate and capital structure of comparable listed companies in the industry. Then the team values were converted into u-values according to the income tax rate and capital structure of comparable listed companies in the industry.

The calculation formula is as follows:

$$\beta_U = \beta_L / [1 + (1 - T) \times D/E]$$

Where:

$\beta_U$ : Beta without financial leverage;

$\beta_L$ : Beta with financial leverage;

D: debt value of the appraised entity;

E: equity value of the appraised entity;

T: income tax rate of the appraised entity.

The average value of  $\beta_U$  of comparable companies is used as the  $\beta_U$  of the appraised entity, which is 0.7278. The detailed data is set out in the table below:

Stock code	Short name of company	$\beta_L$	$\beta_U$	D/E
600053.SH	九鼎投資 JD CAPITAL	1.0021	1.0018	0.04%
600120.SH	浙江東方 ZJOFHC	0.8288	0.5971	51.74%
600318.SH	新力金融 XINLI FINANCE	1.1992	0.8919	45.94%
600390.SH	五礦資本 MINMETALS CAPITAL	0.9857	0.2953	311.69%
600517.SH	國網英大 GWYD	1.0211	0.7024	60.49%
600643.SH	愛建集團 AJ GROUP	0.9353	0.5028	114.68%
600705.SH	中航產融 AVIC I.F	1.0032	0.0899	1353.76%
600816.SH	建元信託 J-YUAN TRUST	0.6233	0.3965	76.28%
601519.SH	大智慧 DZH	1.4698	1.4665	0.27%
000563.SZ	陝國投A SITI	1.0023	0.7798	38.04%
000567.SZ	海德股份 HDI	0.8167	0.7083	20.41%
000958.SZ	電投產融 SPIC IFH	0.7713	0.5716	46.57%
000987.SZ	越秀資本 YXCHC	1.2349	0.3285	367.88%
002423.SZ	中糧資本 COFCO CAPITAL	0.8657	0.5541	74.97%
002647.SZ	仁東控股 RENDONG HOLDINGS	0.4545	0.3866	23.41%
300033.SZ	同花順 FLUSH INFO	1.7081	1.7081	0.00%
300803.SZ	指南針 COMPASS	1.4991	1.3907	9.17%
	Average		0.7278	1.5267

## (III) Determination of Market Risk Premium

Market risk premium is the expected excess return demanded by an investor for an equity investment with the same average risk as the overall market, i.e. the premium over the risk-free interest rate expected by the investor for investing in the equity market.

The market risk premium is selected by utilizing the historical risk premium data of the China securities market indices. The historical average risk premium of 6.49% of the CSI 300 Index is the market risk premium for this valuation report.

## (IV) Determination of Enterprise Specific Risk Adjustment Coefficient

The enterprise specific risk adjustment coefficient is mainly the risk premium or discount for the risks arising from some non-systematic factors specific to the enterprise. The appraisers determined it by analyzing the enterprise's risk characteristics, enterprise scale, business model, stage of operation, reliance on major customers and suppliers and other factors, and by making a comprehensive analysis in conjunction with their past practice experience.

In the valuation report, the enterprise specific risk adjustment coefficient for the appraised entity was determined to be 3.6% after comprehensively considering various risk factors that may exist in the future development of the enterprise, with details as follows:

Enterprise-specific risk adjustment factor		Rick Level	Risk Factor	Risk Description
Operating risk	Financing Risks	relatively low	0.2%	Strong supplier financial strength
	Factoring Risks	relatively low	0.2%	Good customer creditworthiness
	Business Scale	relatively low	0.2%	Average size
	Stage of operation	medium	0.3%	Growth
Management risk	Internal Control System	medium	0.3%	Better internal control system
	Management Talent	medium	0.3%	Sufficient management talents
Policy risk	Industrial Policy	medium	0.3%	Certain policy risk
	Regional Policy	medium	0.3%	Certain policy risk
	Tax Policy	medium	0.3%	Certain policy risk
	Environmental Policy	NA	0.0%	No policy risk
Market risk	Supply and demand changes	medium	0.3%	Stable supply and demand
	Price Change	high	0.5%	Highly affected by price fluctuations
	Dependence of major customers and suppliers	relatively high	0.4%	High degree of dependence on major customers and suppliers
Total			<u>3.6%</u>	

(V) Discount Rate Calculation Results after the Forecast Period

The discount rate for the period after the forecast period is consistent with the value taken for the forecast period.

(VI) Terminal Growth Rate

The terminal growth rate is the value after the explicit forecast period. The explicit forecast period is from 2024 to 2028, and the terminal growth model is used to estimate the subsequent value after the explicit forecast period of 2028. For the forecast of the terminal growth rate, the details are as follows:

As the annual realized gains of the unit under appraisal have not been fully distributed, which in essence creates additional inputs, it is necessary to take into account the rate of terminal growth, i.e., to consider the endogenous growth resulting from the streaming of gains, in the forecast under the income approach. For this appraisal, the following formula has been adopted:  $g = ROE \times \text{Retention of Profit Rate} / (1 - ROE \times \text{Retention of Profit Rate})$ .

In this income approach calculation, in accordance with the provisions of the relevant applicable company law and the relevant articles of association, the profit retention rate is 10% by way of a titled surplus reserve, i.e., 10% of the current year's net profit is withdrawn annually, a practice that is in effect equivalent to the additional investment of capital each year, which is not distributed but enhances the amount of earnings. The projected annual ROE from 2024 to 2028 is about 24.38% on average, and "g" is about 2.5% by calculation. Therefore, the terminal growth rate is 2.50%.

2. *Value of non-operating assets and liabilities*

Non-operating assets and liabilities represent those not related to the production and operation of the appraised entity and not involved in the forecast of equity free cash flow after the valuation benchmark date.

*Asset-based approach*

Specific valuation methods for various assets and liabilities are as follows:

*1. Assessment of current assets*

Current assets of the appraised entity include monetary funds, supply chain assets at fair value through other comprehensive income, prepayments, other receivables and other current assets.

Monetary funds, including bank deposits and other monetary funds, are verified by asset appraisal professionals through methods such as reconciling bank statements and obtaining bank confirmations, and the appraised value of monetary funds is determined by the verified amount.

Supply chain assets at fair value through other comprehensive income are factoring receivables due within one year. Based on the verification of relevant business agreements and contracts, the value of the assets and rights that the appraised entity will continue to hold after the valuation benchmark date is taken as the appraised value. Items with no corresponding rights or value beyond the valuation benchmark date are assessed as zero.

Other receivables primarily include the deposits collected by the appraised entity and the current accounts of related parties. Through the implementation of confirmation procedures and alternative testing procedures, and upon verification without discrepancies, for amounts that have been recovered or for which there is sufficient evidence to believe full recovery is probable subsequent to the period, the appraised value is determined based on the book balance; for amounts where the possibility of recovery is uncertain, an estimate of potential risk loss is made by considering both aging analysis and individual analysis. This estimated risk loss amount is then deducted from the carrying amount to determine the appraisal value. The bad debt provision was assessed to be zero.

Prepayments primarily consist of prepaid broadband fees and property fees, etc. Through the implementation of confirmation procedures and alternative testing procedures, and upon verification without discrepancies, the appraised value is determined based on the verified carrying amount if there is evidence to support the recovery of corresponding rights. In cases where there is compelling evidence indicating the inability to recover the corresponding rights, the appraised value is determined as zero.

Other current assets mainly represent the input tax to be deducted and the prepaid enterprise income tax, and the appraised value is determined based on the verified book value.

2. *Assessment of non-current assets*

The non-current assets of the appraised entity include supply chain assets at fair value through other comprehensive income, fixed assets, right-of-use assets, intangible assets, deferred income tax assets and other non-current assets.

(1) Supply chain assets at fair value through other comprehensive income

Supply chain assets measured at fair value through other comprehensive income are non-current factoring receivables with factoring financing maturity of more than one year. Based on the verification of relevant business agreements and contracts, the value of the assets and rights that the appraised entity will continue to hold after the valuation benchmark date is taken as the appraised value. Items with no corresponding rights or value beyond the valuation benchmark date are assessed as zero.

(2) Fixed assets

The fixed assets included in the scope of this valuation are electronic equipment. According to the valuation purpose and the characteristics of the appraised equipment, the cost method is mainly adopted for valuation.

Appraised value = full replacement price × newness rate

i. Full replacement price

Full replacement price = purchase price – deductible value-added tax

The purchase price of electronic equipment is determined mainly based on the local market information and the recent online inquiry price as at the valuation benchmark date.

ii. Determination of newness rate

It is determined using newness rate over useful life.

Newness rate over useful life = (economic useful life – used life) / economic useful life × 100%

For older electronic equipment that is still in normal working condition but no longer available in the current market with relevant models, the appraised value is determined at the pre-tax transaction price in the second-hand market.

(3) Right-of-use assets

The right-of-use assets are two office premises leased by the appraised entity. The asset appraisal professionals have collected property leasing contracts and invoices, consulted with the company's financial personnel regarding the recognition dates and amortization policies for the right-of-use assets, and verified the original book value and amortized value of the right-of-use assets. They have conducted an investigation to understand the usage of the assets as of the valuation benchmark date. The appraised value is determined based on the verified book value in this valuation.

(4) Intangible assets

The intangible assets included in the scope of this valuation are the software-related intangible assets purchased by the appraised entity

For purchased software-related intangible assets, and for purchased software that is available for sale in the market without any upgraded versions as at the valuation benchmark date, the appraised value is determined based on the market price of similar software as of the valuation benchmark date.

(5) Deferred tax assets

In accordance with the relevant accounting policies of the appraised entity, the appraisers verified the reasons and amounts of the deferred income tax assets, and determined the appraised value based on the verified book value.

(6) Other non-current assets

Other non-current assets included in the scope of this valuation were the housing rental deposits delivered by the appraised entity to 無錫工業設計園發展有限公司 (Wuxi Industrial Design Park Development Co., Ltd.). The appraisers verified the authenticity and rationality of the payments by checking the contracts, vouchers and other relevant information. The appraised value was determined based on the verified book value in this valuation.

3. *Assessment of current liabilities and non-current liabilities*

Liabilities included short-term borrowings, derivative financial liabilities, employee remuneration payable, taxes payable, other payables, non-current liabilities due within one year, other current liabilities, long-term borrowings and lease liabilities.

On the basis of review and verification of various liabilities, the appraised value was determined based on the actual liability items and amounts to be assumed by the appraised entity after the valuation purpose was achieved.

- (1) For short-term loans and long-term loans, the appraisers verified their book value, obtained loan contracts or agreements, checked the authenticity of the loans and the accuracy of interest provision, and determined their appraised value on this basis.
- (2) Derivative financial liabilities, also known as financial derivatives, are financial instruments that are derivative on the basis of traditional financial instruments such as currencies, bonds and stocks, characterized by leverage and credit transactions. The derivative financial liabilities of the appraised entity mainly include currency swaps and interest rate swaps. By obtaining relevant contracts or agreements, checking the original documents, and verifying the authenticity and reliability, the appraised value were determined based on the comparison between the equivalent RMB and the book value based on the exchange rate on the valuation benchmark date.
- (3) For employee remuneration payable, the appraisers checked its provision and expenditure by adopting the general and fair procedures and methods during the verification in accordance with the national and the Company's policies on wages and benefits, taking into account the characteristics of the enterprise. The verified book value was taken as the appraised value based on the verified amount.
- (4) For taxes payable, the accounting, provision and payment of taxes were checked during the verification in accordance with the provisions of the national tax laws and regulations, and the verified book value was taken as the appraised value.

- (5) Other payables included borrowings from related parties, accrued interest payable, dividends payable and other payables. For the borrowings from related parties, the asset appraisal professionals inspected the loan contracts and checked the loan amount, loan term and loan interest rate. After the verification, the enterprise accounting treatment was correct, and the appraised value was determined based on the verified book value. For the accrued interest payable, the asset appraisal professionals checked the date of occurrence, maturity, interest rate and loan amount of the loan according to the loan contract and voucher. We verified the interest payable during the term of the loan to determine the appraised value based on the verified book value. For other payables, we collected other important information such as accounting vouchers, verified the authenticity of payables, and determined their appraised value on this basis.
- (6) Non-current liabilities due within one year included lease liabilities payable within one year, bonds payable due within one year, etc. The appraisers verified whether the balance was correct based on the relevant lease contracts, lease liability calculation sheets and the corresponding contracts of bonds payable and other information. The appraised value was determined based on the verified book value in this valuation.
- (7) Other current liabilities: for output tax to be transferred, the accounting, provision and payment of various taxes were checked for this valuation in accordance with the provisions of national tax laws and regulations. On this basis, the appraised value was determined based on the verified book value.
- (8) Lease liabilities: the appraisers verify whether the balance was correct based on the relevant lease contracts, lease liability calculation sheets and other information. The appraised value was determined based on the verified book value in this valuation.

**(3) Valuation Assumptions****General Assumptions**

1. Transaction assumptions: All assets to be appraised are already in the process of being traded, and asset valuation professionals simulate the market for valuation based on the trading conditions of the assets to be appraised.
2. Open market assumption: Both parties to an asset transaction are on an equal position with each other, and that both parties to the asset transaction have access to sufficient market information and time to make rational judgments about the function and use of the asset and its transaction price, etc., when the asset is traded in the market or is proposed to be traded in the market.
3. Going concern assumption: the Target Company will fully comply with all relevant laws and regulations and continue in business for the foreseeable future.
4. There will be no material adverse impacts on the Target Company caused by force majeure or unforeseeable factors after the valuation date.
5. There will be no material changes in the relevant laws and regulations and policies in force, the macroeconomic situation and the political, economic and social environment of the region in which the parties are located.

**Special Assumptions**

1. The management of the Target Company after the valuation date is stable and capable of assuming its duties.
2. The scope and manner of operation of the Target Company after the valuation date will be consistent with the current direction on the basis of the existing management style and management level.
3. The accounting policies adopted by the Target Company after the valuation date and the accounting policies adopted in the preparation of the valuation report are consistent in all material respects.
4. There are no significant changes in interest rates, exchange rates, tax rates, and policy levies related to the Target Company after the valuation date.
5. The Target Company fully complies with all relevant laws and regulations.
6. The relevant basic data and financial information being provided regarding the Target Company are true, accurate and complete.

7. The financial reports and transaction data of comparable companies relied upon by the valuer are true and reliable.
8. The Target Company will obtain net cash flows evenly during the year.
9. The signed leases of the Target Company are legal and valid; the signed leases are actually performed, will not be changed and terminated without cause, and will continue to be renewed upon expiration.
10. The judgment made by the asset valuer through on-site field investigation without technical testing of the technical parameters and performance of the equipment as at the valuation date, on the assumption that the information being provided in respect of the equipment is true and valid.
11. The on-site inspection of the assets by the asset valuer was limited to the appearance and utilization of the assets and did not test their structure and other intrinsic qualities, so that it was not possible to ascertain whether there were any intrinsic defects. This valuation report is premised on the assumption that the intrinsic quality of the assets complies with the relevant standards and is sufficient to maintain its normal use.
12. The Target Company complies with the regulatory requirement that its assets at risk should not exceed 10 times of its net assets.
13. It is assumed that after the Target Company has fully utilized the total amount of guarantees and borrowings (including direct borrowings) of RMB3.3 billion provided by Wuxi Taihu New City (or its affiliates) in the future, and that the balance of the debt financing actually utilized each month (i.e. direct borrowings) shall be RMB3.0 billion, the remaining insufficiency will be satisfied or financed by other financing methods.

### Specific Quantitative Assumptions

The revenues and gross profits during the historical and forecast period are as follows:

(in RMB million)

	Historical			Forecast					
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	104.8	172.6	227.5	299.4	296.8	308.5	316.3	324.1	328.0
Gross Profit	54.5	90.1	96.7	103.0	132.9	139.7	142.6	144.5	149.1
GP margin	52.0%	52.2%	42.5%	34.4%	44.8%	45.3%	45.1%	44.6%	45.5%

Based on the historical figures, the average gross profit margin of the appraised entity was approximately 45.3%, which is not materially different from the gross profit margin applied in the forecast period (i.e. ranged from 44.6% to 45.5%).

The quantitative assumptions relating to the financial forecast include:

**Revenue growth rate:** The forecasted revenue in this valuation is mainly arrived at with reference to the historical factoring asset balance and the historical asset yield of the appraised entity. Therefore, it is forecasted that the revenue growth rate is approximately 1.20% to 5.61% during the forecast period with a slightly growth supported by its retained earnings. The revenue in the forecast period ranged from RMB296.8 million to RMB328.0 million.

**Gross Profit:** The costs of the appraised entity during the forecast period are mainly consist of finance costs, which are forecasted based on the outstanding loan balance, average borrowing rate and unutilised facilities. The gross profit margin is approximately 45% which take reference with the average gross profit margin from 2020 to 2023.

**Major expenses:** Major expenses of the appraised entity during the forecast period include salary, technology service fee, commission fee, depreciation and amortisation, etc., which are forecasted in this valuation mainly based on the expenditures of the enterprise in historical years, employee headcount, expected salary increment, relevant contracts signed in historical years and existing fixed assets register. The operating expenses in the forecast period ranged from RMB11.9 million to RMB13.0 million.

**Capital expenditure:** The appraised entity does not plan a material purchase during the forecast period and it is assumed that no material capital expenditure during the forecast period considering its asset-light nature. The maintenance costs for the existing electronic equipment in future years has been forecasted in the repair and maintenance expenses which is no material impact to the forecasted profit.

**Net Profit:** The net profit in the forecast period ranged from RMB94.8 million to RMB104.7 million.

**Net cash flow:** The net cash flow in the forecast period ranged from RMB85.4 million to RMB94.2 million.

**(4) Valuation limitations**

- 1) This valuation conclusion is based on the valuation purpose and the market value of the valuation target is estimated on the assumption of the open market, without taking into account the impact of possible increase or decrease in the price paid for special transactions on its appraised value, or the impact of changes in the macroeconomic environment and natural forces and other force majeure on the asset price.
- 2) The valuation benchmark date adopted in the valuation report has been stated above. The estimation of value by asset valuation professionals is based on the purchasing power of the currency where the enterprise is located on the valuation benchmark date.

The valuation conclusion of this report is arrived at under the above assumptions and restrictions. When any event that is inconsistent with the above valuation assumptions and limitations occurs, the valuation conclusion will generally become invalid.

**VALUATION CONCLUSION**

This valuation adopts two methods, namely the income approach and the asset-based approach, to appraise the value of the entire shareholders' equity of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*).

**(1) Valuation results under the asset-based approach**

As at the valuation benchmark date, i.e. 31 December 2023, the audited book value of total assets of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) was RMB4,259,377,200, the book value of liabilities was RMB3,875,654,000, and the book value of total shareholders' equity was RMB383,723,300.

The book value of total assets, liabilities and net assets after the valuation using the asset-based approach was RMB4,257,007,300, RMB3,875,654,000 and RMB381,353,400, respectively. The appraised impairment was RMB2,369,900, and the impairment rate was 0.62%. For details of the valuation conclusion, please refer to the summary table of asset valuation results and the valuation schedule.

For details between appraised value and book value for assets and liabilities, please refer to the following summary table of valuation results:

Unit: RMB0'000

Item	Book value A	Appraised value B	Increase/ decrease in value C=B-A	Appreciation rate D=C/A*100%
1 Current assets	419,852.73	419,496.23	-356.50	-0.08%
2 Non-current assets	6,085.00	6,204.51	119.51	1.96%
3 Including: Supply chain assets at fair value through other comprehensive income	5,401.17	5,401.17		
4 Fixed assets	8.28	33.49	25.21	304.33%
5 Right-of-use assets	6.93	6.93		
6 Intangible assets	–	5.17	5.17	
7 Deferred income tax assets	668.08	757.20	89.12	13.34%
8 Other non-current assets	0.54	0.54		
9 Total assets	425,937.72	425,700.73	-236.99	-0.06%
10 Current liabilities	317,654.62	317,654.62		
11 Non-current liabilities	69,910.78	69,910.78		
12 Total liabilities	387,565.40	387,565.40		
13 Net assets (owners' equity)	38,372.33	38,135.34	-236.99	-0.62%

## (2) Valuation results under the income approach

As at the valuation benchmark date, i.e. 31 December 2023, the audited book value of total assets of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) was RMB4,259,377,200, the book value of liabilities was RMB3,875,654,000, and the book value of total shareholders' equity was RMB383,723,300. Subject to the assumptions and limitations set out in this report, the value of total shareholders' equity appraised under the income approach was RMB900 million, representing an appreciation of RMB516,276,700, or 134.54%.

## (3) Selection of valuation conclusions

The appraised value under the asset-based approach was RMB381,353,400; the appraised value under the income approach was RMB900 million. The difference between the valuation results of the two approaches was RMB518,646,600, with a difference rate of 57.63%. The main reasons for the differences between the two valuation methods are as follows:

The asset-based approach and the income approach have different valuation perspectives and paths. The asset-based approach is considered from the re-acquisition of assets, reflecting the replacement value of the existing assets of the enterprise. The income approach is considered from the perspective of the future profitability of the enterprise, reflecting the comprehensive profitability of various assets of the enterprise.

The appraised entity is mainly engaged in the commercial factoring business, which mainly provides trade financing by way of transfer of accounts receivable. The company has achieved stable revenue growth in recent years and continued to record profits. Due to the inherent characteristics of the asset-based approach, the contribution of intangible assets such as human resources and customer resources owned by the appraised entity to profitability is difficult to be quantified and valued individually and accurately, and therefore the full value of the overall assets of the appraised entity cannot be covered by the asset-based approach. Theoretically, the income approach considers enterprise value as an organic combination, and its overall value is reflected in the expected future income of the appraised entity. Therefore, the valuation results of the income approach can more comprehensively and reasonably reflect the value of the entire shareholders' equity of the appraised entity.

In view of the above, we believe that the valuation results of the income approach can better reflect the value of the entire shareholders' equity of the appraised entity, and therefore the valuation results of the income approach are used as the final conclusion of this valuation.

That is, the value of the entire shareholders' equity of 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.\*) is RMB900 million.

#### **(IV) Explanation on the appreciation/depreciation reflected by the appraisal conclusion**

As at the valuation benchmark date, the audited book value of net assets of the appraised entity was RMB383,723,300, and the value of the entire shareholders' equity as appraised by the income approach was RMB900 million, representing an appreciation of RMB516,276,700 or 134.54%.

The valuation appreciation is mainly due to the fact that as the appraised entity is deemed as a whole under the income approach, the value of the valuation subject is determined by discounting the expected income of the appraised entity based on the future profitability of the appraised entity, and the valuation results include the value of the human resources and shareholder resources advantages of the appraised entity.

#### **DATE OF ASSET VALUATION REPORT**

The date of the asset valuation report is the date when the valuation conclusion is formed, and the date of this asset valuation report is 2 February 2024.

**The above is an extract from the full text of the valuation report. For details of the valuation project and to have a reasonable understanding of the valuation conclusion, the report users should carefully read the full text of the valuation report, upon obtaining consent of owners of the valuation report.**

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, 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 required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Future Ordinance (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, were as follows:

Name of Director	Capacity/Nature of interests	Number and class of securities interested	Percentage of shareholding
Mr. Tung Chi Fung ("Mr. Tung") <sup>(Note 1)</sup>	Beneficiary of a trust and settlor of a discretionary trust	560,601,960 (L) <sup>(Note 2)</sup>	56.64%
Mr. Chen Jen-Tse	Beneficial owner	581,000 (L) <sup>(Note 2)</sup>	0.06%
	Share option	1,700,000 <sup>(Note 3)</sup>	0.17%
Mr. Lo Wai Hung	Beneficial owner	360,000 (L) <sup>(Note 2)</sup>	0.04%
Mr. Loo Yau Soon	Share option	300,000 <sup>(Note 3)</sup>	0.03%
Mr. Fong Heng Boo	Share option	300,000 <sup>(Note 3)</sup>	0.03%

*Notes:*

- (1) Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 560,601,960 shares of the Company, representing approximately 56.64% 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.
- (2) The letter "L" denotes the entity/person's long position in the Shares.
- (3) This refers to the number of underlying Shares covered by its share option scheme.

Save as disclosed herein, as at the Latest Practicable Date, 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 C3 of the Listing Rules, to be notified to the Company and the Stock Exchange.

The register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with the Stock Exchange) shows that as at the Latest Practicable Date, the following persons (other than the Directors and the chief executive) had the following interests and short positions (if any) in the Shares and underlying Shares:

Name of Shareholder	Capacity/ Nature of interests	Number of Shares/ underlying Shares held <sup>(Note 1)</sup>	Percentage of issued share capital
TMF Trust <sup>(Note 2)</sup>	Trustee	560,601,960 (L)	56.64%
Eander <sup>(Note 2)</sup>	Interest in a controlled corporation	560,601,960 (L)	56.64%
Wisdom Cosmos <sup>(Note 2)</sup>	Beneficial owner	560,601,960 (L)	56.64%
Wuxi Communications Industry Group Co., Ltd (“WXCIG”) <sup>(Note 3)</sup>	Interest in a controlled corporation	61,363,500 (L)	6.20%
Xitong International Holdings (HK) Limited (“Xitong”) <sup>(Note 3)</sup>	Beneficial owner	61,363,500 (L)	6.20%

*Notes:*

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 560,601,960 shares of the Company, representing approximately 56.64% 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 6.20% 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, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

**3. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS**

- (a) As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into any service contract with the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which, since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and entered into by the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, and which was significant in relation to the business of the Group.
- (d) As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business which competed or might compete either directly or indirectly, with the business of the Company.

**4. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

**5. MISCELLANEOUS**

- (a) The company secretary of the Company is Mr. Wang Zheng, an associate of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries).
- (b) The registered office of the Company is at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY 1-1108, Cayman Islands. The headquarters and principal place of business in the Mainland China of the Company are at 10/F and 18/F, Kerry Plaza, Tower 2, 1-1 Zhong Xin No. 4 Road Futian, Shenzhen 518048, PRC and its principal place of business in Hong Kong SAR is at Room 4202, 42/F, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong SAR. The Hong Kong share registrar and transfer office of the Company is at Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong SAR.
- (c) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

## 6. MATERIAL CONTRACTS

The Group has entered into the following material contracts (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and up to the Latest Practicable Date:

- (a) the Collaboration Agreement;
- (b) the financial assistance agreement entered into between SY Factoring 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 on 28 September 2023 (after trading hours of the Stock Exchange). Pursuant to the agreement, both parties, as shareholders of Ocean Holdings Factoring Limited\* 青島海控商業保理有限公司 (“Ocean Holdings Factoring”), agreed to provide financial assistance to Ocean Holdings Factoring, in which the aggregated maximum daily average balance of the financial assistance provided by the Group shall be (i) RMB680 million up to the date of 31 December 2023; and (ii) four times of the net assets of Ocean Holdings Factoring during the period from 1 January 2024 to 31 December 2025. For the details of the agreement, please refer to the announcement and the circular of the company dated 28 September 2023 and 21 November 2023 respectively.
- (c) the supplemental financial assistance agreement entered into between SY Factoring, Shenglong Information Technology Services (Ningbo) Co., Ltd\* 盛隆信息科技服務(寧波)有限公司 and Ningbo Guofu Commercial Factoring Co., Ltd\* 寧波國富商業保理有限公司 (“NBGF”) on 28 September 2023 (after trading hours of the Stock Exchange). Pursuant to the agreement, the parties, as shareholders of NBGF, agreed to provide financial assistance to NBGF, in which the aggregated amount of the financial assistance provided by the Group shall not exceed RMB RMB2.1 billion, subject to compliance with the relevant regulatory requirement. For the details of the agreement, please refer to the announcement and the circular of the company dated 28 September 2023 and 21 November 2023 respectively.
- (d) the facility agreement entered into between SY Factoring and Hongji Commercial Factoring (Shenzhen) Limited\* 弘基商業保理(深圳)有限公司 (“Customer HJ”) dated 31 October 2023, pursuant to which SY Factoring and its associated companies agreed grant a revolving and comprehensive credit limit of RMB1,000,000,000 to Customer HJ in relation to the digital financing solutions to be provided through the Group’s platform. For the details of the agreement, please refer to the announcement and the circular of the company dated 31 October 2023 and 21 November 2023 respectively.

**7. EXPERTS' QUALIFICATION AND CONSENT**

The qualifications of the experts who have made statements in this circular are set out as follows:

<b>Name</b>	<b>Qualification</b>
Jiangsu Puxin Assets Appraisal Property and Land Valuation Co., Ltd.* (江蘇普信資產評估房地產土地估價有限公司)	Independent certified PRC public valuer
Deloitte Touche Tohmatsu	Certified public accountant

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of the circular with the inclusion of its letter or report and reference to its name in the form and meaning in which it respectively appears.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the above experts was third party independent of the Group and was not a connected person of the Group. As at the Latest Practicable Date, each of the above experts had no shareholding interest, direct and indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023 (being the date to which the latest published annual results of the Group were made up).

**8. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the website of the Stock Exchange at ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.syholdings.com](http://www.syholdings.com)) from the date of this circular for 14 Business Days (both days inclusive):

- (a) the material contracts referred to in the paragraph headed "6. Material Contracts" in this appendix;
- (b) the written consents referred to in the paragraph headed "EXPERTS' QUALIFICATION AND CONSENT" in this appendix;
- (c) Letter from Deloitte in appendix II;
- (d) the Valuation Report; and
- (e) this circular.