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ABOUT THIS REPORT

This is the fifth environmental, social and governance report published by SY Holdings Group Limited (the "Company"). The purpose of this report is to report on the philosophy and practices of the Company and its subsidiaries (the "Group", "SY" or "we") in fulfilling our environmental, social and governance ("ESG") responsibilities in 2021 and to respond to material issues.

REPORTING CYCLE AND SCOPE



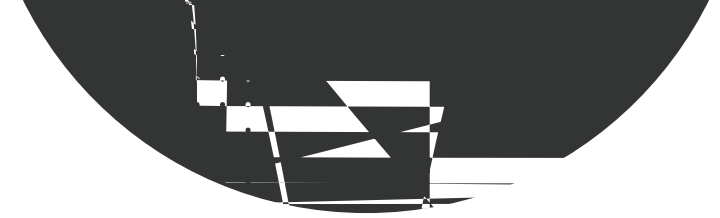
MESSAGE FROM SENIOR MANAGEMENT

Due to the continuously deepening impact of COVID-19 pandemic on the national economy, the challenges which are faced by the industry chain has become more and more complex, and industry digitalization and convenient and efficient supply chain financial services have become increasingly important. To address the challenges which are faced by various enterprises in terms of raw materials, logistics and capital flow, the Chinese government has introduced a number of policies to encourage technological innovation, develop a digital economy and support the financial services that are specially provided to cater for the needs of small and medium-sized enterprises (SMEs), thereby ensuring the stability of the supply and industry chains and facilitating the national economic circulation.

In the face of various challenges, SY, same as those core enterprises and SME suppliers who have never stopped their efforts, has risen to the occasion by continuously exploring the industry to strengthen its understanding of the industry and its innovation in technology applications, so as to provide differentiated digital financial solutions for the industry supply chain ecosystem, thereby striving to solve the plight of SMEs who find it difficult and expensive to raise capital. Meanwhile, SY has utilized technology to assist core enterprises in industry digitalization and intelligent upgrading, driving the industry digitalization process and serving the real economy.

After more than eight years of growth, SY has gradually upgraded from the 1.0 stage focusing on commercial

Continuous exploration and driving research and innovation vigor. We continue to promote investment in research and development (“R&D“) innovation and established the Wuxi Industrial Technology R&D Hub, the Shenzhen Digital Finance R&D Hub and Tianjin Platform Operations Hub. In 2021, our R&D expenses amounted to RMB35.8 million. Since listing, the cumulative expenses amounted to RMB100 million and a total of 42 computer software copyrights were obtained. At the same time, we have fully upgraded the SY Cloud Platform and was awarded the ISO 27001 Information Security Management System certification and Level 3 certification r.



1. ABOUT US

1.1 ABOUT SY

Corporate Overview

Corporate Profile

SY Holdings Group Limited (stock code: 6069.HK) is a leading supply chain technology platform providing efficient and inclusive industrial technology and digital financial solutions for companies across Asia Pacific. As a listed company on the Main Board of the Stock Exchange of Hong Kong, SY is currently included in the MSCI series of indexes, the Hang Seng Composite Index and the Shenzhen Connect.

In January 2021, SY unveiled its “Dual-Engines, One-Platform” strategy. The Dual Engines mainly refer to: 1) deepening of the Group’s industrial technology leadership and integration into the supply chain ecosystem; and 2) enhancement of its supply chain digital financing capabilities, which will more effectively connect and pool



To become A ia'
mo t eliable ,ppl
chain echnolog
pla fo m



To make ,ppl
chain nance mo e
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In eg i ,
people-o ien ed,
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SY's Corporate Culture

Business Segments

Focusing on the two vertical fields of "Industrial Technology" and "Digital Finance", SY provides digital financial solutions, platform-based services, supply chain technology services and the sale of supply chain assets by cultivating the infrastructure engineering, medical and healthcare and energy and chemical industries. Through aligning resources and competencies of key business lines, SY better serves the needs of various stakeholders in the supply chain ecosystem while ensuring competitiveness in the marketplace.



Awards

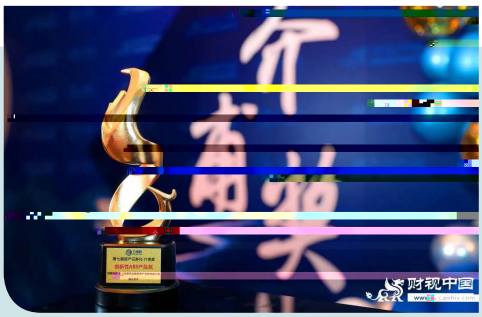
During the reporting period, the Company was further recognised by the industry, the market and third-party organisations for its relentless efforts in R&D innovation, advancing industrial development and sustainable development. In August 2021, SY received an initial "A" rating by MSCI ESG Research, outperforming other industry peers. In September, SY was included as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index. Subsequently in October, SY's ESG rating was upgraded to "A" from "A-" in 2020 by the Hang Seng Indexes Company Limited.



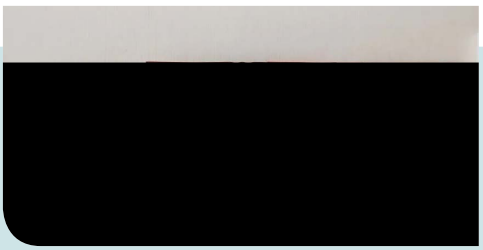
Awarded A Rating by MSCI



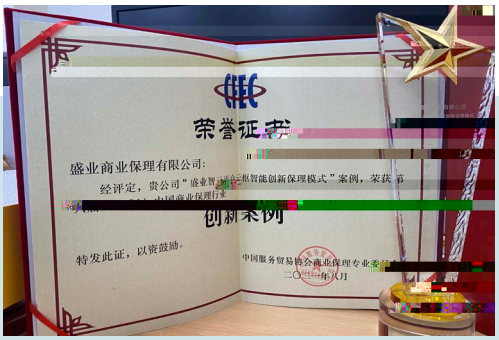
Included into Hang Seng Corporate Sustainability Benchmark Index



The 7th Asset Securitization • Jiefu Award – Innovative ABS Product Award



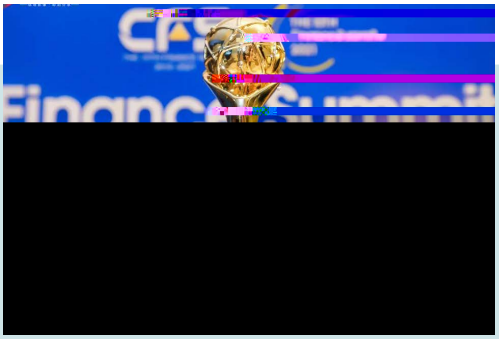
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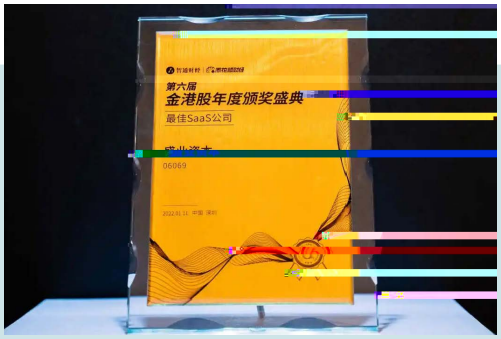
“Commercial Factoring Innovation Case” Award at the 9 th China Commercial Factoring Industry Summit



“Digital Supply Chain • Excellent Industry and Finance Innovation and Application Technology Platform” Award



“2021 Fintech Influential Brand Award” at the 10th China Finance Summit



“Best SaaS Company” at the 6 th Golden Hong Kong Stocks Awards



“Best CFO Award” of Greater China Best Listed Company Awards 2021 at the GuruClub Global Investment Carnival



1.2 CORPORATE GOVERNANCE

Integrity is one of the corporate values of SY. We maintain a high level of business integrity in our operations, uphold high standards of business conduct in our business relationships with all relevant parties, eliminate any form of corruption, bribery, blackmail, extortion, money laundering and embezzlement of public funds, adhere to compliance operations and contribute to the healthy development of the industry.

Promoting Compliance Operation

Against the background of the new regulatory framework such as the "Notice on Strengthening Supervision and Administration of Commercial Factoring Enterprises"《關於加強商業保理企業監督管理的通知》) which was issued by the General Office of China Banking and Insurance Regulatory Commission, the "Data Security Law of the People's Republic of China" and the "Personal Information Protection Law of the People's Republic of China" coming into effect, and the "Interim Measures for Supervision and Administration of Commercial Factoring Companies in Tianjin" 《 津市商業保理公司監督管理暫行辦法》) which was issued by the Tianjin Financial Supervision and Administration, SY actively responds to the requirements of the laws and regulations of the country and the place of its operation. In addition, it regulates its business development, operates in compliance with the law, formulates and strictly follows reasonable business durations and interest rates, resolutely eliminates illegal and violent payment collection practices, comprehensively safeguards data security and personal information security, and provides a fair and reliable business and transaction environment for its customers.

Adhering to Business Ethics

SY strictly complies with the "Criminal Law of the People's Republic of China", the "Anti-Unfair Competition Law of the People's Republic of China", the "Anti-Monopoly Law of the People's Republic of China" and other relevant laws and regulations, improves the internal system, regulates the business ethics of the Group and its employees at source, improves complaint and whistleblowing channels and mechanisms, and strengthens employees' awareness of integrity through regular publicity and training on business ethics to ensure the Company's compliance and sound operation.

During the reporting period, we promulgated the "Internal Audit Policy of SY Holdings Group Limited", which specifies that external audits are conducted on business lines every year, while internal audits with specific focus are conducted on low, medium and high risk processes according to the frequency of monthly, quarterly as well as annual basis depending on the level of risk. Through the improvement of the Company's internal construction to achieve the effect of error detection and prevention of fraud and standardisation of the Company's operation, audits are conducted on issues identified by complaints and reports in the course of operation and issues identified by the Audit Committee as requiring attention.

At the same time during the reporting period, we amended the "Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited" to introduce more specific and comprehensive anti-corruption requirements for employees and suppliers, as well as anti-corruption management mechanisms, complaint reporting mechanisms, anonymous whistleblower protection mechanisms and relevant training mechanisms, in order to promote high standards of business ethics within the Group.

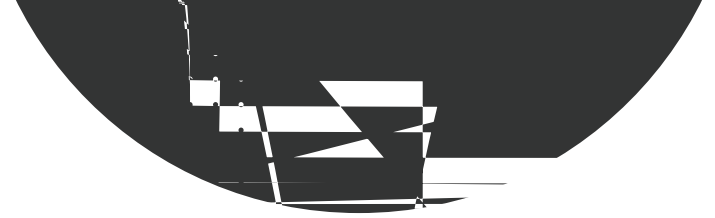
During the reporting period, we have not been the subject of any litigation arising from violations of anti-corruption, anti-bribery, anti-money laundering, anti-fraud and other laws and places in the places in which we operate.

Anti-Money Laundering

SY strictly complies with the requirements of the “Anti-Money Laundering Law of the People’s Republic of China” and other relevant laws and regulations, implements the anti-money laundering responsibilities of financial institutions, integrates anti-money laundering work into daily operation of Risk Management Department, regularly optimizes and updates relevant policies and improves relevant risk management mechanisms. Meanwhile, in accordance with the “Rules of Procedure of the Risk Management Committee of SY Holdings Group Limited”, an anti-money laundering working group could be established under the Risk Management Committee of the Company, which is fully responsible for anti-money laundering related work and mechanisms to ensure the effective implementation of anti-money laundering related systems and measures.

Anti-Corruption

SY has always put anti-corruption a key focus of its work, and has promoted in-depth integrity risk prevention and control to prevent and eliminate the occurrence of corrupt practices. The Company requires all employees to adhere to the code of conduct of integrity and honesty, abide by business ethics and codes of conduct in conducting business and related activities, and refrain from directly or indirectly transferring or seeking improper benefits from others.



Whistleblower Protection

During the reporting period, we amended the "Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited" to introduce more specific and comprehensive requirements on the internal and external whistleblowing mechanism, anonymous whistleblower protection mechanism, reward and punishment mechanism for whistleblowers and related training and promotion, including set up multi-channel reporting methods, encourage employees to report illegal events or misconducts, while strictly protecting the relevant rights and interests of whistleblowers to prevent their personal information from being leaked, and retaliation against whistleblowers in any form and under any pretext is strictly prohibited. In the event of violations of the policy or the identity of anonymous whistleblower being leaked, the Group will impose punishment or refer to the judicial authorities in accordance with relevant regulations.

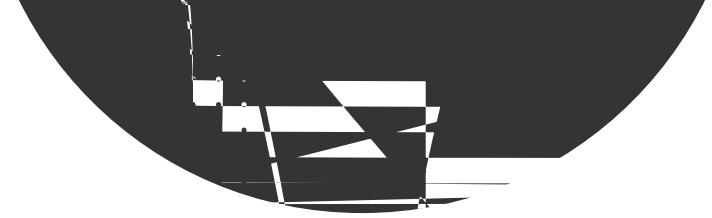
Whistleblowing Channel

- Employees, suppliers and business partners can report anonymously or non-anonymously through reporting email, telephone, email, and face-to-face conversation etc.;
- Employees of the Group can report to their direct supervisor and senior managers, or directly talk with corporate governance department.

Reporting Process

Protective Mechanism

- Personal information and content of reporting incident of the whistleblower are kept in strict con□dence by the Company;
- "Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited" has been amended by the Group, including the principal and mechanism of anonymous whistleblower protection, punishment for information leakage, and reward mechanism for whistleblower.



Training and Education

The Group actively carries out anti-corruption and other business ethics publicity and training to enhance the professional ethics and anti-corruption awareness of all staff, regulates the integrity of staff practices and continuously creates a clean and harmonious working atmosphere. During the reporting period, the Group conducted 12 sessions of staff integrity training, covering 179 person-times, with a per capita training duration of 1 hour per person. In addition, the Group also conducted anti-corruption awareness training to directors and all employees (including full-time and part-time employees) through internal briefings.

Sound Risk Management

A professional and comprehensive risk management mechanism is the foundation of our sustainable development. The Group strictly follows the relevant laws and regulations such as the “Listing Rules”, the “Notice of the General Office of China Banking and Insurance Regulatory Commission on Strengthening Supervision and Administration of Commercial Factoring Enterprises” and the “Interim Measures for Supervision and Administration of Commercial Factoring Companies in Tianjin”, and has formulated internal policies such as the “General Rules on Risk Management of SY Holdings Group Limited” and the “Audit Committee of SY Holdings Group Limited – Terms of Reference” to comprehensively identify and control risks throughout the business process. During the reporting period, the Group amended the “Rules of Procedure of the Risk Management Committee of SY Holdings Group Limited”.

Risk communication	Daily evaluation: Based on the subject and transaction-oriented dual risk evaluation, to establish a risk evaluation system with multi-dimensional enterprise and transaction behavior data analysis as the logic for realizing the rolling calculation of dynamic risk evaluation results for individual customers, individual businesses and individual assets. Ad hoc meetings: In case of sudden and significant risk matters related to the Company's risk related department, the Risk Management Committee will convene an ad hoc meeting after the relevant department reports to the Chairman of the Risk Management Committee. Reporting escalation: The reporting line is Functional Departments/Risk Management Committee – Audit Committee – Board of Directors.
Risk control and management	Board of Directors: Reviews the effectiveness of risk management and internal controls at least once a year through the Audit Committee. Audit Committee: Reviews risk management reported by the Company's management at least once every six months. Risk Management Committee:

1.3 2021 PERFORMANCE HIGHLIGHTS

Economic Performance

Indicator	Unit	2021
Total assets	RMB100 million	88.03
Operating revenue	RMB100 million	5.75
Net profit	RMB100 million	4.62
Number of SMEs connected to the platform	Enterprise	10,358
Research and development expense	RMB million	35.8
Total amount of SME Loans*	RMB100 million	154
Balance of direct SME Loans	RMB100 million	64.6

* During the reporting period, the total amount of SME loans includes: i) total amount from direct loan business, which represents the total loan amount of of approximately RMB11.6 billion directly provided by the Group to SMEs; and ii) total amount from loan facilitation business, which represents the total loan amount of approximately RMB3.8 billion provided by third-parties to SMEs which were facilitated by the Group.

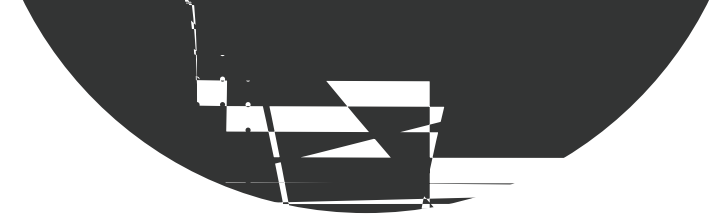
Social Performance

Indicator	Unit	2021
Total number of employees	Employee	347
Average training hours per employee	Hour per employee	21.61
Percentage of trained employees	%	94.52
Service satisfaction	%	94.6
Number of sessions of public welfare activities	Session	8
Number of participants in public welfare activities	Person-time	71
Duration of public welfare activities	Hour	932
Investment amount of public welfare activities	RMB'000	1,396.5

Environmental Performance

Indicator	Unit	2021
Total emission of greenhouse gas	tCO_2e	164.29
Emission of greenhouse gas periss.709164.29e 56.693 501.116 277.795 -13 re 334.48i6e859 603.2618 Tm (2)Tj 9 0 0 9 352.9032 606.		





The supervisory role of the board of directors of SY in ESG matters

The board of directors recognizes its responsibility for assessing and determining the nature and degree of the risks, including ESG-related risks, that it is willing to take in order to achieve the Group's strategic objectives, and ensures that the overall adequacy and effectiveness of the Group's risk management and internal control systems, which cover financial, operational and compliance controls, are regularly reviewed, thereby safeguarding shareholders' investments and the Group's assets.

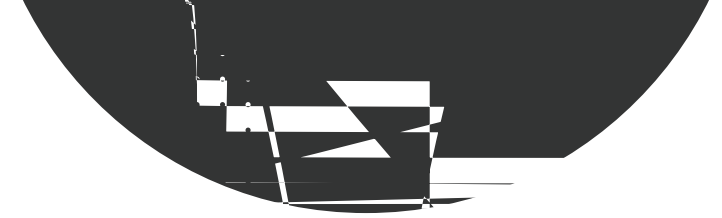
- As for management, the board of directors is committed to establishing and maintaining a competent and independent board to oversee the business of the Group, thereby maintaining and ensuring high standards of corporate governance. The board of directors reviews the Group's corporate governance practices from time to time to ensure that they reflect the latest developments and meet shareholders' expectations.
- As on social aspects, the Group is committed to reshaping the landscape of the supply chain financing industry through the application of innovative information technology. The Group continued to provide diversified supply

- Setting targets for the Group's ESG performance, monitoring and reviewing the implementation of the Group's ESG work and carrying out relevant assessments;
- Receiving reports from the ESG Working Group and the management, as well as reviewing and approving ESG information disclosures;
- Overseeing or approving other material matters in relation to the Group's ESG management.

2.2 STAKEHOLDER ENGAGEMENT

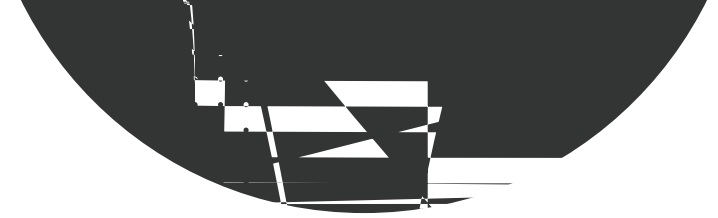
The Group attaches great importance to communication with various stakeholders, sincerely listens to the expectations and demands of stakeholders and responds to their feedback in a timely manner, thereby fulfilling its social responsibility and creating value for stakeholders while operating in compliance with relevant laws.

Stakeholders	Communication methods	Expectations and demands	Our responses
Government and regulatory authorities	• Regular communication • Information reporting • Seminars and surveys • Annual/interim financial reports • Responses to questions of stock exchange (by phone, mail, etc.) • Connect with the Credit Reference Center of the People's Bank of China	• Compliant operation • Stringent internal control and risk management • Transparent information disclosure	• Pay taxes in accordance with the laws • Strengthen risk management • Adjust internal business processes and standards in accordance with regulatory requirements • Fulfill information disclosure obligations in accordance with the "Listing Rules"
Customers/			

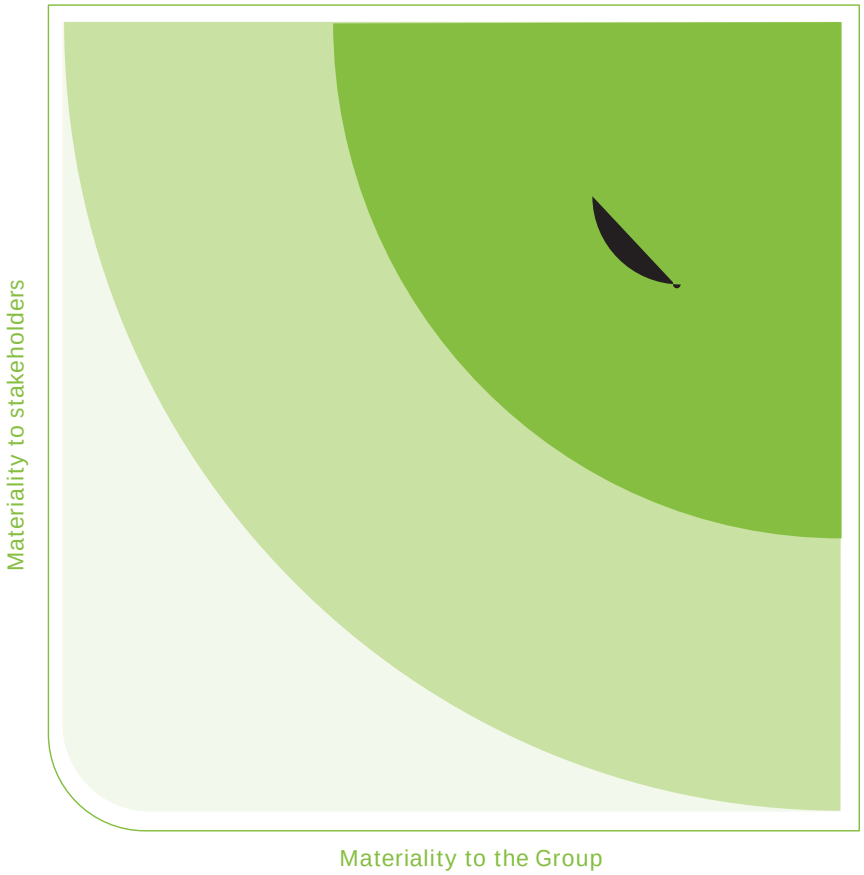


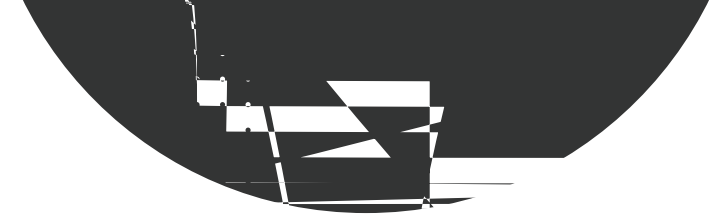
Stakeholders	Communication methods	Expectations and demands	Our responses
Shareholders/ investors	• Due diligence • Roadshows • Shareholders' general meetings	• Provision of corporate information in compliance with relevant regulations • Stable relationship and valuation • Enhanced standards of ESG management and disclosure	• Respond to investors' concerns about ESG and corporate governance • Organize shareholders' general meetings • Visit investment institutions and analyst teams
Funding partners/ banks	• Due diligence • Design of financing framework • Pre-loan and post-loan reports	• Provision of corporate information in compliance with relevant regulations • Solid operating and financial performance • Enhanced standards of ESG management and disclosure • Exploration of ESG financing channels	• Respond to funding partners' concerns about ESG and corporate governance
Suppliers/business partners	• Official website • Letter of undertaking of integrity • Quotation, tender, procurement and after-sales service • Business system platform • Mail and offline documents, etc.	• Fair and transparent procurement process • Suppliers and product quality that meet relevant standards	• Provide ways for filing complaints through the official website as channel for suppliers to monitor the procurement behavior of the Company • Require suppliers to sign a letter of undertaking of integrity when signing a business contract • Select suitable suppliers according to the procurement policy • Procure data services such as business information and public opinion analysis

Stakeholders	Communication methods	Expectations and demands	Our responses
Employees	• Recruitment, promotion, training, performance assessment , and monthly interview • Internal audit and letter of undertaking of integrity • Inter-departmental meetings • Mail and office software	• Legal and healthy employment relationship • Honest practice of staff • Compliant corporate structure and business operation	• Establish staff recruitment, promotion and appraisal systems • Create a healthy and fair working environment • Provide communication channels • Ensure that employees' business conducts comply with corporate rules of the Group through internal audit • Require its staff to sign a letter of undertaking of integrity when joining the Group • Convey concerns of directors and external parties to internal departments of the Group • Conduct procurement or other services according to procurement standards and actual needs of staff
Public/community	• Trade conferences • Interviews • WeChat official account • Official website • Cooperation with charitable organizations and communities and business units	• Corporate image • Corporate social responsibility and public welfare	• Attend relevant trade conferences or forums • Media interviews with senior management • Promotion through official website and WeChat official account • Establish a foundation, participate in public welfare activities and make donations



2.3 MATERIAL ISSUE ANALYSIS


Materiality to stakeholders
Materiality to the Group



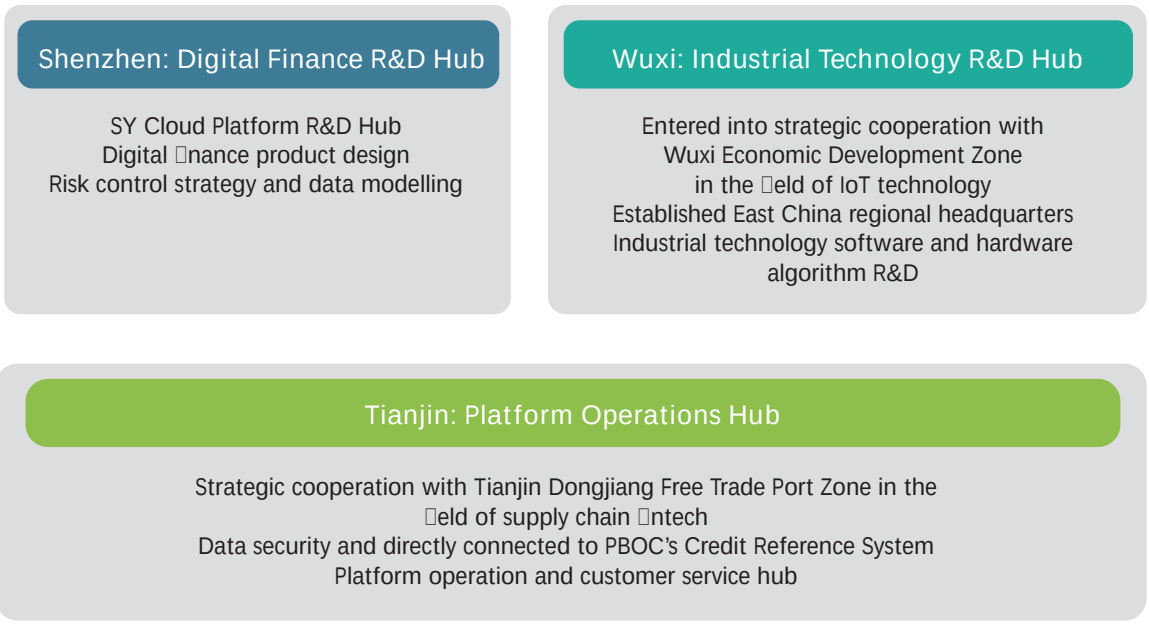
Degree of importance	Area	Issue
Issues of high importance	Company governance	Corporate governance Legal compliance Business ethics Operating performance Brand image
	Responsibility for customers	Fintech innovation Information security and privacy protection Customer service management
	Responsibility for employees	Diversity and equal opportunities Staff training and development Rights and benefits of employees Health and safety of employees
	Responsibility for supply chain management	Fair and compliant procurement ESG management of supply chain
Issues of medium importance	Responsibility for customers	Inclusive finance
	Responsibility for green development	Green finance Green operation
	Responsibility for community	

3. TECHNOLOGY EMPOWERMENT TO ACCELERATE FINANCIAL INCLUSION

3.1 FINANCIAL INCLUSION WITH INNOVATIVE FINTECH

Activating the Power of Innovation

SY has rooted the pursuit of innovation in its corporate values and forged a quality supply chain of financial service system with its technological strength. We continue to improve the innovation incentive mechanism and formulate incentive policies such as “Project Incentive Policy of SY Holdings Group Limited”, “Reward and Punishment Policy of SY Holdings Group Limited” and “R&D Project Policy of SY Holdings Group Limited”, to fully reward individuals who are boldly innovative in their business and technical research projects that are in line with the Group’s development strategy and able to solve major problems of existing products or bring significant improvements. At the same time, we attach great importance to the building of our research and development team. As the end of the reporting period, R&D staff accounted for 26% of the Group’s total staff (including outsourced personnel).



SY’s R&D and Operations Hub



SY's Technology Empowerments

Artificial intelligence	Natural Language Processing (NLP) Optical Character Recognition	o OCR recognition accuracy 97% o Smart pre-approval o Exclusive smart credit system
Cloud	SY Cloud Platform	o 100% Online o Full desktop and mobile coverage o Convenient user experience
Big data and data analysis	Multi-dimensional data processing	o Data of approximately 1.5 million suppliers o Automated batch data searching and validation o Smart pricing
Internet of Things	Smart construction site Hospital SPD	o Business digitalisation o Real-time video monitoring and smart analysis o Maximising operational efficiency

In addition, in June 2021, SY Factoring Limited ("SY Factoring"), a subsidiary of SY, was officially approved to set up a national post-doctoral research centre, becoming the first factoring company in the PRC to establish a post-doctoral research centre, and is qualified to recruit post-doctoral researchers. The establishment of the post-doctoral research centre of SY Factoring will be an effective carrier of SY's independent innovation capability, which is of great significance to the Group in improving its technological innovation strength and facilitating the transformation of scientific and technological achievements.

Protecting Intellectual Property

Protecting intellectual property rights is protecting innovation. We strictly comply with the requirements of the "Trademark Law of the People's Republic of China", the "Patent Law of the People's Republic of China", the "Copyright Law of the People's Republic of China" and other relevant laws and regulations, and have formulated management policies such as the "Information Security Code of Conduct for Employees of SY Holdings Group Limited" and the "IT Asset Management Code of SY Holdings Group Limited", and embedded intellectual property protection requirements into the "Employee Manual of SY Holdings Group Limited" and the "Confidentiality Agreement of SY Holdings Group Limited" and other internal policy documents to prevent intellectual property infringement.

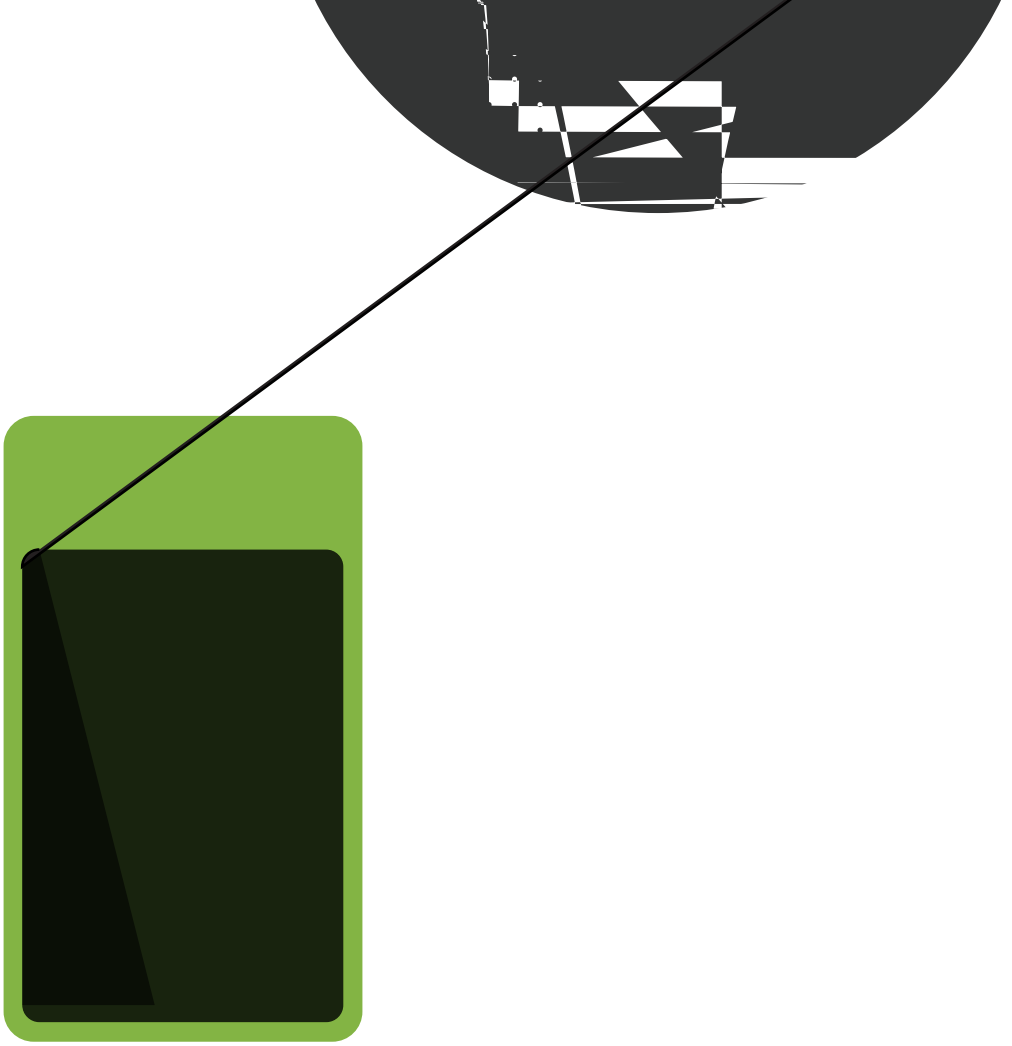
As at the end of the reporting period, Sheng Ye Information Technology Service (Shenzhen) Co., Limited ("SY Technology"), a subsidiary of SY, had obtained 42 computer software copyright certificates (compared with 14 new certificates for the same period last year), 1 software product certification and 3 invention patents under application for review.

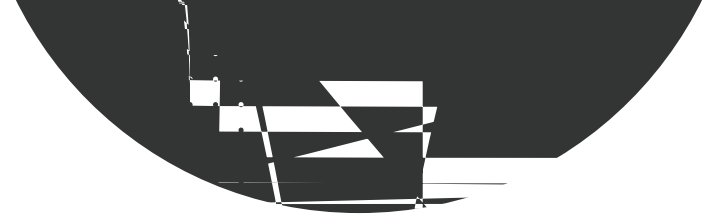
Featured topic: Solving Financing Difficulties for SMEs

The "14th Five-Year Plan for Promoting the Development of SMEs《「十四五」促進中小企業發展規劃》) states that the development direction of the fintech industry is to improve the financing ability of SMEs. Since its establishment, SY has been concerned about the pain points of difficult and expensive financing of SMEs, which cannot be solved by traditional financial models. We regard "technology" as the most crucial element in the supply chain, and expect that through our self-developed technology platform, we can help SMEs to reduce the costs of information collection and exchange, customer transactions and labour, while gradually expanding the service boundary, so that the data-based, systematic, and smart finance model of supply chain can cover more SMEs, core enterprises and financial institutions.

SY provides comprehensive solutions to address industry pain points

	Core pain points	Creation of values
SMEs	o Long accounts receivable cycle, capital constraints o Lack of suitable financing channels with difficult and expensive financing o Cumbersome offline procedures and application process with poor customer experience	o Increased scale and strength of business through flexible financing o Stronger relationships with core purchasers
Core enterprises	o Lack of information management system, non-transparent information o High management costs due to offline manual processes o Inefficient procurement and supplier management	o Enhancing operational efficiency o More effective cost management o Higher profitability
Financial institutions	o Difficulty in acquiring quality SME loan customers o Inability to effectively assess the credit profile of SMEs due to information asymmetry or opacity o Difficulty in processing small and scattered loans in batch due to lack of efficient fintech capabilities	o Serving more SMEs through SY's efficient customer acquisition o Empowered by financial technology to enhance risk management





Select high-quality enterprises with our “1+N” concept based on the industry ecosystem

- “1” represents that we select high-quality core enterprises with good creditability and strong performance capability in industry markets with large market size and strong economic cycle resistance.
- “N” represents that based on the selected high-quality core enterprises and their industry conditions, we obtain customer referral and accumulate a large amount of authentic transaction data through our long-term close cooperation relationship, and conduct comprehensive analysis of data from multi-channel and multi-dimensional data sources based on our in-depth understanding of the characteristics of the industry, from which high-quality customers are selected.

Verify multi-dimensional data and explore high-quality assets based on the “authentic transactions” concept

- We examine the authenticity and reasonableness of the transactions based on comparative analysis of a large database, so as to screen out high-quality receivable assets.
- Through onsite visits, due diligence, delivery video collection and verification, and based on our in-depth understanding of the industry, we cross-examine transaction data and industry data such as material prices to ensure that the transactions are authentic and reasonable.
- After granting the loans, we continue to monitor the assets through regular monitoring of repayment, invoice status verification and 24-hour public opinion monitoring to ensure that the entire financing process is under comprehensive, continuous and effective management and control.

Enrich account system and ensure control of fund collection based on the “closed-loop funding” concept

- We establish close cooperation with various banks, open customer accounts, collect and monitor the repayment information in a timely manner, and effectively track the customers’ continuity of business operation and stability of cooperation with core enterprises, thereby further strengthening the last line of defense of risk control and realizing closed-loop funding.

Strengthening Risk Control

SY has established a dual risk evaluation system based on subject and transaction-oriented risk evaluation and logically based on multi-dimensional data analysis of enterprise and transaction behaviours, providing convenient and fast supply chain financing services to a wide range of SMEs with difficulty in obtaining traditional credit support.

SY’s Data-Driven Core Risk Control Logic..39.08Tc .7574 cm 0.493 1758.99 0 l S Q q 1 1

While we continue to sort out the logic of data-driven core risk control, we are also strictly controlling environmental and social risks along the industry chain to improve the sustainable business development model.

SY takes infrastructure, a national strategic industry, as its key area of focus. It uses the SaaS system of IoT and big data analysis to break through information barriers and intelligently link the asset-ends and the capital-ends, and through innovative solutions such as the smart construction site system, the elements involved in the construction process, such as workers, machines, materials, methods and environment, are collected in real time and dynamically, which effectively supports site operators and project managers to improve construction quality, costs and progress, and helps the infrastructure industry to achieve intelligent upgrading.

"Smart construction solutions": Facilitate digital upgrading of construction sites

Under the wave of informatization and intelligentization, SY's "smart construction site solution" has been developed to address the pain points of traditional infrastructure projects. The solution integrates technologies such as big data, cloud computing and artificial intelligence into buildings, construction machinery, wear equipment and site gates to maximise the collection of data on materials, workers, safety and environment, enabling collaboration between operators and the construction site environment, improving construction safety and optimizing resource allocation.

- Safeguarding production safety： to provide face recognition solutions and virtual reality safety education experiences, as well as monitor security measures in a real-time manner and issue alerts
- Serving green construction： to minimize energy consumption, material consumption and water consumption, reduce construction waste generation, and mitigate the impact on the surrounding environment of the construction sites
- Improving management efficiency ： to build AI monitoring cameras, AI smart screens and other functions to realize data integration and sharing
- Reducing construction costs
- …



During the reporting period, with its smart supply chain management and industrial technology capabilities, SY Technology successfully obtained two national research platform "Smart Construction Site" projects, accelerating the industrial IoT business layout (picture: visual representation of the Peng Cheng Laboratory project)

Supporting an Information-Based Healthcare Industry

As a crucial part of hospital cost control, the management of medical supplies is gradually changing to a refined and scientific direction so as to improve hospital control standards, control hospital costs and enhance hospital competitiveness. In addition, under the new healthcare reform of two-invoice system, zero mark up and separation of medicine and treatment, hospitals urgently need to improve the quality of management and medical services, which also creates the need for hospitals to establish closer cooperation with professional

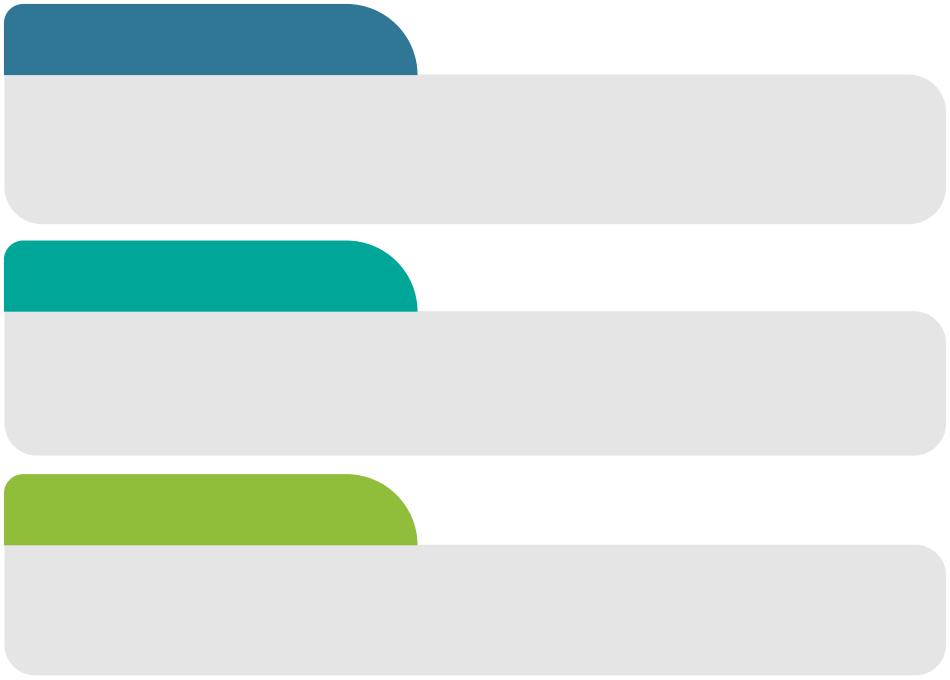
4. SOLID FOUNDATION WITH WELL-TRUSTED RESPONSIBILITY

4.1 BUILDING A STRONG SECURITY BARRIER

SY prioritizes information safety and protection of clients' privacy related work. "Data Security Law of the People's Republic of China" and "Personal Information Protection Law of the People's Republic of China", which became effective sequentially in 2021, stipulate that the processing of personal information shall comply with the principles of lawfulness, fairness, honesty, minimum necessity, openness and transparency and shall have a specific and reasonable purpose of processing. SY complied with the "Civil Code of the People's Republic of China", "Cybersecurity Law of the People's Republic of China" and other laws and regulations to continuously improve information security management and enhance customer privacy protection. During the reporting period, we did not experience any form of leakage of client data, nor did we receive any complaints from clients regarding privacy and security.

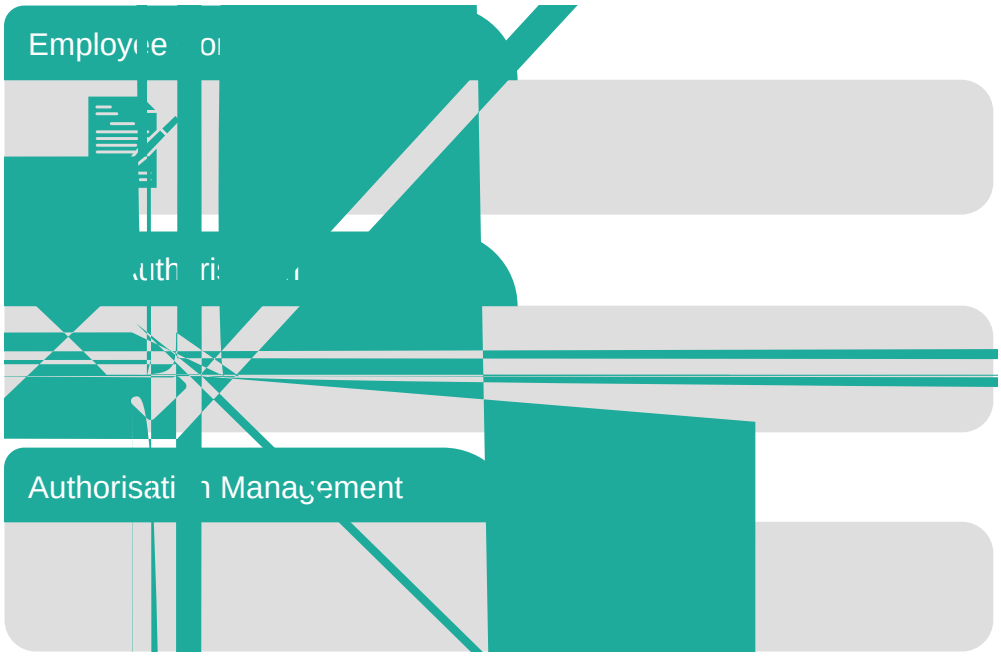
Safeguarding Information Security

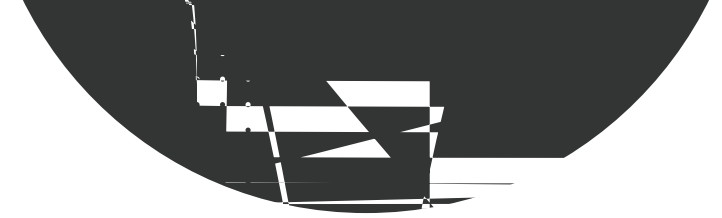
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Protecting Customer Privacy

As a financial services provider, SY understands the importance of protecting data privacy. SY is committed to protecting the personal information and privacy of our customers and has incorporated this into our employee manual to clarify our staff's responsibilities and obligations in relation to privacy protection. Unauthorised access to or disclosure of confidential information (including transaction records and customer identities) is strictly prohibited.





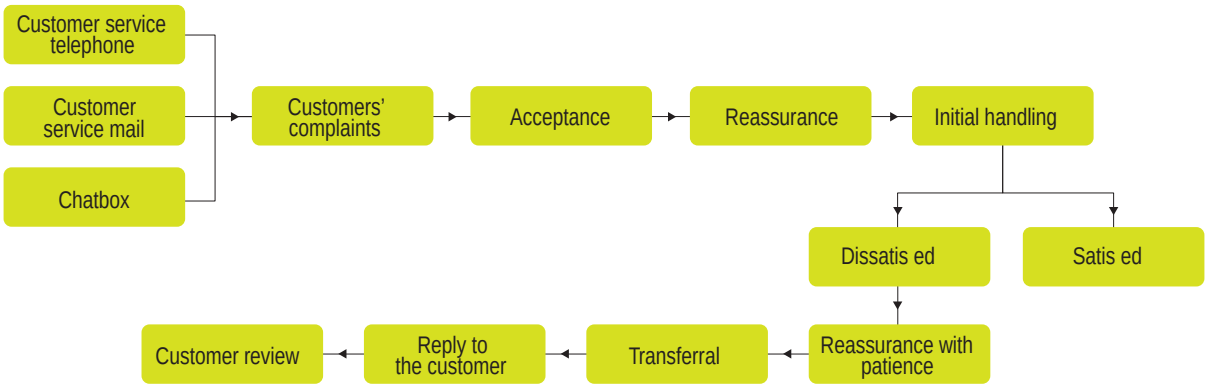
Principle	Policy	Initiatives
Transparent product information	• Compliance with policies and systems such as the "Civil Code of the People's Republic of China", "SY Holdings Group Limited SY Cloud Platform Client Guidelines" and "SY Holdings Group Limited Platform Operations Department Post-Loan Management Operation Guidelines"	• The business agreement and line of credit consent form signed with the customer contains clear information on the maximum amount and term, scope of services, interest rate and service fee cap, etc.; • Sending monthly statements to customers and providing a dispute verification process; • The entire process of customer access, business application and approval (including the overall limit, individual business quotation and adjustment, capital matching and lending) is carried out on the SY Cloud Platform, and customers can check business records and details through the Cloud Platform.
Preventing excessive debt	• Complying with policies and systems such as "Regulations on Ensuring Payments to Small and Medium-Sized Enterprises", "Notice of the General Office of China Banking and Insurance Regulatory Commission on Strengthening Supervision and Administration of Commercial Factoring Enterprises", "Interim Measures for Supervision and Administration of Commercial Factoring Companies in Tianjin", "Credit Management Policy of SY Holdings Group Limited", "Post-Loan Management Policy of SY Holdings Group Limited", "Credit Facility Management Policy of SY Holdings Group Limited", "Customer Rating and Risk Premium Management Policy of SY Holdings Group Limited" etc.	• Based on our understanding of the industry and supply chain, we help our SME customers turn their illiquid receivables into funds through supply chain finance, so as to achieve working capital turnover and avoid the large amount of receivables from crowding their own funds which are already insufficient; • At pre-loan period, we implement a two-tier limit on the buyer's credit line and the seller's credit line, and provide supply chain financial services to the customer (i.e. the seller) within the limit based on a certain percentage of the receivables arising from the underlying transactions between the buyer and the seller, so as to prevent the customer from over-indebtedness; • At post-loan period, we will continue to monitor and manage our risk assets, using multi-dimensional data to conduct comprehensive and timely tracking and inspection, and monitor changes in our customers' creditworthiness, operating efficiency and the quality of their underlying assets, so as to achieve the objectives of risk alert, risk mitigation, risk prevention and improving the quality and efficiency of supply chain assets. In the event of adverse changes in the customer's financial capacity or trading conditions, the customer's rating will be downgraded and new business will be suspended to avoid excessive borrowing by the customer.

Principle	Policy	Initiatives
Treating customers fairly and respectfully	• Compliance with policies such as "Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited", and "Customer Review Policy of the Platform Operation Department of SY Holdings Group Limited (for trial implementation)"	• Uniform internal risk control and operational management rules apply to the pre-loan, loaning and post-loan management of all customers, and there will be no price discrimination or differential treatment of specific customers or groups, except for different offers and processes resulting from different risk prices and ratings based on the output of such rules; • Clients may report to the Company any misconduct that has occurred or may occur involving a member of SY staff, including soliciting bribes from clients, misappropriation, embezzlement, misappropriation or theft of clients' funds or property; • Implementing customer playback to understand customers' experience of using the Company's products, eliminate customer objections, resolve customer complaints and extend service programs.
Appropriate product design and delivery	• Follow policies such as "Credit Management System of SY Holdings Group Limited", "Post-Loan Management Policy of SY Holdings Group Limited", "Credit Line Management Regulations of SY Holdings Group Limited", "Customer Rating and Risk Plus Management Regulations of SY Holdings Group Limited", etc.	• Driven by the independently established customer pre-award mechanism and industrial risk assessment model, we provide a variety of financing products such as order factoring and receivables factoring at different stages of the whole settlement process of the supply chain, which not only flexibly meet the financing needs of SME customers at different transaction stages, but also solve the pain point that traditional financial institutions find it difficult to meet customers' individual needs.
Reasonable pricing	• Follow policies such as "Credit Management System of SY Holdings Group Limited", "Post-Loan Management Policy of SY Holdings Group Limited", "Credit Line Management Regulations of SY Holdings Group Limited", "Customer Rating and Risk Plus Management Regulations of SY Holdings Group Limited", etc.	• Uniform internal risk control and operational management rules apply to the pre-loan, loaning and post-loan management of all customers, and there will be no price discrimination or differential treatment of specific customers or groups, except for different offers and processes resulting from different risk pricing and ratings based on the output of such rules.

Deepening Customer Experience

SY has formulated the "Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited" and "Customer Service Manual of SY Holdings Group Limited" to ensure timely, fair and reasonable resolution of customer problems and to provide high quality advisory and guidance services to customers. During the reporting period, we did not have any customer complaints.

In order to understand the needs of our customers in a timely manner, understand their experience in using our products, obtain valuable information, eliminate customer objections, resolve customer complaints and extend our services, we established the "Customer Review Policy of the Platform Operation Department of SY Holdings Group Limited (for trial implementation)" during the reporting period, specifying that a return visit would be made once every two months followed by the issue of an analysis report on customer review. In March 2022, we published the first "Customer Review Report" for internal circulation.



Customer Complaint Handling Process

5. BEING PEOPLE-ORIENTED AND SHARING THE FRUITS OF DEVELOPMENT

5.1 CREATING A HARMONIOUS WORKPLACE

Protecting Employees' Rights

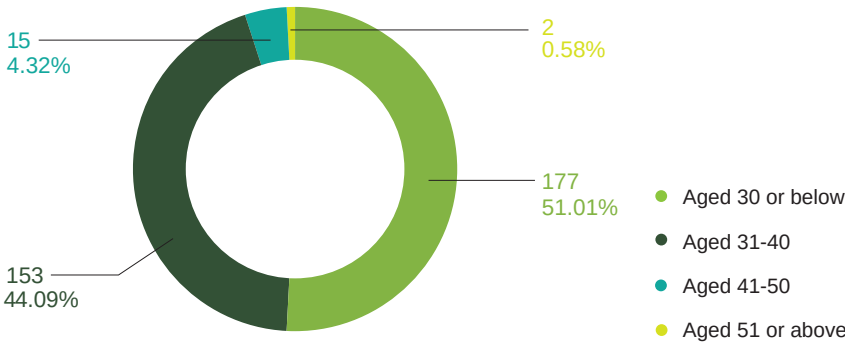
We value employees as an important asset and the foundation of our success and growth. We strictly comply with national and local policies and regulations such as the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", and the "Employment Ordinance" and the "Immigration Ordinance" of the Hong Kong SAR, and have formulated a series of internal policies and regulations in the Group such as the "Employee Manual of SY Holdings Group Limited", "Recruitment Policy of SY Holdings Group Limited", "Internal Transfer and Rotation Policy of SY Holdings Group Limited", "Internal Talent Recommendation Policy of SY Holdings Group Limited", "Probation Period Policy of SY Holdings Group Limited" and "Attendance Management Policy of SY Holdings Group Limited" and other employment and human resources management rules to regulate the recruitment and promotion, remuneration and dismissal, working hours, rest time and other rights and benefits of employees.

The Group pays social insurance and public reserve funds for its employees, and provides them with legal and reasonable working hours and rest periods. At the same time, we strictly prohibit child labour by strictly complying with international, national and local policies and regulations such as the "Regulations on Prohibition of Child Labour" and carefully check the age and other background information of job applicants in the recruitment process. During the reporting period, the Group did not have any cases of child labour and litigation or labour arbitrations with employees.

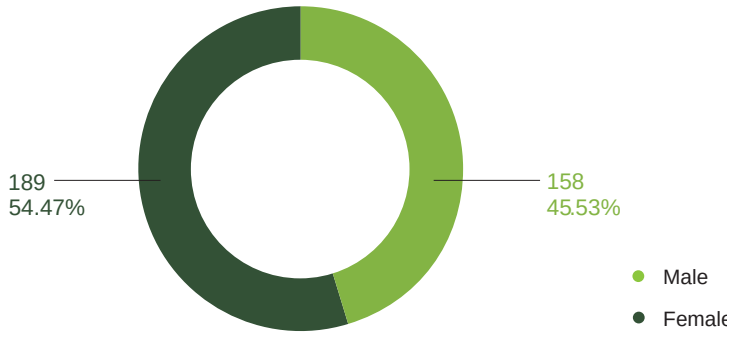
Building a diverse environment

SY strives to create an equal, inclusive and diversified workplace environment and insists on equal employment and equal pay for equal work, ensuring that discrimination in all aspects of recruitment, training and promotion on the grounds of gender, age, race, nationality, health status and maternity status is eliminated. As at the end of the reporting period, the Group had a total of 347 employees, all of which were full-time employees and 188 were newly recruited during the year.

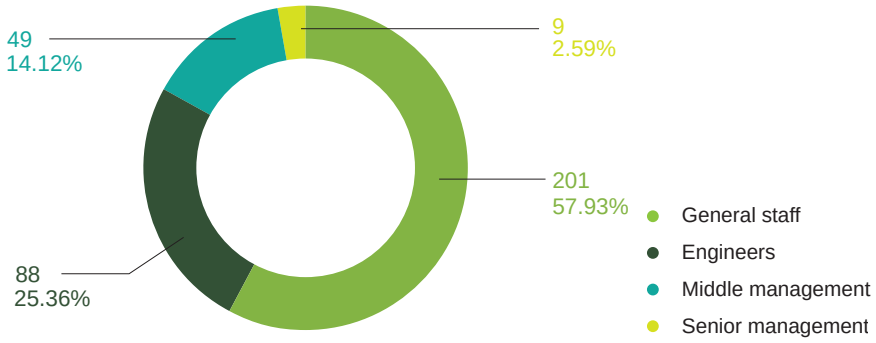
During the reporting period, the Group introduced and revised several human resources policies that, amongst others, the board of directors and senior management should oversee the diversity performance of the Group, the diversity principle shall be implemented in the recruiting procedures, and a formal talent pipeline development strategy including annual recruiting demands and external talent pools partnered with local universities shall be introduced.



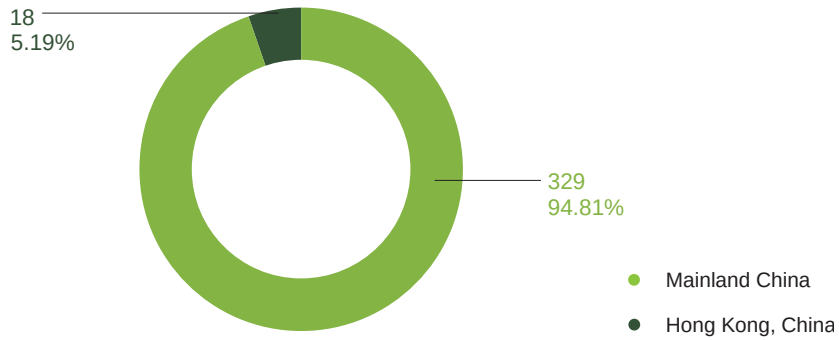
Number and Percentage of Employees by Age



Number and Percentage of Employees by Gender



Number and Percentage of Employees by Job Position



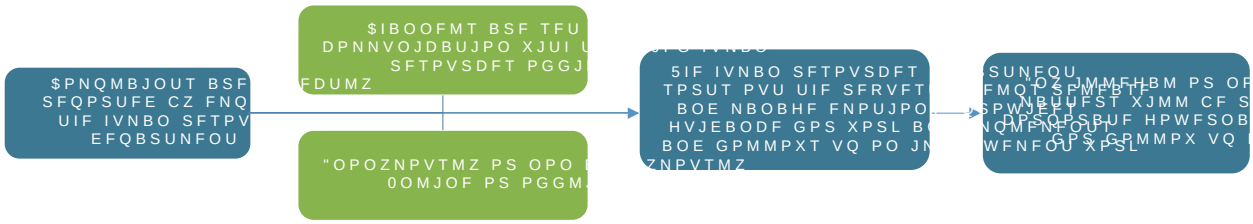
Number and Percentage of Employees by Geographical Region

Indicator			2021
Employee turnover rate *			33%
	By gender	Male	34%
		Female	31%
	By age	Aged 30 or below	37%
		Aged 31-40	28%
		Aged 41-50	32%
		Aged 51 or above	0%
	By geographical region	Mainland China	34%
		Hong Kong, China	6%

* Employee turnover rate is calculated based on the number of employees who left the Group on a voluntary basis (excluding those retired and removed by the Group).

Strengthening Communication with Employees

SY attaches great importance to the self-motivation of its people and expects them to take the initiative to identify problems, think about solving such problems, propose solutions and create value. The Group provides communication and grievance channels for its employees in accordance with the relevant contents of the "Employee Manual of SY Holdings Group Limited" and "Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited". Through a variety of communication channels, we can perceive the career development aspirations of our employees, encourage each of them to express their views courageously and contribute to the development of SY on a best effort basis. The Group conducts an annual engagement survey to monitor employee satisfaction. During the reporting period, the Group disclosed engagement results to all employees and certain improvement and actions were taken in response.



Grievance Reporting and Escalation

SY organizes seminars for new employees, monthly performance counselling and feedback, and face-to-face interviews between core talent and management on a regular basis, where employees can give feedback and seek help directly from the management.



Internal Press Conference on 2021 Interim Results



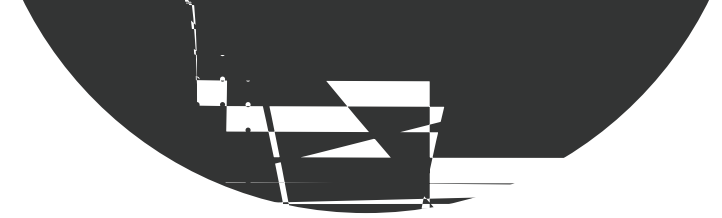
2021 Online Annual Meeting

5.2 STIMULATING THE POTENTIAL OF TALENTS

SY places great emphasis on the development and growth of its employees, and has set up the training system with full coverage from different perspectives to provide employees in different positions and at different levels with development resources including online learning, job-specific training and cross-departmental sharing, as well as a variety of growth incentives to help employees excel in their work and in life.

Optimizing Training System

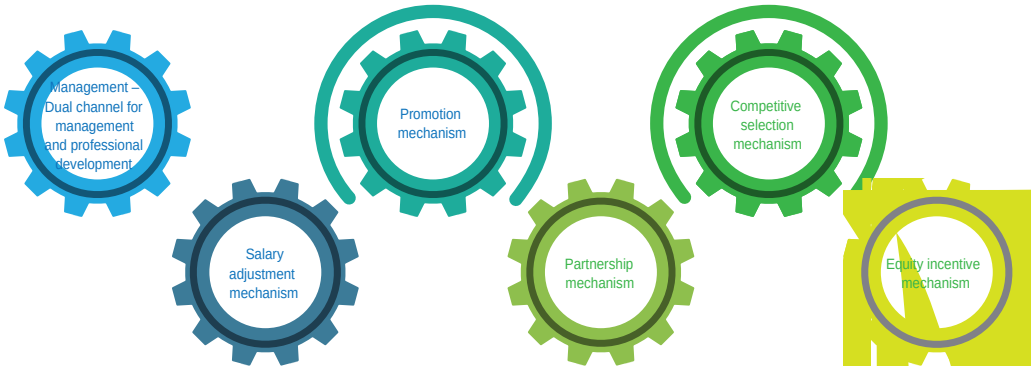
In terms of talent cultivation, SY has vigorously implemented the talent strategy, formulated and implemented



Indicator		Unit	2021
Total number of employee trainings		Session	77
Total number of trained employees		Person-time	4,098
Average number of training hours per employee		Hour per employee	21.61
Average number of training hours per employee by gender	Male	Hour per employee	16.98
	Female	Hour per employee	25.47
Average number of training hours per employee by job position	General staff	Hour per employee	27.40
	Engineers	Hour per employee	10.47
	Middle management	Hour per employee	20.20
	Senior management	Hour per employee	12.06
Percentage of trained employees		%	94.52
Percentage of trained employees by gender	Male	%	94.30
	Female	%	94.71
Percentage of trained employees by job position	General staff	%	93.53
	Engineers	%	95.45
	Middle management	%	95.92
	Senior management	%	100

Motivating Talent Growth

Along with its rapid development, SY pays attention to the growth of each employee by formulating and implementing a series of incentive systems with SY's characteristics, such as the "Performance Management Policy of SY Holdings Group Limited", the "Reward and Punishment Policy of SY Holdings Group Limited (for trial implementation)", the "Annual Salary Adjustment Policy of SY Holdings Group Limited" and the "Project Incentive Policy of SY Holdings Group Limited". The Group conducts an annual performance appraisal for all full-time employees, and monthly/semi-yearly feedback and communications are provided.



SY has faith in people and teams and provides them with a wide range of opportunities

5.3 UNITING EMPLOYEES WITH CARE AND LOVE

Health and Safety Protection

SY always prioritizes the occupational health and safety of employees and is committed to providing a safe and healthy working environment for all employees. As at the end of the reporting period, the Group had not experienced any work-related injuries or deaths or lost days due to work injury for four consecutive years.

Employees' Insurance

- Provide all employees who pass the probationary period with insurance coverage, including social insurance, labour insurance and commercial accident insurance.

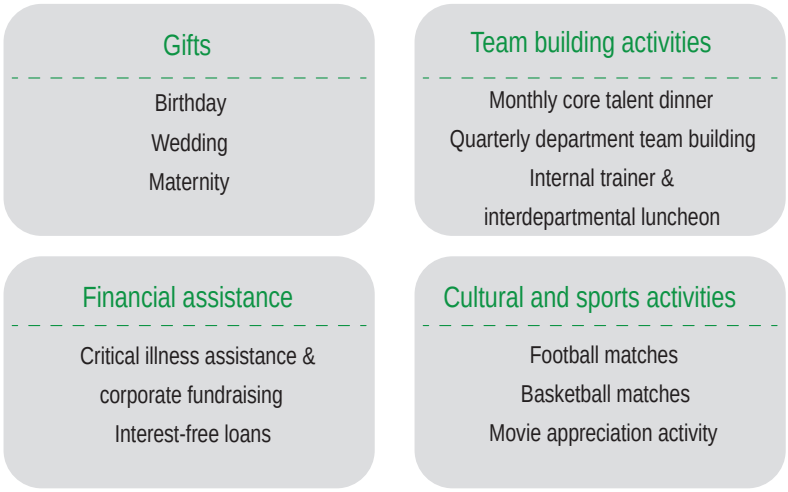
Employees' Medical Check-Up

- An annual medical check-up fund is provided for all employees who pass the probationary period. During the reporting period, the employee medical check-up rate was 74%.

Fire Drills

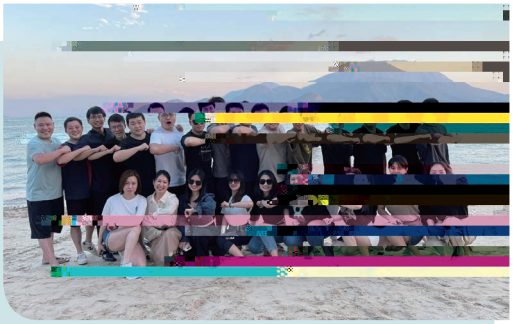
Care for Employees

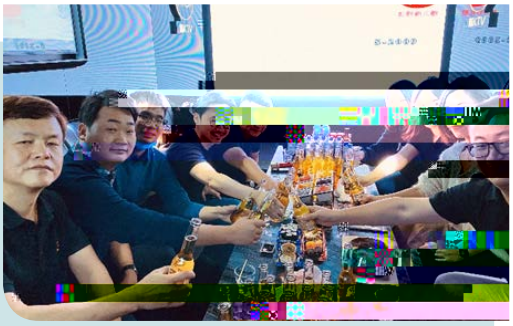
SY is committed to providing better treatment and protection for its employees and is constantly exploring innovative welfare mechanisms. In addition to the statutory benefits, we also offer a wide range of employee benefits. In order to enhance the sense of belonging of its employees, the Group provides quarterly funds for various departments to organize activities. We organize badminton/basketball clubs, family open days, cinema events and charity events on a regular basis to ensure that every employee has a good balance between life and work.



SY offers a wide range of benefits and cares for its employees

In accordance with the “Quarterly Team Building Activity Plan of SY Holdings Group Limited”, SY provides funding for team building activities for all departments four times a year, and encourages cross-departmental activities to enhance team cohesion; at the same time, we launch quarterly team-building selection activities to encourage employees to vote for their favourite activities. The top 3 with the most votes will be awarded additional team building funds to be used in the next team building activity, thereby enhancing employees’ participation and motivation.







6. CREATING AN ENVIRONMENTALLY FRIENDLY LOW-CARBON MODEL

6.1 PRACTISING LOW-CARBON FINANCE

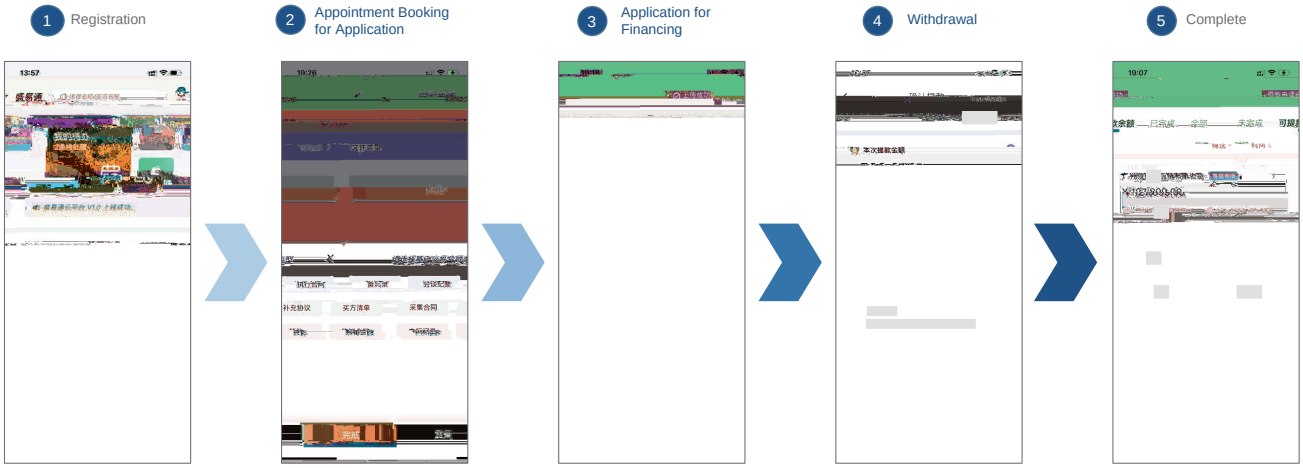
Practising low-carbon finance is one of the key initiatives taken by SY to fulfil its corporate social responsibility. The Group is committed to building a green supply chain financial ecosystem by actively responding to the dual carbon strategy and focusing on the low carbon transformation of the value chain. We prioritize access to low-carbon projects, streamlining processes, reducing energy consumption and carbon emissions in our business processes, while driving emission reduction in our value chain and providing quality services to our customers.

Value Chain Emission Reduction

SY is committed to providing flexible green supply chain financial services and prioritizing access to low-carbon projects to facilitate the transformation of the supply chain finance industry towards green and low-carbon development and help our SME customers achieve their sustainable development goals. In terms of project access, we require access to projects that have passed environmental assessments and other relevant environmental certifications based on the specific circumstances of the underlying trading commodities or projects, and we also give priority access to low-carbon projects such as new energy facilities, industrial internet and park greening. In terms of low-carbon transformation of industries, we provide supply chain technology services such as smart construction site, pharmaceutical SPD and SaaS informatization to help digitalize traditional infrastructure projects and pharmaceutical distribution for the whole process, reduce the carbon footprint of the entire industry chain, and promote the transformation of the supply chain financial industry towards green and low-carbon development.

Process Carbon Reduction

The self-developed “SY Cloud Platform” of SY combines face recognition verification, public opinion monitoring, invoice validation, China Financial Certification Authority (CFCA) electronic signature, link to the credit reference system of PBOC, intelligent registration, OCR recognition and NLP semantic analysis to enable business operations, risk control and asset management processes go online, which greatly reduces the time for financing and lending, saves labour costs for the parties concerned, and makes the service more flexible and convenient. At the same time, all processes on the platform can be done paperless, including electronic signature, online credit reference, remote audit, remote identity authentication and remote confirmation services, eliminating the need for offline staff and material delivery, reducing the carbon emissions generated by customers’ business travel and creating an environmentally friendly, low-carbon one-stop supply chain financial solution.



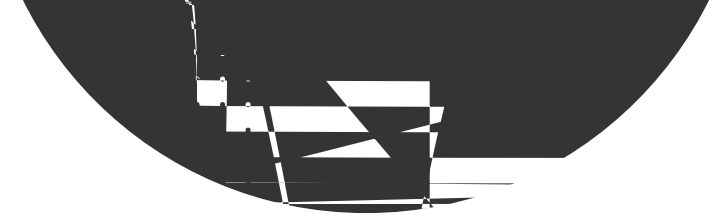
Major Service Flow of “SY Cloud Platform”

6.2 TACKLING CLIMATE CHANGE

SY is fully aware of the urgency of the impact of climate change and is paying close attention to the impact of climate change on the Company’s operations and has started work on identifying and addressing climate risks. In the future, a comprehensive assessment of the risks and opportunities will be conducted and corresponding management measures will be developed to minimise their impact on the continuity of the Company’s business.

Preliminary Climate Risk Analysis

Type of risk		Description of major impacts
Transformation risks	Policy and legal risks	As a supply chain technology platform with a presence in the infrastructure and energy sectors, we actively monitor the latest developments in climate related policies and regulations, such as the increasing concern of various governments and regulatory authorities in recent years about the issue of climate change and the possible introduction of related measures. These measures may result in regulatory and supervisory changes, which may create risks and opportunities that affect our potential customers in the respective industries and our risk assessment of specific businesses and assets. From a listed company's perspective, we believe that the need and requirement for climate related disclosure is increasing. As a provider of supply chain finance and technology services, we have not identified any specific current regulatory requirements relating to carbon emissions that would pose a real or material risk to the Group's operations.
	Market risk	Investors and funding partners continue to show increased appetite and concern for sustainable projects/companies and if we are unable to provide assets that meet sustainability requirements, it may affect our ability to raise capital and our competitiveness in the market.
	Reputational risk	As a supply chain technology platform and Hong Kong-listed company that primarily serves SMEs in China and is committed to making finance more inclusive, failure to meet the requirements of supporting low carbon development will have a long-term negative impact on our business reputation under the dual carbon targets in China.



Type of risk		Description of major impacts
Physical risks	Acute physical risk	The majority of the Group's acute risk exposure relates to the potential impact of extreme events such as floods, storms and epidemics under climate change, as well as energy and water supplies affected by climate change. If these physical risks were to materialise, they could pose a risk to the Group's assets, affect our ability to operate, damage our reputation and directly result in a loss of business. Such events could also result in direct losses to our customers' assets or projects (such as infrastructure projects, deliveries of construction materials or pharmaceutical inventories), which could affect their ability to pay us.
	Chronic physical risk	Gradual changes in climate (such as changes in average temperature, water availability and sea level rise) may affect our properties and infrastructure, our ability to continue as a going concern, our people and our food systems. For example, an increase in average temperature or sea level rise would impose additional cos infrastru, the nyroup's the

As a supply chain financial enterprise, the Group's energy use and carbon emissions mainly come from its daily office operations, involving energy types such as purchased electricity and petrol consumed by official vehicles. In order to reduce the impact of its operations on climate change, the Group actively promotes energy saving and emission reduction, sets carbon emission targets, and tracks the progress of the targets and the implementation of measures in a timely manner, so as to reduce energy consumption and carbon emissions.

Management objectives		• Greenhouse gas emissions per employee and per unit area in 2022 reduced by 5% as compared to 2021.
Management initiatives	Energy saving in building	• Shenzhen Head Office, located in Kerry Plaza T2, has been awarded LEED-EBOM Platinum certification, the highest level of green building, which can significantly reduce energy consumption as compared to traditional office premises.
	Energy saving in electricity	• Cultivate a good habit of turning off the lights and air-conditioning when leaving; • Turn on the air-conditioner only during working hours and set the temperature reasonably; • Turn off computers or set them to power-saving mode when leaving.
	Low-carbon travelling	• Promote the use of public transportation and carpooling when travelling in groups.
	Advocacy and promotion	• Issuance of "SY Holdings Group Limited's Advocacy Letter on Corporate Energy Saving and Consumption Reduction Activities" and "SY Holdings Group Limited's Advocacy Letter on Energy Saving in Daily Office Work".

Carbon Emission Targets and Energy Saving Initiatives

Energy saving and consumption reduction competition of Shenzhen Office of SY

Shenzhen office has implemented a policy of energy saving and consumption reduction, and held competition for departments to save paper, electricity and water, and certain spiritual and material rewards are given to outstanding departments for energy saving and consumption reduction.

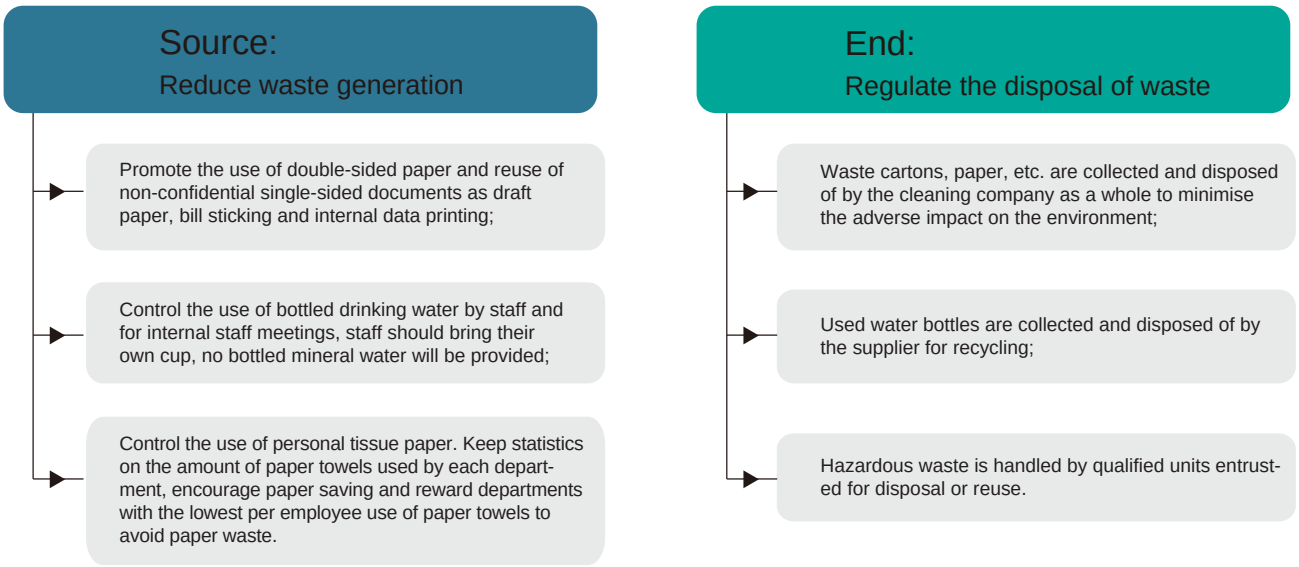
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As at the end of the reporting period, the SY Cloud Platform has saved a total of approximately 21,630,000 pieces (equivalent to approximately 108 tonnes) of paper for all parties involved in the processing of supply chain assets.



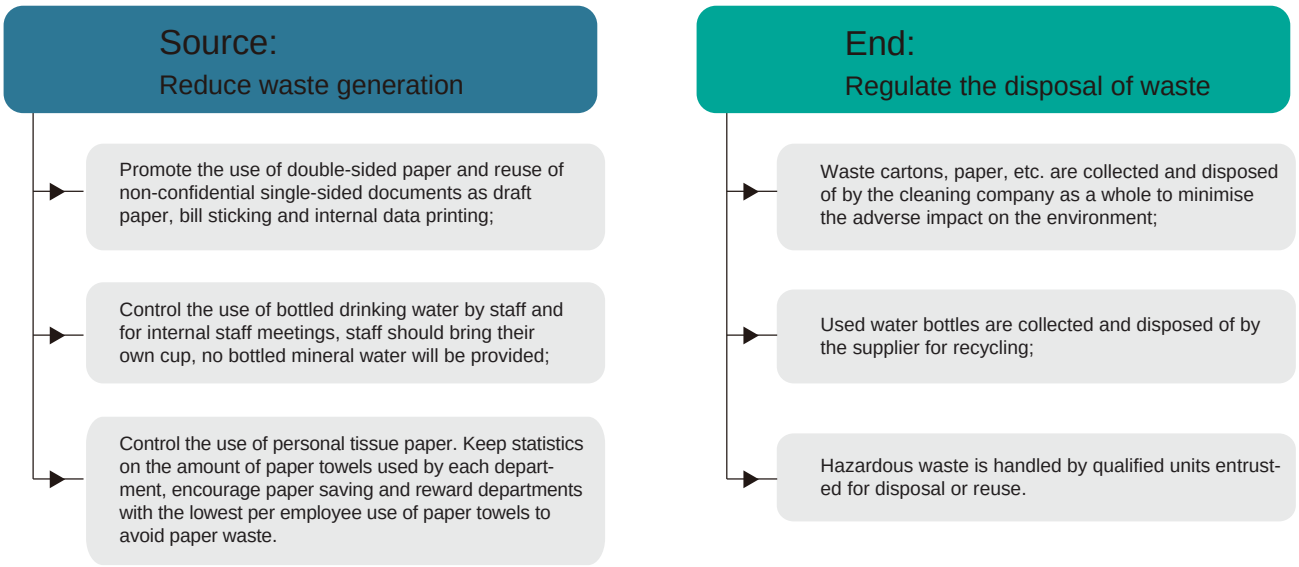
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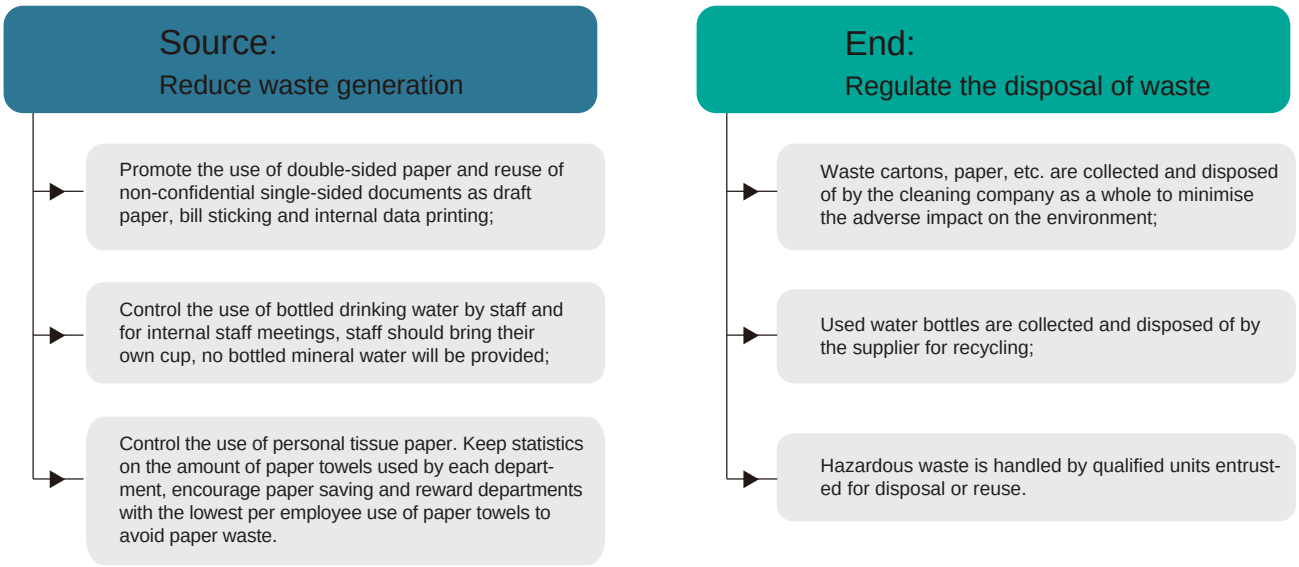
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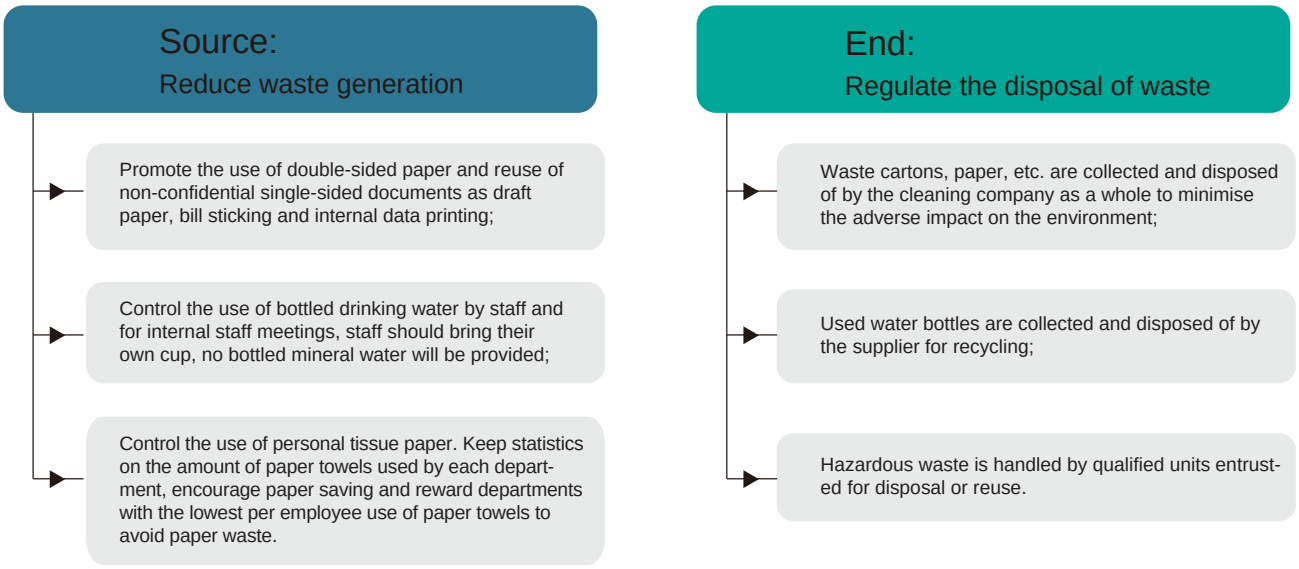
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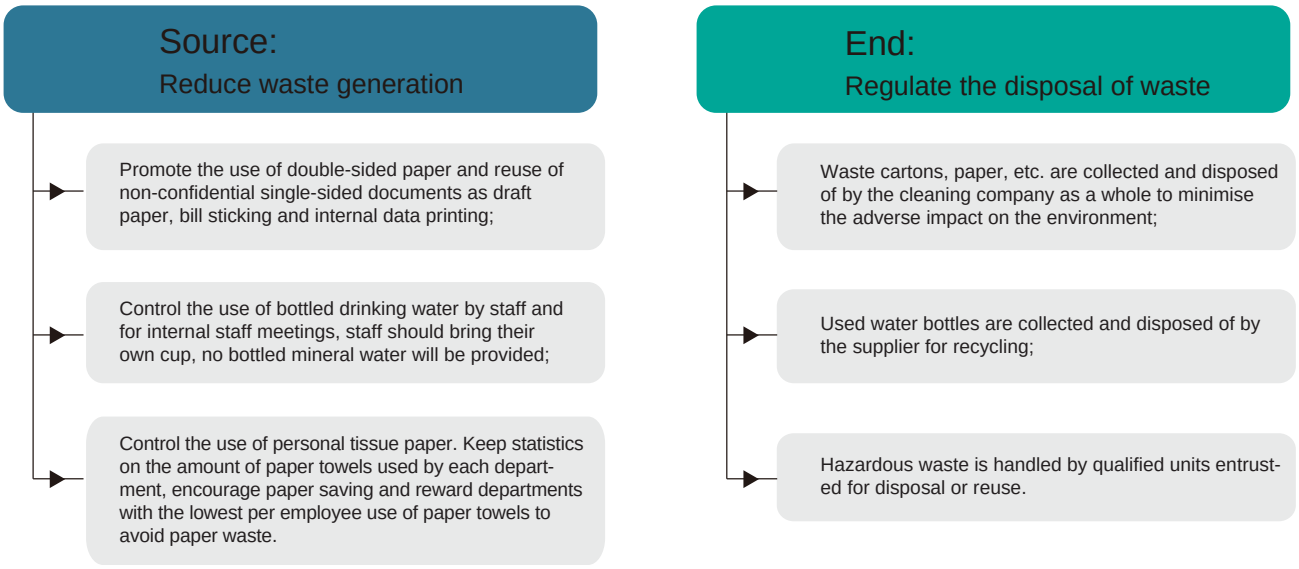
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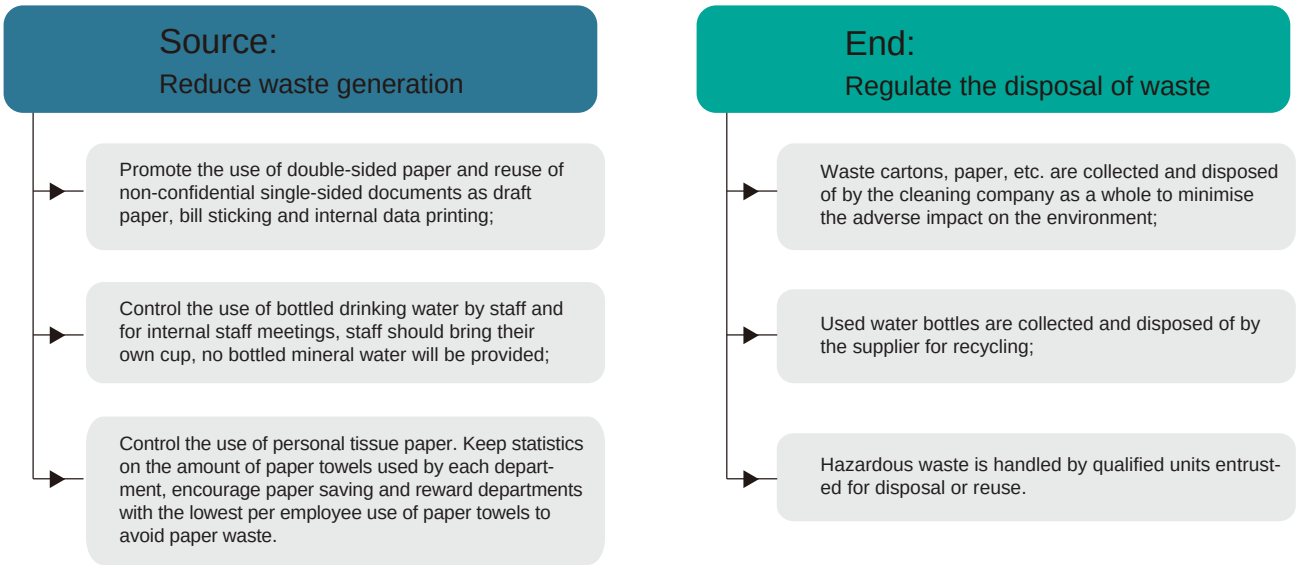
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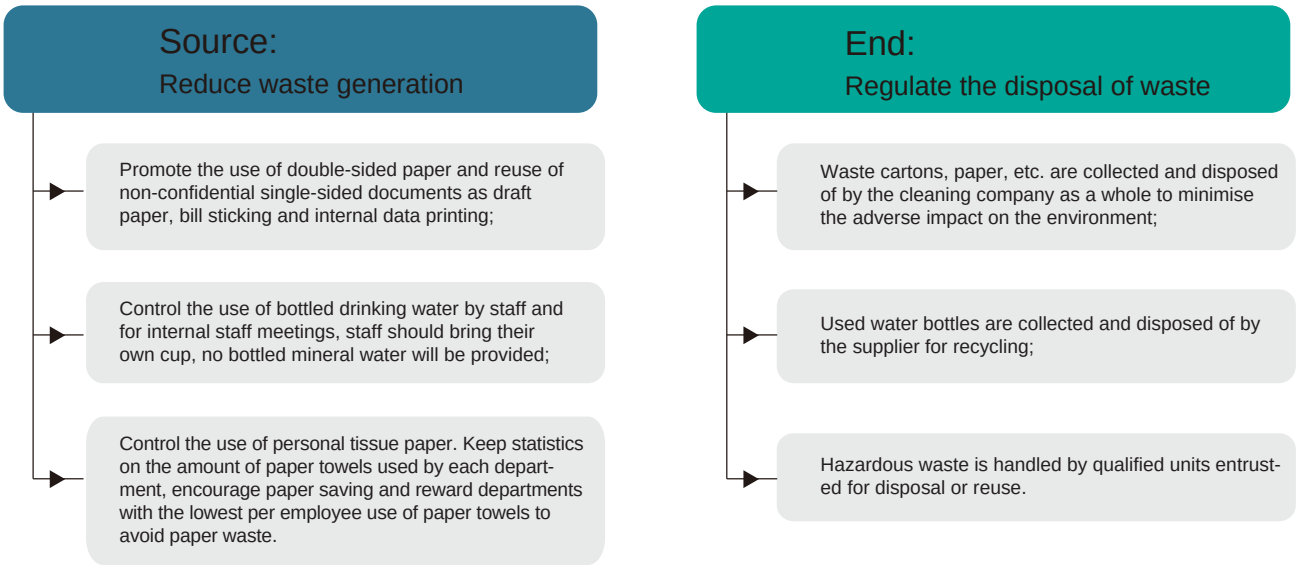
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