



**盛業資本**  
SHENG YE CAPITAL

**SHENG YE CAPITAL LIMITED**

**盛業資本有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6069)**



**2020**

**ENVIRONMENTAL, SOCIAL  
AND GOVERNANCE REPORT**

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

## SHENG YE CAPITAL LIMITED

### ABOUT THIS REPORT

This is the fourth environmental, social and governance report published by Sheng Ye Capital Limited (the “Company”). The purpose of this report is to report on the philosophy and practices of the Company and its subsidiaries (the “Group”, “Sheng Ye Capital” or “we”) in fulfilling our environmental, social and governance (“ESG”) responsibilities in 2020 and to respond to material issues.

### REPORTING PERIOD

This report covers the period from 1 January 2020 to 31 December 2020. Certain contents are beyond the above scope to make this report more comparable and forward looking.

### REPORTING CYCLE

This report is prepared on an annual basis.

### REPORTING STANDARDS

This report is prepared in accordance with the Environmental, Social and Governance (ESG) Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

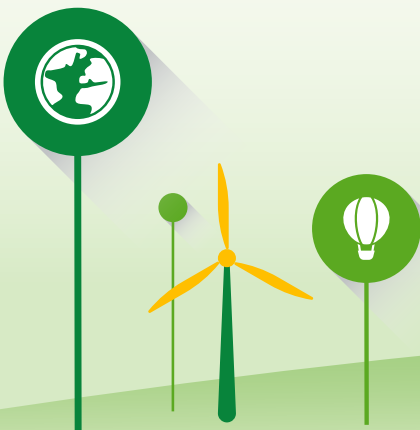
This report is prepared in accordance with the principles of materiality, quantitative, balance, and consistency.

**Materiality:** The materiality of the Group’s ESG issues is determined by the Board of Directors and the stakeholder communication and material issue identification process and material issue matrix are disclosed in this report.

**Quantitative:** The statistical criteria, methods, assumptions and/or calculation tools for quantitative key performance indicators (“KPIs”) in this report, as well as the sources of conversion factors, are described in the explanatory notes of this report.

**Balance:** This report presents the Group’s performance for the reporting period in an unbiased manner and avoids the selection, omission or formats of presentation that might improperly affect the decisions or judgments of the readers of this report.

**Consistency:** The statistical methods and basis used in the data disclosed in this report are consistent with those of previous years unless otherwise specified.



## DATA DESCRIPTION

The financial data in this report are derived from the audited financial report for 2020. In case of any discrepancy between data of this report and the annual report, the information in the annual report shall prevail. Other statistics cover the Company and its subsidiaries, unless otherwise specified.

The monetary amounts in this report are denominated in Renminbi, unless otherwise specified.

## PUBLICATION FORMAT

This report is published in an electronic version. You can read and download the electronic version of this report on the HKEXnews website of the Stock Exchange (website: [www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (website: [www.shengyecapital.com](http://www.shengyecapital.com)).

## CONTACT INFORMATION

Email: [ir@shengyecapital.com](mailto:ir@shengyecapital.com)

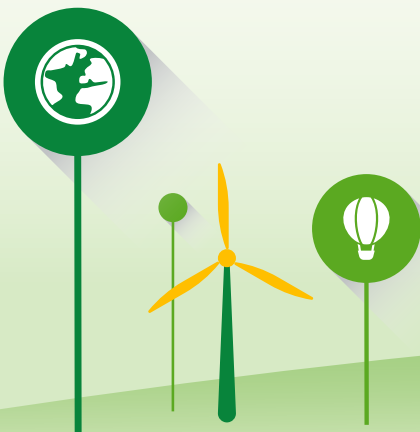


### MESSAGE FROM SENIOR MANAGEMENT

Sheng Ye Capital is a leading supply chain fintech platform provider of one-stop SaaS and financial services solutions for companies within the industry ecosystem across the Asia-Pacific. We strive to reshape the supply chain financing landscape through innovative application of information technology. In 2020, despite the impact of the pandemic, we continued to provide diversified fintech solutions to help small, medium, and micro enterprises (“SMEs”) during a time of crisis to ease their business pressures and fully empower the industry ecosystem. By providing convenient and flexible solutions directly to the SMEs, we hope to do our best to contribute to the stable development of the real economy. While making finance more inclusive, we would also like to share our development results with more stakeholders, improve the sustainability of markets, workplaces, communities and the environment, and create values that can be shared with society.

We use technology to empower finance, provide diversified and flexible fintech solutions to SMEs, and strive to solve the difficult and costly financing problems of SMEs. We have established the “1 + N + Fintech” business model based on the actual conditions in the industry ecosystem with our independently developed “Easy Factoring” cloud-based platform as the engine. By providing SaaS solutions and direct connection with core buyers’ procurement systems, we are able to obtain first-hand and multi-dimensional industry data. With our extensive industry experience, comprehensive risk control system, profound technical advantages and product innovation, Sheng Ye is able to use the transaction information to conduct in-depth analysis on SMEs, and deeply explore the operating conditions and financing needs of SMEs, thereby providing direct, convenient, efficient, secure, low-cost and high-quality supply chain financial and information technology services for SMEs. As of 31 December 2020, the accumulated total assets under management on our platform amounted to approximately RMB100.0 billion, benefitting a total of over 7,400 SMEs. In 2020, we directly provided loans of over RMB12.5 billion to SMEs. In addition, we have partnered with various financial institutions to carry out inclusive finance business. By leveraging on our proprietary supply chain fintech platform, we selected and recommended SME customers to financial institutions, thereby providing bank loans of over RMB2.4 billion to SMEs. As of 31 December 2020, the balance of our direct loans to SMEs amounted to RMB3.676 billion, which accounted for 96.6% of the total balance of loan.

We actively adopt digital technology to build a more efficient supply chain financial ecosystem. We proactively promote innovation by investing in research and development. In 2020, our research and development expenses amounted to RMB30.8 million, the percentage of IT technical employees reached 37%, and we have 28 computer software copyrights and national high-tech enterprise qualification. After years of technological development, our “Easy Factoring” cloud-based factoring system incorporates technologies such as electronic signatures, big data analytics and facial recognition to provide customers with a full range of online services covering the whole business cycle, which improves service efficiency and quality while strictly preventing business risks. During the pandemic, the comprehensive application of digital technology also showed unprecedented value. With our proprietary online system, we ensured stable business operations during the pandemic, facilitated customers to promptly obtain funds, relieving their operation pressure, provided deferred repayment services and fee waivers to help SMEs tide over the difficulties.



We proactively assume social responsibility and work with all parties to empower, promote mutual development and create value. We put great effort in promoting low-carbon operations. Internally, we encourage our employees to take small steps in saving resources and energy; externally, we use a comprehensive online platform for business operation, thereby effectively reducing the amount of paper used in operation and the carbon emissions caused by the business travel of our customers. We are committed to the mutual development of employees and the Company regardless of age and qualifications, and provide opportunities for talents who are willing to develop and grow together with the Company in order to realize their self-worth. We also continuously encourage our employees to fulfill their social responsibility by engaging in public welfare activities in various fields such as supporting impoverished areas, caring for children's growth, supporting youth development and caring for social groups, employees and partners in order to help people in need in the society within their capacity. We also strive to spread the idea of public welfare and encourage more people to join the cause with our practical efforts. In 2020, we spent RMB1.06 million in public welfare activities which benefitted a total of over 700 people with nearly 800 hours of public services provided by our employees.

With the inclusion of factoring contracts in the Civil Code of the People's Republic of China, we believe that in the future, Sheng Ye Capital will have a wider space to release its potential and utilize its strength. We will continue to remain true to our original aspiration, continuously improve our technological innovation capability, strengthen our own advantages, and move forward steadily under our development strategy of "Dual-Engine, One-Platform", strive to become the most reliable supply chain fintech platform across the Asia-Pacific, provide better fintech services to SMEs, and assume more social responsibility, thereby contributing to the sustainable development of the region and the industry.

## 1. ABOUT US

### 1.1 ABOUT SHENG YE CAPITAL

The Group (stock code: 6069.HK) is a leading supply chain fintech platform. Founded in Tianjin in 2013 and headquartered in Shenzhen, the Group was successfully listed on the GEM of the Hong Kong Stock Exchange in July 2017, becoming the first supply chain fintech company based in Mainland China and listed in Hong Kong. In October 2019, the Group successfully transferred its listing to the Main Board of the Hong Kong Stock Exchange.

As the first supply chain fintech company based in Mainland China and listed on the Main Board of the Hong Kong Stock Exchange, the Group has been included in the MSCI Global Small Cap Index – China, as well as the Hang Seng Composite Index, the Hang Seng Stock Connect Hong Kong Index, the Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index, the Hang Seng Stock Connect Hong Kong SmallCap Index, the Hang Seng SCHK Mainland China Companies Index and the Hang Seng SCHK ex-AH Companies Index.

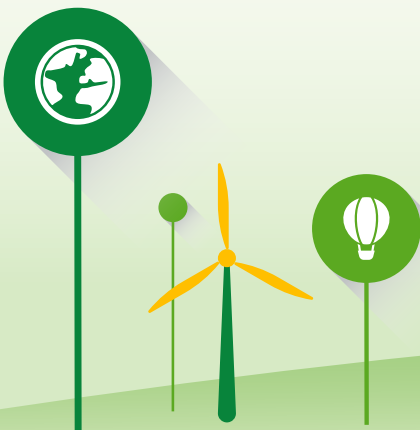
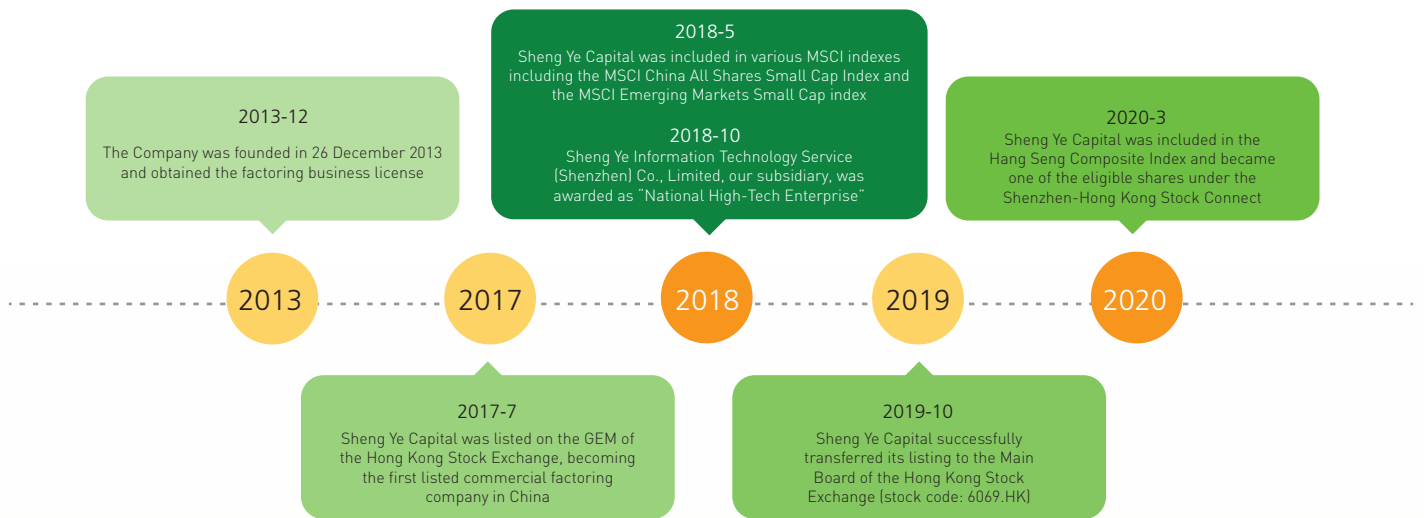


## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

### SHENG YE CAPITAL LIMITED

The Group has strategically collaborated with a number of large blue-chip core enterprises in the infrastructure, energy and medical sectors where the Group is able to integrate with core enterprises' procurement systems and provide efficient financing services that are tailored to their SME suppliers. We are committed to our mission to "make the supply chain finance more efficient and inclusive", and strive to reshape the supply chain financing landscape through innovative application of information technology. Benefitting from a professional and comprehensive risk management mechanism, the Group is able to fully leverage its self-developed "Easy Factoring" cloud-based platform to facilitate the data-driven and systematic online operation of supply chain financing business, and fully utilize the advantages of diversified financing channels to deliver convenient, efficient, secure, low cost and high-quality supply chain financing and information technology services for SMEs.

In 2020, the Group recorded revenues of RMB634 million and net profits of RMB337 million. As of the end of 2020, the Group provided services to a total of over 7,400 SME customers.



## 1.2 OUR CORPORATE CULTURE

On 11 August 2020, the Group officially introduced its corporate culture 2.0. With the changes in the external market environment and organizational capabilities, the new vision, mission and value opened a new chapter of the Group with focus on corporate development in the future, reinforced our determination to serve the real economy and focus on supply chain fintech.



### Vision

To become the most reliable supply chain fintech platform across the Asia-Pacific.



### Mission

To make supply chain finance more efficient and inclusive.





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

## SHENG YE CAPITAL LIMITED

### 1.3 2020 PERFORMANCE HIGHLIGHTS

#### *Economic Performance*

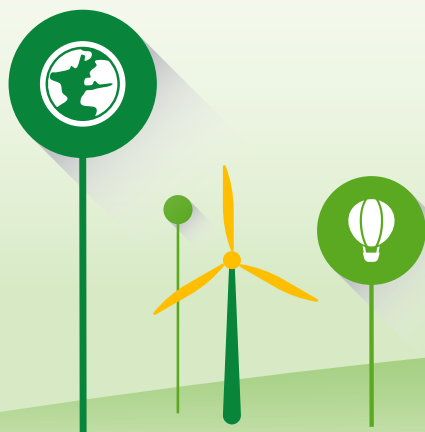
Indicator	Unit	2020
Total assets of the Company	RMB100 million	47.86
Revenue from factoring and other business	RMB100 million	6.34
Profit after tax	RMB100 million	3.37
Accumulated number of SMEs served	Enterprise	7,434
Research and development expense	RMB'0000	3,080
Total amount of SME loans	RMB100 million	149.38
Balance of direct loan to SMEs	RMB100 million	36.76

#### *Social Performance*

Indicator	Unit	2020
Total number of employees	People	267
Average training hours per capita	Hours	23.53
Staff training coverage rate	%	93.63
Number of public welfare activities	Sessions	15
Number of participants in public welfare activities	People	41
Length of public welfare activities	Hours	797
Investment in public welfare activities	RMB'0000	106

#### *Environmental Performance*

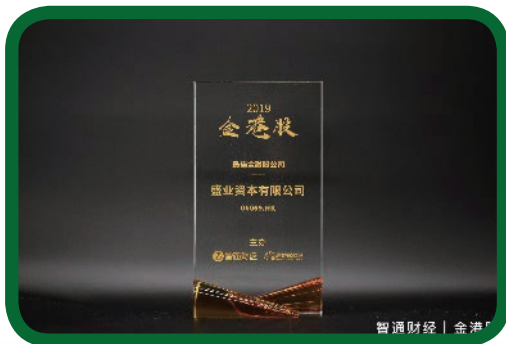
Indicator	Unit	2020
Total emission of greenhouse gas	tCO <sub>2</sub> e	138.59
Nitrogen oxides (NO <sub>x</sub> ) emission	kg	1.00
Sulfur dioxide (SO <sub>2</sub> ) emission	kg	0.33
Particulate matter (PM) emission	kg	0.12
Total amount of non-hazardous waste generated	tonnes	8.32
Total amount of waste recycled	kg	162.62
Total electricity consumption	MWh	229.20
Gasoline consumption	MWh	39.21
Total energy consumption	MWh	268.41
Total water consumption	tonnes	6,001.74



- Industry Participation

The Group strives to promote inter-industry exchanges and cooperation, and actively participates in industry organizations and activities to facilitate higher quality development of the real economy by strengthening experience and value sharing. We are the director company of the Commercial Factoring Expertise Committee of the China Association of Trade in Services, the Shenzhen Factors Association and the Tianjin Commercial Factoring Association, and the member of the National Association of Financial Market Institutional Investors and the Shenzhen High-tech Industry Association.

### Awards



The Fourth Gold Hong Kong Stock – Best Financial Stock Company Award



The Fifth China Commercial Factoring and Financing Cooperation Conference and 2020 International Factoring and Supply Chain Finance Conference – Contributing Entity



The Sixth Asset Securitization • Jiefu Awards – ABS Excellent Technology Service Provider and ABS Excellent Influence Product Award of Commercial Factoring



The Ninth China Finance Summit – 2020 Best Investment Value Award



“Corporate Social Responsibility Awards 2020” of Capital Magazine in Hong Kong

## 2. ESG MANAGEMENT

### 2.1 ESG MANAGEMENT PHILOSOPHY AND MECHANISM

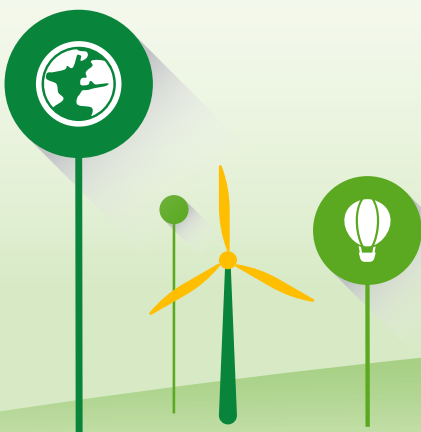
The Group believes that a healthy ESG performance has a decisive impact on the Company's future sustainable development, the perpetuation of its business and the creation of long-term value for shareholders. Under the ESG management philosophy of "make supply chain finance more efficient and inclusive", in addition to achieving solid financial performance, the Group pays close attention to improving ESG management standards and performance, continuously improves the management mechanism and integrates it into the long-term development strategy of the Company.

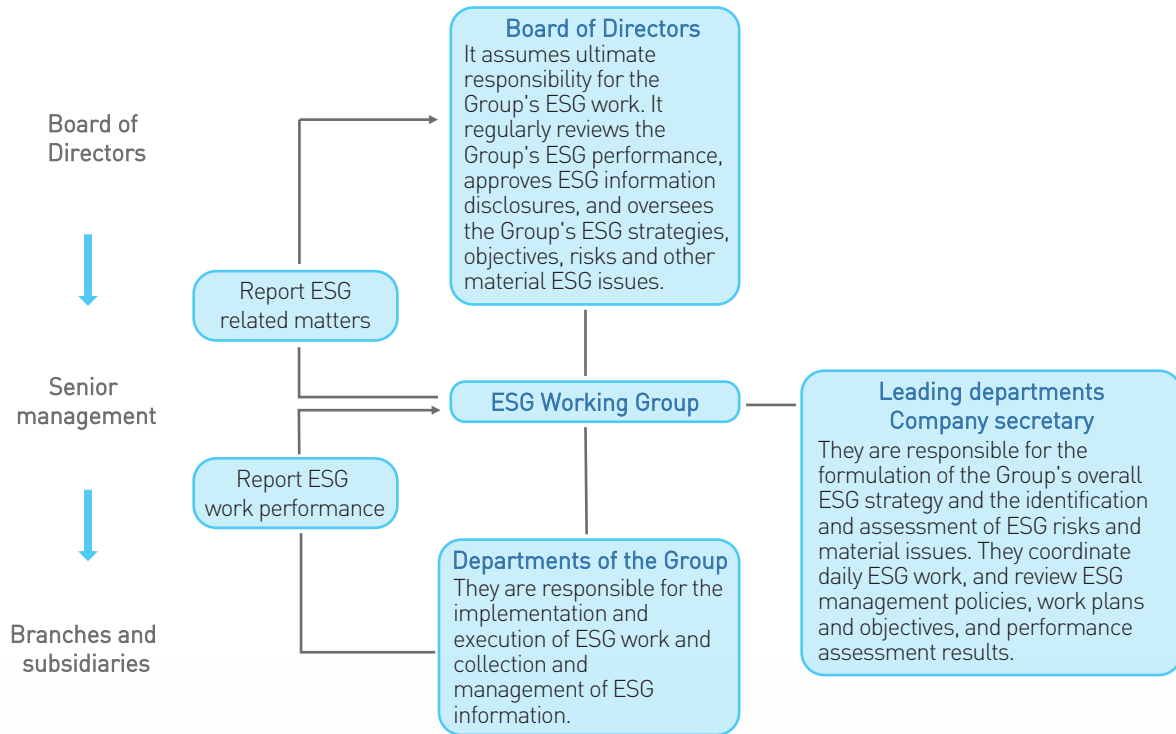
The Board of Directors of the Company assumes ultimate responsibility for ESG work, oversees the implementation of ESG work in a comprehensive manner, evaluates the materiality of ESG issues based on the external social and economic macro environment and the Company's development strategy, discusses and identifies the risks and opportunities of the Company in environmental, social and corporate governance, and manages and enhances material issues as an annual strategic task for sustainable development. This report has also been reviewed and published by the board of directors.

In order to promote the steady improvement of ESG management, the Group has formulated a two-year (2020-2021) ESG management work plan, which set the current ESG management objective of "establishing a sound ESG management system and strengthening the alignment of business segments with sustainable development". On the basis of meeting the requirements of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange, the Group focuses on ESG management enhancement and ESG information disclosure to promote the top-down ESG management upgrade within the Group.

In terms of management, we have further rationalized the Group's existing ESG management mechanism and process, and deployed ESG organizational structure and working mechanism in the Board of Directors and each functional department to form a regular management mechanism with clear responsibilities and further strengthen the alignment of business segments with sustainable development.

In terms of information disclosure, in accordance with relevant compliance requirements, we have further improved our ESG information and indicator system based on the characteristics of the industry we operate in, thereby enabling the systematic collection of ESG information and continuous improvement of professional capability of ESG management.





**Organizational Structure of ESG Management of the Group**



**2.2 RISK MANAGEMENT**

The Board of Directors of the Company is responsible for assessing and determining the nature and significance of various types of risks which include ESG risks faced by the Company in its daily operations, and ensuring that the Group regularly reviews the overall adequacy and effectiveness of its risk management and internal control systems to safeguard the interests of the Group and stakeholders as a whole.

In addition, the Group has deployed risk responsibility mechanisms at the management level, in the companies under the Group and at the frontline of operation, and formulated the General Rules of Risk Management of Sheng Ye Capital Limited and the Rules of Procedure of the Risk Management Committee of Sheng Ye Capital Limited to regulate the implementation of specific work, continuously improve the risk management process and enhance the effectiveness of risk management.

**RISK MANAGEMENT COMMITTEE**

- Responsible for implementing the risk strategies formulated by the Board of Directors, the overall risk management of the Company, reviewing the risk management of the Company, examining significant risk management activities, and exercising veto power over major transactions.

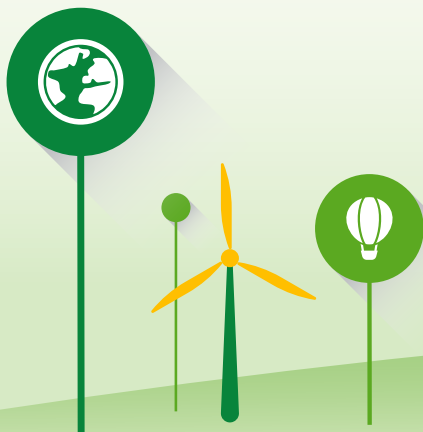
**RISK MANAGEMENT DEPARTMENT**

- Under the leadership of the chief risk officer, each company under the Group implements various types of risk management related to the Company's business.

**FRONTLINE OF OPERATION**

- In business operation, while ensuring the compliance and implementation of risk management policy and system, the frontline units also assume the responsibility of collecting information, making risk judgment and risk control, and communicating with the risk management department in a timely manner.



For more information, please refer to the section headed "Corporate Governance Report" of the 2020 annual report of the Company.






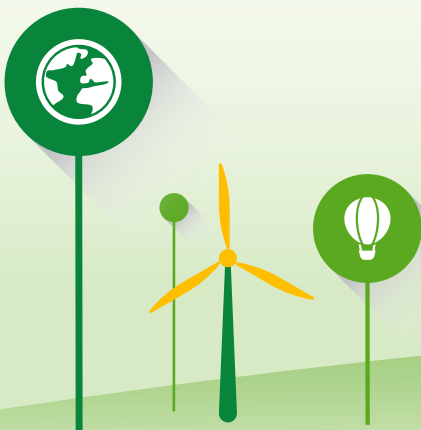
## 2.3 STAKEHOLDER ENGAGEMENT



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

The Company compiles and forms a stakeholder communication table from a sustainability perspective, which provides the basis for the Company's materiality identification process.

Stakeholders	Communication methods	Expectations and demands	Our responses
<b>Government and regulatory authorities</b> 	<ul style="list-style-type: none"> <li>Regular communication</li> <li>Information reporting</li> <li>Seminars and surveys</li> <li>Annual/interim financial reports, announcements, responses to questions of stock exchange (by phone, mail, etc.)</li> <li>Connect with the Credit Reference Center of the People's Republic of China</li> </ul>	<ul style="list-style-type: none"> <li>Compliant operation</li> <li>Stringent internal controls and risk management</li> <li>Transparent information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen compliant operation</li> <li>Pay taxes in accordance with the law</li> <li>Strengthen risk management</li> <li>Fulfill information disclosure obligations in accordance with the Listing Rules; implement corporate governance</li> </ul>
<b>Customers/potential customers</b> 	<ul style="list-style-type: none"> <li>Official website</li> <li>Business system platform</li> <li>Mail and Hotline</li> </ul>	<ul style="list-style-type: none"> <li>Honest practice of staff</li> <li>Customer data protection</li> <li>Customer inquiries and complaints</li> </ul>	<ul style="list-style-type: none"> <li>The official website provides ways to file complaints and provide a channel for customers to monitor the behaviour of employees</li> <li>Maintain the security and privacy of customer information in the business system</li> <li>Properly respond to customer inquiries and complaints</li> </ul>

Stakeholders	Communication methods	Expectations and demands	Our responses
<b>Shareholders/ investors</b> 	<ul style="list-style-type: none"> <li>• Due diligence and roadshow</li> <li>• General meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of corporate information in compliance with relevant regulations</li> <li>• Stable relationship and valuation</li> </ul>	<ul style="list-style-type: none"> <li>• Respond to investors' concerns about corporate governance</li> <li>• Organize shareholders' general meetings, visit investment institutions and analyst teams</li> </ul>
<b>Funding partners/ banks</b> 	<ul style="list-style-type: none"> <li>• Due diligence</li> <li>• Pre-loan and post-loan reports</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of corporate information in compliance with relevant regulations</li> <li>• Solid operation and financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• Respond to funding partners' concerns about corporate governance</li> </ul>
<b>Suppliers/business partners</b> 	<ul style="list-style-type: none"> <li>• Official website and letter of undertaking of integrity</li> <li>• Tender and procurement and after-sale services</li> </ul>	<ul style="list-style-type: none"> <li>• Fair and transparent procurement process</li> <li>• Suppliers and product quality that meet relevant standards</li> </ul>	<ul style="list-style-type: none"> <li>• The official website provides ways to file complaints and provide a channel for suppliers to monitor the Company's procurement practices</li> <li>• Select suitable suppliers according to the procurement system</li> <li>• When signing a business contract, the supplier shall also sign a letter of undertaking of integrity</li> </ul>



Stakeholders	Communication methods	Expectations and demands	Our responses
<b>Employees</b> 	<ul style="list-style-type: none"> <li>Recruitment, promotion and performance assessment</li> <li>Internal audit and letter of undertaking of integrity</li> <li>Inter-departmental meeting</li> <li>Mail and office software</li> </ul>	<ul style="list-style-type: none"> <li>Legal and healthy employment relationship</li> <li>Honest practice of staff and compliance with company rules</li> <li>Corporate structure and compliance of business operations</li> <li>Provide administrative services for employee needs</li> </ul>	<ul style="list-style-type: none"> <li>Establish staff recruitment, promotion and appraisal systems; create a healthy and fair working environment; provide communication channels</li> <li>Ensure that employees' business conducts comply with company rules through internal audits</li> <li>Staff shall sign the letter of undertaking of integrity</li> <li>Convey concerns of Directors and external parties to internal departments of the Company</li> <li>Conduct procurement or other services in accordance with procurement standards and actual needs of staff</li> </ul>
<b>Public/communities</b> 	<ul style="list-style-type: none"> <li>Cooperation with charitable organizations and communities and business units</li> <li>Industry conferences, interviews, WeChat official account and official website</li> </ul>	<ul style="list-style-type: none"> <li>Corporate social responsibility and public welfare</li> <li>Corporate image</li> </ul>	<ul style="list-style-type: none"> <li>Participate in public welfare activities and make donations</li> <li>Attend relevant industry conferences or forums, media interviews with senior management, promotion through official website and WeChat official account</li> </ul>

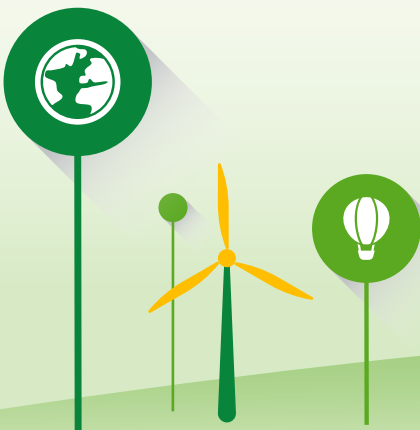


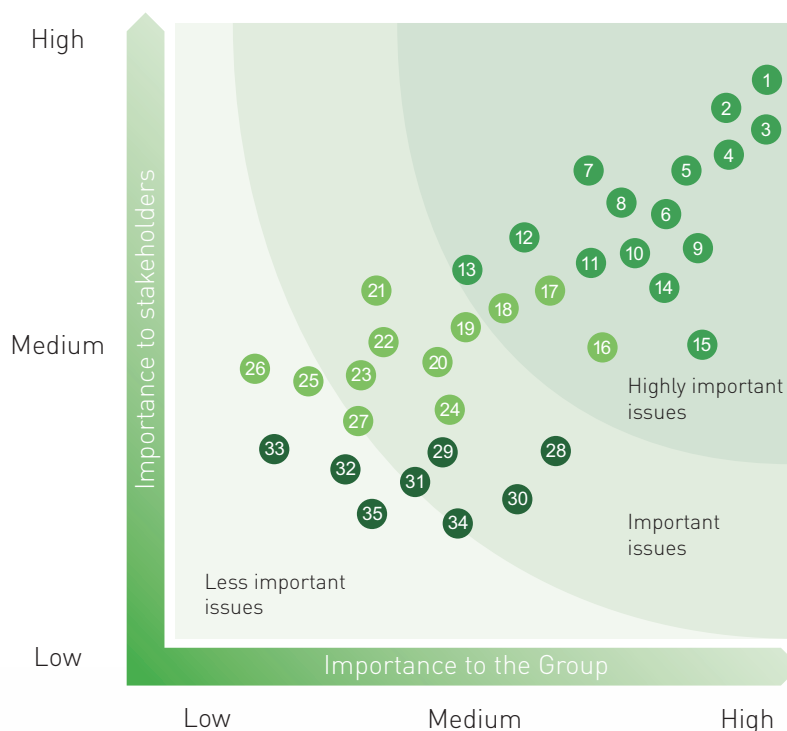
**2.4 MATERIAL ISSUE ANALYSIS**

Through communication with stakeholders, Sheng Ye Capital fully understands the expectations and concerns of all parties regarding the Group’s corporate governance, strategy, risk, environment, supply chain management and employee rights and interests, thereby enhancing the management of key issues.

In 2020, the Group conducted an assessment of material social responsibility issues by conducting a stakeholder survey. A total of 212 questionnaires were collected in the survey, and after identifying, evaluating and sorting the issues, 35 material issues were identified as priority areas for the Group’s social responsibility management and were highlighted in this report.

<p>Issue identification</p>	<ul style="list-style-type: none"> <li>• We identify key ESG issues relevant to the Group’s operations and management by collating ESG information disclosure of local and international peers and feedback from regular communication with stakeholders, with reference to international and domestic sustainability guidelines on the basis of the ESG Reporting Guide of the Hong Kong Stock Exchange.</li> </ul>
<p>Issue assessment</p>	<ul style="list-style-type: none"> <li>• We use questionnaire to invite key external stakeholders such as customers, employees and suppliers of the Company to assess the importance of each ESG issue to stakeholders in terms of the impact of the issue on themselves.</li> <li>• We invite the Company’s management to assess the importance of ESG issues to the Group based on the impact of the issues on the Company’s business development.</li> <li>• A total of 212 questionnaires were collected from external stakeholders and management of the Company during the issue assessment process.</li> </ul>
<p>Issue ranking</p>	<ul style="list-style-type: none"> <li>• We rank the importance of issues through the materiality matrix based on two dimensions, being “importance of the issue to stakeholders” and “importance of the issue to the Group”. The Board of Directors receives reports on ESG work, monitors the comprehensiveness of the material issues identification process, considers the potential impact of the issues on the business model and related risks, and reviews the process and effectiveness of material issues identification and the implementation of ESG policies from time to time. External experts were invited to participate in the discussions, and 35 material issues were identified as priority areas for the Group’s social responsibility management and were highlighted in this report.</li> </ul>





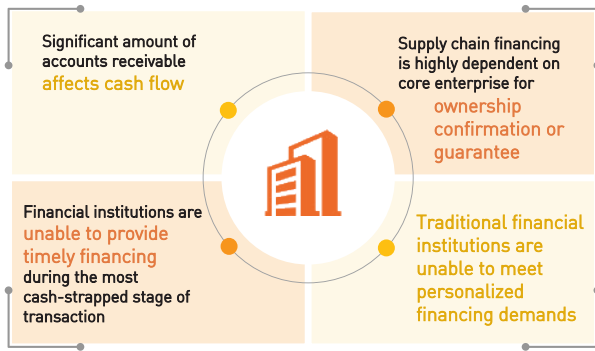
Issues of high importance	Issues of medium importance	Issues of low importance
1. Legal compliance	16. Support the prevention and control of COVID-19 pandemic	28. Volunteer services
2. Integrity operation	17. Staff care	29. Environmental protection and public welfare activities
3. Risk management and control	18. Safeguard the basic rights of employees	30. Reduce resource and energy consumption
4. Anti-corruption and anti-fraud	19. ESG management	31. Charitable donation activities
5. Customer privacy protection	20. Support SMEs	32. Staff training on environmental protection
6. Employee health and safety	21. Avoid forced labor and child labor	33. Participate in community development
7. Fair and compliant procurement	22. Promote financial knowledge	34. Emission management
8. Brand image	23. Diversify financial products	35. Climate change risk management
9. Customer satisfaction	24. Support poverty alleviation	
10. Fintech innovation	25. Purchase energy-saving and environmental products	
11. Profit growth	26. Increase employment opportunities	
12. Environment and social risk assessment of suppliers	27. Support energy-saving and environmental industries	
13. Equal employment		
14. Staff training and development		
15. Convenience and sustainability of financial services		

### 3. TECHNOLOGY MAKES FINANCE MORE INCLUSIVE

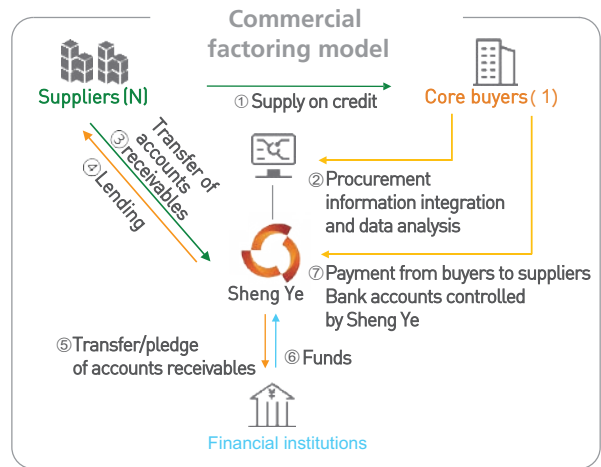
#### 3.1 PROMOTING THE INTEGRATION OF INDUSTRY AND FINANCE TO PROVIDE PRECISE SERVICES TO SMES

- Establishing the “1 + N + Fintech” model to solve the difficult financing problems for SMEs

Growing SMEs often face difficulties such as capital shortage and tight working capital cycles. The COVID-19 pandemic has led to an increase in economic uncertainties, further aggravating the difficulties faced by SMEs such as difficulties in operation and financing. Since its establishment, the Group has been committed to solving the financing problems of SMEs. With our fintech capabilities and in-depth understanding of core industries, we have been able to provide precise services to meet the vast financing needs of underserved SMEs suppliers in the industry chain, thereby introducing capital into the real economy.

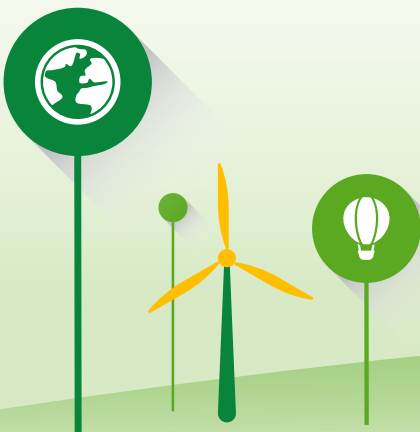


Financing difficulties faced by SMEs



“1 + N + Fintech” business model of Sheng Ye Capital

Our business model of “1 + N + Fintech” is designed to help more SMEs receive flexible and efficient financial services. “1” represents our core buyers. We strategically collaborate with large blue-chip core enterprises in the infrastructure, energy and medical sectors, utilize fintech to integrate information on logistics, capital flow and information flow related to the supply chain of core enterprises, and deeply explore the business status and financing needs of SME suppliers (“N”), thereby enabling digital operating of industry ecosystem. Through this model, we are able to provide quick and direct financial support such as accounts receivable financing to SMEs that are difficult to be covered by traditional financial institutions, in order to respond to the “small amount, high frequency and urgent” financing needs of enterprises, reduce their financing costs and enhance the value of all parties in the industry chain.



- **Establishing the pre credit approval mechanism to improve the efficiency of supply chain financial services**

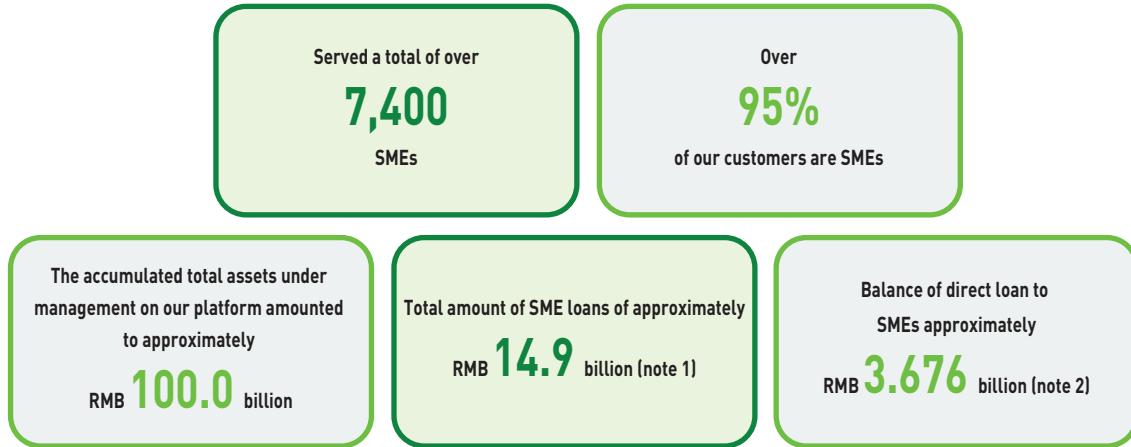
In order to continuously improve the speed of response to the financial needs of the industrial chain, by selecting high-quality industries, accumulating industry experience and utilizing technology the Group has established the pre credit approval mechanism to efficiently pre-screen SMEs with favourable operation performance. In addition to laying a solid foundation for subsequent risk management and control, it also helps SMEs revitalize their underlying assets based on real transactions and to obtain financing efficiently, so as to allow financial institutions to bank with quality customers and assets. The Group provides efficient financial services to long-tail customers to help improve the efficiency of the industry supply chain.

<p>Select high-quality industries</p>	<p>We continuously operate in high-quality industries with large volumes and strong economic cycles, within the energy and chemical, infrastructure engineering, and pharmaceutical and medical sectors, and strategically collaborate with large blue-chip core enterprises under the “1 + N + Fintech” model.</p>
<p>Accumulate industry experience</p>	<p>We further screen core enterprises such as the leading central enterprises and state-owned enterprises with good credibility and strong performance, and rely on our in-depth business cooperation with 10 of the world’s top 500 core enterprises to secure high-quality customers with stable cooperation with the core enterprises and ability to operate on a going concern. Leveraging years of in-depth understanding of the industry, multi-channel and multi-dimensional data, we facilitate enterprises to easily obtain credit facilities by accumulating credit profiles of enterprises and verifying actual transaction data, thereby reducing the reliance on traditional credit approval methods such as written confirmation of ownership and strong guarantees.</p>
<p>Utilize technology</p>	<p>We have developed a customer pre credit approval system through the online data channels of various core enterprises to help customers accurately and efficiently. On this basis, we combine the data channels of dozens of third parties with our internal automatic risk control access model to cross-verify multi-dimensional information such as business registration information, transaction records, credit profile of enterprises, and acquire high-quality potential customers and assets by conducting automatic customer pre-screening on a 24/7 basis.</p>



Leveraging on our intelligent business model and quality services, we help SMEs revitalize their receivable assets to accelerate capital turnover, improve the financial status of SMEs, help SMEs further expand their scale of operation, facilitate efficient development of SMEs, and actively promote inclusive finance to serve the real economy.

As of the end of 2020:



• ***Paying attention to environmental and social risks to promote positive development of the industry***

As part of our continuous efforts to promote the integration of industry and finance and serve the real economy, the Group not only provides short-term support to industry development, it also strives to steer the development of the industry towards a more sustainable direction. To this end, we have formulated business access regulations for each industry sector, including the Provisional Regulations on Access to Infrastructure Engineering Sector of Sheng Ye Capital Limited, which specifies the types of enterprises and projects to be given priority access and strictly controlled, so as to introduce resources to enterprises with more healthy and sound development trend along the industry chain.

Based on the requirements of high-quality development of China at current stage, we have identified public facilities, transportation, industrial parks and new infrastructure projects as priority access projects and increased our service support for these projects, thereby facilitating the establishment of a centralized, efficient, intelligent and environmentally friendly modern infrastructure system.

In addition, we also strictly control the environmental and social risks along the industrial chain and avoid business cooperation with high-risk enterprises. In order to strengthen risk management, we have clearly stipulated in the access requirements for the infrastructure engineering sector that enterprises applying for financing must not be included in the blacklist of the construction industry and not be involved in adverse events such as work stoppage, rights protection, seizure and construction accidents.; enterprises and their actual controller shall have no pending lawsuits and no overdue payment; the property owners shall not be defaulting debtors and no other major adverse events have occurred. For environmental risks, we also require certain underlying goods to pass the environmental impact assessment, and continue to optimize the access mechanism to facilitate the positive development of the industrial chain.



Note 1: Total amount of SME loans includes i) the amount of direct SME loans provided by the Group of approximately RMB12.5 billion; and ii) the amount of third-party loans provided to SMEs which were facilitated by the Group of approximately RMB2.4 billion.

Note 2: The balance of direct loan to SMEs represents the outstanding amount of the Group's direct loan to SMEs as of 31 December 2020, i.e. the portion of the Company's factoring assets at fair value through other comprehensive income with customers being SMEs as set out in the 2020 annual report of the Company.

**3.2 MAKING FINANCE MORE INCLUSIVE WITH DATA-DRIVEN TECHNOLOGY**

**• Extending the scope of financial services by relying on data-driven factoring business**

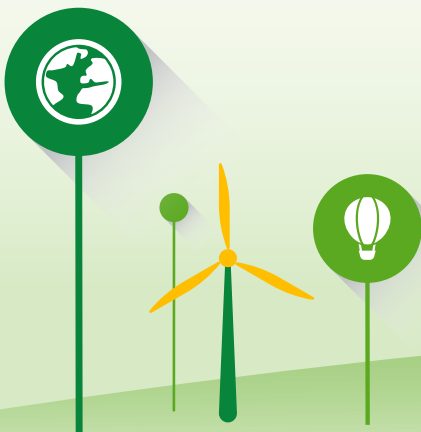
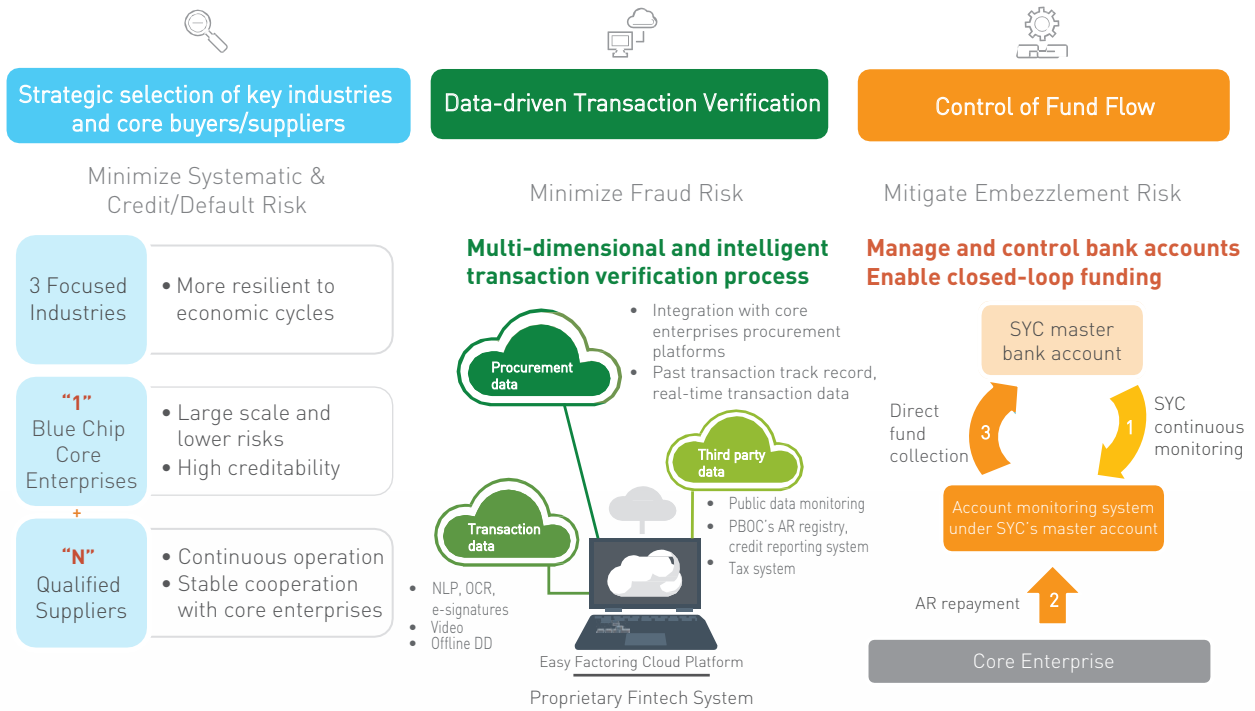
The traditional supply chain financial services rely on the ownership confirmation and strong guarantee for risk control, which can hardly solve the problems faced by most SMEs such as difficulties to obtain financing, costly financing and lack of professional management. To address the financing problems of SMEs and personalized demands that are hard to be met by traditional financial institutions, the Group has designed and developed a set of innovative supply chain financial management service platform named “Easy Factoring”. By establishing an efficient big data risk control system, the “Easy Factoring” platform enables a data-driven supply chain financial model, greatly extends the scope of supply chain financial services and solves the problems of high cost, time consuming process and poor authenticity of credit approval investigation of SMEs, thereby efficiently implementing inclusive finance with technology to facilitate the development of SMEs.

	Sheng Ye Capital	Traditional factoring business
<b>Adaptability</b>	<ul style="list-style-type: none"> <li>Cover the entire supply chain and provide diversified solutions</li> </ul>	<ul style="list-style-type: none"> <li>Mainly factoring based on ownership confirmation, difficult to solve the actual financing problems of SME customers</li> </ul>
<b>Customer experience</b>	<ul style="list-style-type: none"> <li>Online application and approval which are convenient and efficient</li> </ul>	<ul style="list-style-type: none"> <li>Mainly offline application and approval which are time consuming</li> </ul>
<b>Flexibility</b>	<ul style="list-style-type: none"> <li>Data-driven, not require ownership confirmation, offer flexible repayment options with transparent and reasonable interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Usually requires core enterprise to confirm the ownership, high entry barrier for borrowers with many requirements and restrictions</li> </ul>
<b>Risk management</b>	<ul style="list-style-type: none"> <li>Rigorous risk control structure based on real transactions and a huge monitoring database to ensure the authenticity and reasonableness of transactions</li> </ul>	<ul style="list-style-type: none"> <li>Focus on credit history of core buyers</li> </ul>



• **Building a rigorous risk control framework based on the conditions of the industry**

Based on the “Easy Factoring” platform and with focus on practicing inclusive finance, the Group has established three core risk control concepts of “1+N”, “authentic transactions” and “closed-loop funding”, and built a rigorous risk control framework by accumulating credit profile of SMEs in the industry ecosystem.



<p>Select high-quality enterprises based on the industry ecosystem "1+N" concept</p>	<ul style="list-style-type: none"> <li>• "1" represents that we select and cooperate with high-quality core enterprises with good creditability and strong performance capability in industry markets with large market size and strong economic cycle resistance.</li> <li>• "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 such as business registration information, transaction records, tax control data and creditability from multi-channel and multi-dimensional data sources based on our in-depth understanding of the characteristics of the industry, thereby selecting high-quality customers.</li> </ul>
<p>Verify multi-dimensional data and explore high-quality assets based on the "authentic transaction" concept</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 to ensure that the transactions are authentic and reasonable.</li> <li>• After granting the loans, we continuously 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.</li> </ul>
<p>Enrich account system and ensure control of fund collection based on the "closed-loop funding" concept</p>	<ul style="list-style-type: none"> <li>• We establish close cooperation with various banks, develop and enrich our customer account system, 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.</li> </ul>



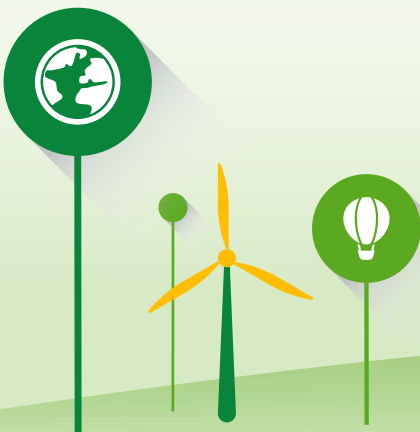


• Utilizing big data tools to continuously improve risk control capabilities

The “Easy Factoring” platform has connected with dozens of authoritative data institutions, and is able to process and analyse various types of data such as historical operating data, transaction contracts, receipts, invoices, goods arrival videos, accounts receivable registration records from Zhongdengwang, data from the credit reference system of the People’s Bank of China and public opinion monitoring records of SMEs. The huge monitoring database lays a solid foundation for verifying the authenticity and reasonableness of transactions, and accumulates comprehensive data related to credit profile of SMEs, which can help enterprises obtain credit facilities quickly by reducing the reliance on written confirmation of ownership and strong guarantees. In addition to significantly improving risk control capability, it also provides a more convenient and fast financing experience for SMEs.



Cross-verification and real-time monitoring of multi-dimensional data



As of the end of 2020, the Group has accumulated over 1,750,000 pieces of real transaction data and monitored over 400,000 pieces of public opinion, providing abundant data support for cross-checking the authenticity and reasonableness of transactions.



### Connected to the credit reference system of the People's Bank of China to strengthen the risk control mechanism and enhance the financing efficiency

Following the successful connection to Zhongdengwang (the Unified Registration and Publication System for Movable Asset Financing of the Credit Reference Center of the People's Bank of China) in 2019, the Group has successfully connected to the Credit Reference System of the People's Bank of China, the largest credit reference system in the world. In 2020, the Company became one of the few commercial factoring enterprises in China to directly connect to the credit reference system of the People's Bank of China.

Through the direct data connection with the credit reference system of the People's Bank of China, the Group can quickly check and obtain the credit status of the SME customers. This eliminates the need for customers to bring various certificates and related materials to the Credit Reference Center to print out credit reports in the traditional business process, which greatly enhances the financing efficiency and experience of SMEs. It also further facilitates the Group in accumulating credit data of SMEs, improves the efficiency of accounts receivable risk assessment, strengthens the risk control mechanism and improves the establishment of credit profile of SMEs, thereby helping SMEs to obtain more efficient financing support based on their own creditability.



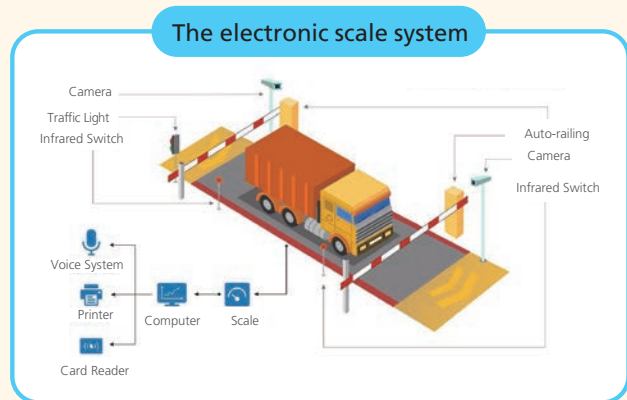
### 3.3 Making Supply Chain More Efficient with the Support of Fintech

The Group strives to become part of the supply chain by continuously innovating supply chain products and services based on our strong R&D capabilities and in-depth understanding of our three core industries of infrastructure, medical and energy. We provide digital enterprise services (SaaS) to core enterprises, covering a range of digital products and services such as intelligent enterprise solutions, Internet of Things and supply chain procurement system, to help customers obtain real-time transaction data and improve their supply chain management. We also continue to strengthen the connection between Sheng Ye Capital and its partners which include core enterprises, SMEs and financial institutions, to facilitate Sheng Ye Capital's platform-based development in the supply chain ecosystem.

#### Empowering smart construction site with "Intelligent Solutions + Internet of Things"

The infrastructure industry generally suffers from high financing costs, high procurement costs, low level of industry digitalization, information asymmetry and non-transparent information. In order to improve the current situation, Sheng Ye Capital actively utilizes its own supply chain data finance and industrial technology service capabilities to build a smart construction site online project management platform as a solution to help improve project management efficiency and reduce costs by improving the level of informatization of construction projects.

In addition, we also install Smart Internet of Things equipment at construction sites, such as electronic scale system, and connect it with online project management platform to obtain on-site transaction data in real time and verify the authenticity of transactions in a fast and accurate manner. The electronic scale system can automatically identify the license plate of transportation vehicles and carry out intelligent weighing of materials by connecting the scale with the integrated software system, and then automatically measures the actual material data and compare such data with relevant plans, so as to quickly update the data on the online project management platform and greatly enhance the work efficiency.



Electronic scale system

## Digital enterprise services (SaaS) help optimize the medical supply chain procurement platform

Sheng Ye Capital has been focusing on enhancing the technological capability of the industry to improve customer management through repetitive computing. At present, the medical supply chain mostly uses offline methods to reconcile and settle payment and track logistics status in procurement process, and suffers from serious information asymmetry, lack of capital security, inefficient payment collection and high capital pressure. In order to solve these problems, Sheng Ye Capital has created a procurement reconciliation mini program for medical supply chain, which enables online reconciliation, online tracking of logistics process and online collection of import and export data, thereby greatly improved the efficiency of procurement management for customers in the medical sector.



Order procurement mini program and reconciliation mini program



**3.4 RELENTLESS PURSUIT OF INNOVATION TO PROVIDE MORE PRECISE AND FLEXIBLE FINANCIAL SERVICES**

• **Encouraging innovative research and development**

As a leading fintech enterprise in the supply chain financial services market, the Group has incorporated “pursuit of innovation” into its corporate values and encourages its employees to make innovation in their work, in order to continuously strengthen its core competitiveness in technology system, industry experience, big data risk control and diversified capital channels and strive to become a fintech enterprise that better understands the industry and customers.

Improve the innovation incentive mechanism	We have established internal innovation incentive rules such as the Project Incentive Management Measures of Sheng Ye Capital Limited and the Reward and Punishment Management Measures of Sheng Ye Capital Limited. It is clearly stipulated in the Company’s rules that those who bring great benefits to the Company through innovative projects will be rewarded accordingly. Employees who complete innovative projects will be rewarded with project bonuses and additional points for performance assessment.
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Strengthen the construction of research and development team	We attach great importance to the recruitment and training of innovative technical personnel. As of 2020, technical personnel accounted for 37% of the Group’s total staff (include outsourced personnel) and the number of technical personnel increased by 58% year-on-year.
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With its extensive innovative research and development capabilities, Sheng Ye Information Technology Service (Shenzhen) Co., Limited, a wholly-owned subsidiary of the Group, has been recognized as:



National High-Tech Enterprise in China



- **Protecting intellectual property**

While continuously carrying out innovative research and development, we also attach great importance to the protection of intellectual property. We strictly comply with the requirements of the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China and other laws and regulations, and incorporate the requirements of intellectual property protection into the Employee Handbook of Sheng Ye Capital Limited, the Confidentiality Agreement of Sheng Ye Capital Limited (the "Confidentiality Agreement") and other internal policies of the Company. All employees shall sign the Confidentiality Agreement upon joining the Group to clarify the ownership of intellectual property. In addition, we also emphasize during the induction training of new employees that they must use products with valid use rights of intellectual property in external business development and promotion to avoid intellectual property disputes.

- **Featured topic: Utilizing fintech to facilitate the enterprises in resumption of operation and production**

In early 2020, the sudden outbreak of the COVID-19 pandemic has slowed down the domestic economic growth rate and disrupted the operation of the real economy, which made financing more difficult for SMEs. In addition, during the COVID-19 pandemic, local governments imposed restrictions on the movement of general public, making it more difficult to carry out offline visits, examinations and approval processes for traditional financial services, which further aggravated the difficulties for SMEs that were in urgent need of liquidity during the pandemic.

In such critical situation, the Group, under the leadership of government departments and industry associations, provided timely assistance to our SME customers. Benefitting from our investment in digitalization since the early stage of our business, we have been able to realize the online operation of the whole process of factoring business, thereby ensuring the stable operation of factoring business during the pandemic with our professional and solid technological capability while preventing and controlling the pandemic. We also supported our clients' stable operation during such extraordinary period by offering preferential measures for deferred repayment and providing supplies for pandemic prevention to help SMEs tide over the difficult period.



**Provide stable and convenient online financial services**

- We used our self-developed online system to facilitate our customers to obtain funds quickly. Customers can complete the entire process online from application to withdrawal, which enabled SME customers to obtain loan support in a timely and convenient manner and relieve their operational pressure during the pandemic.
- Our staff also provided comprehensive and timely professional services and support to our customers online to ensure a smooth financing process and ease the mind of the customers.

**Introduce preferential measures to ease the repayment pressure of enterprises**

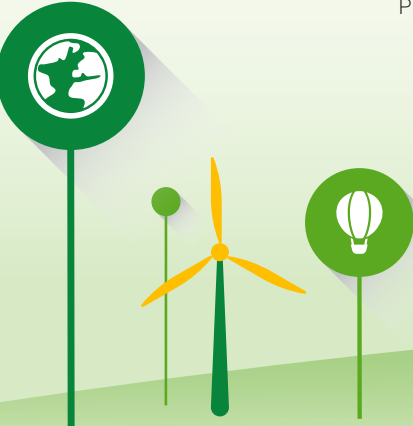
- We offered preferential measures to help corporate customers tide over the difficult times. In addition to extending the repayment period for corporate customers who have temporary difficulties in repayment due to the impact of the pandemic, we also charged no additional interest for such extension period. Corporate customers may apply for an extension 3 to 5 days before the repayment date and we will provide support based on their actual situation.

**Cooperate with customers to prevent and control the COVID-19 pandemic**

- We also constantly pay attention to the pandemic prevention of our corporate customers. We have not only established care groups to pass on warm protection tips and reminders to our customers, but also donated masks and other supplies to customers who lacked the necessary pandemic prevention supplies, and continued to assist customers in taking preventive measures against the pandemic, thereby fighting the pandemic together with our SME customers with practical actions.



Providing pandemic prevention supplies to customers



## 4. PROVIDING RESPONSIBLE FINTECH SERVICES

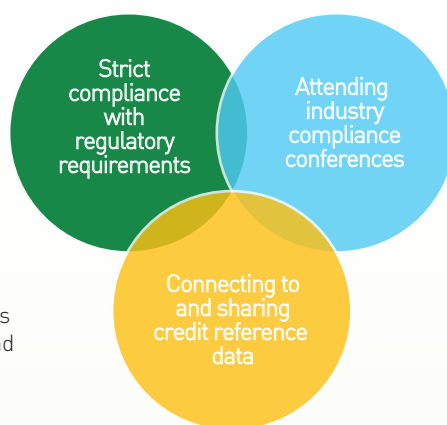
### 4.1 ADHERING TO COMPLIANT OPERATION WITH INTEGRITY AND HONESTY

#### • *Complying with regulatory requirements*

The Group is well aware that only through strict compliance with national laws and regulations and industry regulations can it achieve healthy, sound and sustainable development. As a non-bank financial institution governed by the China Banking and Insurance Regulatory Commission (the “CBIRC”), the Group has been staying true to its original aspiration, focusing on its main business and actively complying with regulatory requirements during operation since its establishment.

With the continuous improvement of the factoring industry in China, regulatory requirements for financial industry are increasing. Following the issue of the Notice on Strengthening the Supervision and Management of Commercial Factoring Enterprises by the Office of CBIRC in 2019, eight ministries and commissions, including the People’s Bank of China, the Ministry of Industry and Information Technology, the Ministry of Justice, the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the State Administration for Market Regulation, the CBIRC and the State Administration of Foreign Exchange, jointly issued the Opinions on Regulating the Development of Supply Chain Finance to Support the Stable Cycle and Optimization and Upgrading of Supply Chain Industry Chain in 2020. Together with the inclusion of factoring contracts in the Civil Code of the People’s Republic of China, the regulatory framework of the industry has become clearer gradually. The Group actively responds to the regulatory requirements to ensure that its business activities are in accordance with the law and regulations, and promote the compliant development of the industry, thereby serving SMEs more efficiently and facilitating the development of real economy.

- We operate our commercial factoring business in strict accordance with the scope permitted by the Notice on Strengthening the Supervision and Management of Commercial Factoring Enterprises issued by the CBIRC and strictly comply with the regulatory indicators.
- The internal rules provide various channels for filing complaints and whistleblowing to prevent non-compliant business practices.



- As the vice director company of the Commercial Factoring Expertise Committee of the China Association of Trade in Services, the Shenzhen Factors Association and the Tianjin Commercial Factoring Association, we have attended many compliance conferences organized by the financial supervisory authorities, the People’s Bank of China and other financial regulatory authorities and factoring industry associations to fully support the healthy and compliant development of the industry.
- We have connected to the Unified Registration and Publication System for Movable Asset Financing of the Credit Reference Center of the People’s Bank of China (Zhongdengwang) and the credit reference system of the People’s Bank of China (PBOC credit reference system). By connecting the data and information, we can quickly and conveniently monitor and report credit reference data in real time, so as to contribute to the compliant development of the factoring industry and the construction and improvement of the social credit system.

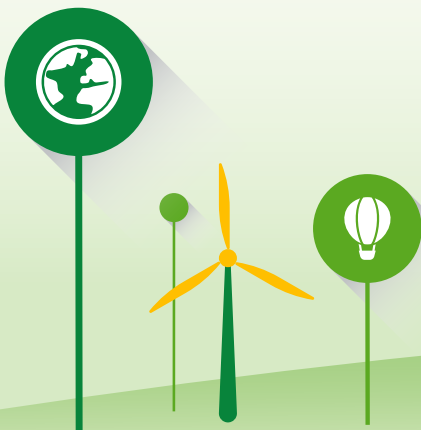


• *Adhering to business ethics*

Since its establishment, the Group has always adhered to the principles of honesty and compliance. We strictly comply with the Criminal Law of the People’s Republic of China, the Anti-Unfair Competition Law of the People’s Republic of China and other relevant laws and regulations as well as basic ethical standards, and continuously improve our internal integrity and compliance management system to safeguard the order of financial management with our best efforts. We also strengthen the professional ethics of our employees, improve complaint filing and whistleblowing channels and organize integrity and compliance training to prevent the occurrence of various risk events in difference aspects. During the reporting period, the Group was not subject to any litigation arising from violations of anti-corruption, anti-bribery, anti-money laundering and anti-fraud laws and regulations in the places where we operate.

Improve the compliance management system	<ul style="list-style-type: none"> <li>• With the assistance of the Independent Commission Against Corruption of Hong Kong, we have revised our internal rules such as the Complaint Filing and Whistleblowing Management Rules of Sheng Ye Capital Limited, the Implementation Rules for Whistleblowing of Sheng Ye Capital Limited, the Employee Handbook of Sheng Ye Capital Limited and the Integrity Agreement of Sheng Ye Capital Limited to further improve the management system and ensure that the internal control system of the Company meets the regulatory requirements.</li> <li>• We revised the Procurement Management Rules of Sheng Ye Capital Limited to ensure fairness and integrity in the procurement process.</li> </ul>
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Strengthen the professional ethics of employees	<ul style="list-style-type: none"> <li>• Employees shall sign the Integrity Agreement of Sheng Ye Capital Limited upon joining the Group. The Employee Handbook of Sheng Ye Capital Limited and the Integrity Agreement of Sheng Ye Capital Limited stipulate that employees shall adhere to the code of conduct of integrity and honesty. Such rules also require employees to promptly report any violations of laws and regulations through the reporting channels, and specify the punitive measures for violations of relevant regulations.</li> <li>• Employees are required to abide by professional ethics and not to cheat for personal benefits such as honors and titles by falsifying or misrepresenting their performance.</li> <li>• Employees are prohibited from accepting gifts of high value, cash, marketable securities, payment certificates, etc. from customers or suppliers.</li> <li>• Wrongful, improper or fraudulent conduct by employees involving accounting, financial reporting, internal control or auditing matters affecting the Company is strictly prohibited.</li> </ul>
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Improve complaint filing and whistleblowing channels

- We have formulated the Complaint Filing and Whistleblowing Management Rules of Sheng Ye Capital Limited and the Implementation Rules for Whistleblowing of Sheng Ye Capital Limited to regulate the whistleblowing procedures and handling procedures.
- We have established complaint filing and whistleblowing channels such as complaint and whistleblowing mailboxes, whistleblowing telephone and whistleblowing letters. Employees may also report to their immediate supervisors or responsible senior management in real name, or contact the Corporate Governance Department directly for an interview.
- We have an “Integrity and Compliance” page on our website to specifically address customer complaints that may involve corruption, fraud and non-compliance.
- Upon receipt of complaints related to integrity and compliance, we will coordinate and form an investigation team to conduct an investigation, process the complaint and provide feedback to the complainant within 30 days.

Organize integrity and compliance training

- We have invited the Independent Commission Against Corruption of Hong Kong to conduct a seminar on “Corporate Corruption Prevention and Integrity Management” for Directors and management of the Company to provide training on importance of business integrity, overview of corruption reporting, the Prevention of Bribery Ordinance and case studies, and the ethics of management staff.
- We have conducted integrity and compliance training for our employees, explained in detail the causes of corruption and fraud, external regulatory laws and regulations, and conducted specific case studies.
- During the reporting period, we conducted two sessions of integrity and compliance training for employees and one session for Directors of the Company, covering a total of 249 persons with 1.07 training hours per person.



**4.2 PROTECTING INFORMATION SECURITY WITH STRICT AND RELIABLE PRACTICES**

As a fintech enterprise, we are well aware that in addition to making financial services more convenient, the accelerated integration of technology and finance has also posed higher requirements on information security management. The Group strictly complies with external management requirements such as the Civil Code of the People’s Republic of China and the Cybersecurity Law of the People’s Republic of China, and formulates and strictly implements internal rules such as the Internet and Information Security Management System of Sheng Ye Capital Limited and the Internal Management Measures of Enterprise Credit Reference System of Sheng Ye Capital Limited to continuously improve information security management and handle customers’ private information with great caution, thereby establishing a line of defence for information security. During the reporting period, the Group did not experience any form of leakage of customer data and did not receive any complaints from customers in relation to privacy and security.

**IMPROVE INFORMATION SECURITY SYSTEM**

- All websites use encrypted HTTPS to provide services to prevent information leakage during transmission.
- We have built an anti-virus system, a terminal security management system, a network firewall and other security technology platforms to protect the internal network security, terminal security and application system security.
- We back up our customer data in accordance with the Data Backup and Disaster Recovery Management System of Sheng Ye Capital Limited to ensure the recoverability of customer data in the event of a disaster.

**IMPROVE INTERNAL MANAGEMENT PROCESS**

- We have established the Procedures for Application of Software System Authority, the Procedures for Application of Computer Operation and Maintenance Authority, the Procedures for Application of System Data Modification to strictly regulate the authority of internal employees and external visitors to access, search and modify customer data.
- Employees are required to obtain prior written authorization from customers before accessing customer information through the credit reference system.
- Employees are required to verify their actual work requirements and obtain approval from their supervisors before applying for use of the Easy Factoring system.

**STRENGTHEN EMPLOYEES’ AWARENESS OF INFORMATION SECURITY PROTECTION**

- All employees are required to sign a Confidentiality Agreement upon joining the Group. Employees are required not to divulge, disclose or use any confidential information related to the Company or its business, including customer information.
- The requirements for management of customer information are clearly stipulated in the Employee Handbook of Sheng Ye Capital Limited and the Internal Management Measures of Enterprise Credit Reference System of Sheng Ye Capital Limited and other internal rules.
- We organize “Personal Information Protection Legal Training” and “Data Compliance Training” for our employees to enhance their awareness of private information protection.

### 4.3 ADOPTING SERVICE-ORIENTED APPROACH WITH FOCUS ON CUSTOMERS' DEMANDS

- **Responsible marketing activities**

The Group has incorporated the “service oriented” idea into its corporate values and strives to protect the rights and interests of our customers and create a responsible and inclusive financial model. We strictly follow the requirements of the Notice on Strengthening the Supervision and Management of Commercial Factoring Enterprises issued by the CBIRC and carry out compliant operation within permitted business scope. In addition, we have formulated the “Customer Protection Principles” based on our business characteristics and core needs of our customers to provide reliable services to our customers.

Customer Protection Principles of Sheng Ye Capital	
<b>Suitable product design and delivery</b>	Driven by our self-established customer pre-credit approval mechanism and industry risk assessment model, we provide a variety of financing products around different stages of the entire settlement process of the supply chain, and solve the problems of personalized customer needs that are difficult to be met by traditional financial institutions, as described in the section headed “Technology Makes Finance More Inclusive”.
<b>Prevent excessive debt</b>	We have formulated the Credit Management Measures of Sheng Ye Capital Limited to implement a two-tier limit on buyers’ credit line and sellers’ credit line, and lend money to customers (i.e. sellers) within the limit based on a certain percentage of the receivables arising from the underlying transactions between the buyers and the sellers.
<b>Transparency</b>	The service agreement and line of credit agreement signed with the customer contain clear information on the maximum amount, scope of service, interest rate and maximum service fee. During the service period, statements are sent to customers regularly, and customers can also check the financing status through the Easy Factoring system.
<b>Reasonable pricing</b>	We evaluate the ratings of core buyers and clients, match the scores in accordance with the Rules and Approval Procedures for Quotations of Sheng Ye Capital Limited, adjust the scores based on the actual business situation and arrive at the proposed quotation range, and determine the final quotation through negotiation with the clients within such range.
<b>Treat customers fairly and with respect</b>	We specify the relevant process in the Complaint Filing and Whistleblowing Management Rules of Sheng Ye Capital Limited”. Customers may report to the Company any corruption, fraud and non-compliance that have occurred or may occur involving employees of the Group.
<b>Customer data privacy</b>	We handle our customers’ private information with great caution and have formulated and implemented the Internet and Information Security Management System of Sheng Ye Capital Limited and the Internal Management Measures of Enterprise Credit Reference System of Sheng Ye Capital Limited to continuously strengthen our information security management, as described in the section headed “Protecting Information Security with Strict and Reliable Practices”.
<b>Complaint handling mechanism</b>	We have formulated the Complaint Filing and Whistleblowing Management Rules of Sheng Ye Capital Limited to handle various types of feedback from our customers in a timely manner, as described in the section headed “Smooth Communication with Customers”.

• **Smooth Communication with Customers**

The Group has incorporated the “service oriented” idea into its corporate values, listens to all kinds of feedback from customers, and actively explores the deep-seated needs of customers based on their feedback to facilitate the improvement and innovation of the Company. We have formulated the Complaint Filing and Whistleblowing Management Rules of Sheng Ye Capital Limited to obtain the most genuine feedback from our customers through various channels, and has formulated the Customer Service Manual of Sheng Ye Capital Limited to further standardize our customer service procedures, thereby ensuring that customer feedback is resolved in a timely, fair and reasonable manner.



**Customer complaint received during the reporting period**



**Service satisfaction**



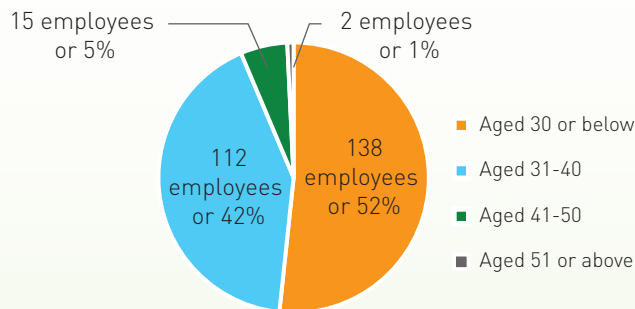
**5. BUILDING A PEOPLE-ORIENTED PROFESSIONAL TEAM**

**5.1 CREATING A HARMONIOUS WORKPLACE**

Talents are the core internal driver of the Group’s long-term sustainable development. We are committed to creating a people-oriented corporate culture, advocating the employment of talents from different backgrounds and origins, and creating an equal, inclusive and diverse workplace. 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, the Employment Ordinance and the Immigration Ordinance of the Hong Kong SAR, and have formulated a series of internal policies and regulations such as the Employee Handbook of Sheng Ye Capital Limited, the Recruitment Management Rules of Sheng Ye Capital Limited, the Internal Transfer and Rotation Rules of Sheng Ye Capital Limited, the Internal Talent Recommendation Rules of Sheng Ye Capital Limited and other employment and human resources management rules to ensure that the employment and job selection rights of employees and job seekers are effectively protected.

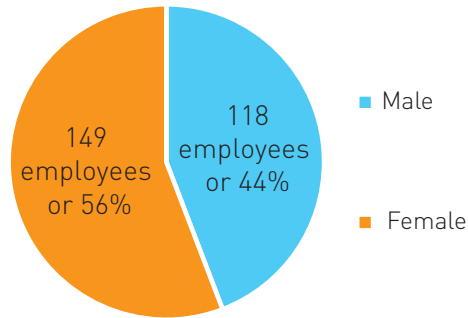
We do not make judgement based on age or seniority, insist on equal employment and equal pay for equal work, and ensure that all discriminatory acts arising from differences in gender, age, race, nationality, health conditions and maternity are eliminated in all aspects of recruitment, employment, training, promotion, cooperation and negotiations. In addition, we safeguard the basic rights and interests of our employees according to relevant laws, contribute to the pension insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance, housing provident fund and the Mandatory Provident Fund, and provide employees with legal and reasonable working hours and rest periods. We strictly prohibit forced labour and child labour, and strictly comply with international 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 to avoid any violations. During the reporting period, the Group did not have any cases of child labour and litigation or labour arbitrations with employees.

As of the end of the reporting period, the Group had a total of 267 employees, all of which were full-time employees and 134 were newly recruited during the year.

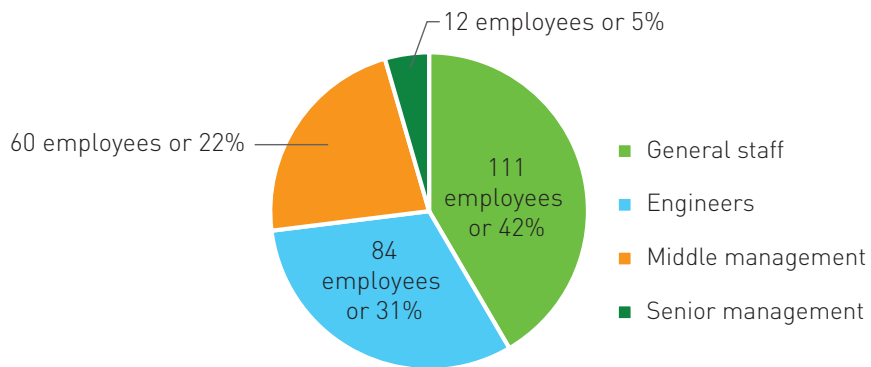


Number and percentage of employees by age

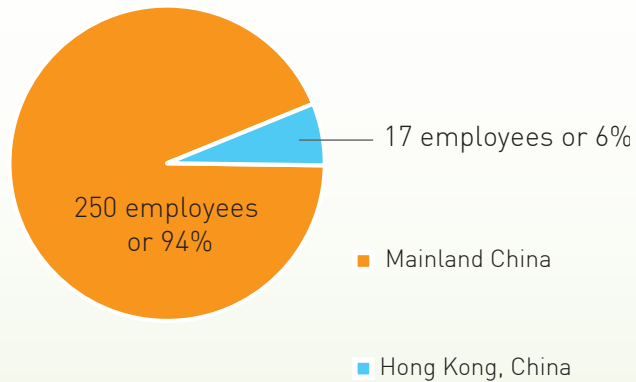




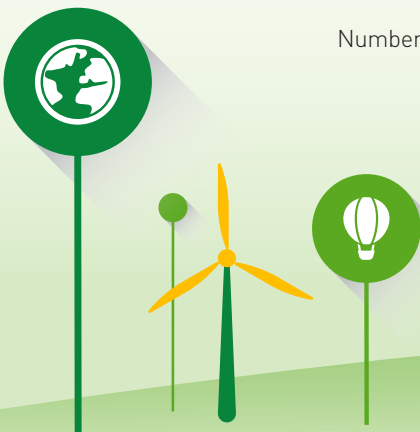
Number and percentage of employees by gender



Number and percentage of employees by job position



Number and percentage of employees by geographical region



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

SHENG YE CAPITAL LIMITED

Indicators	2020
Employee turnover	26%
Male employee turnover	23%
Female employee turnover	28%
Turnover of employees aged 30 or below	24%
Turnover of employees aged 31-40	28%
Turnover of employees aged 41-50	37%
Turnover of employees aged 51 or above	0%
Turnover of employees in Mainland China	26%
Turnover of employees in Hong Kong, China	25%





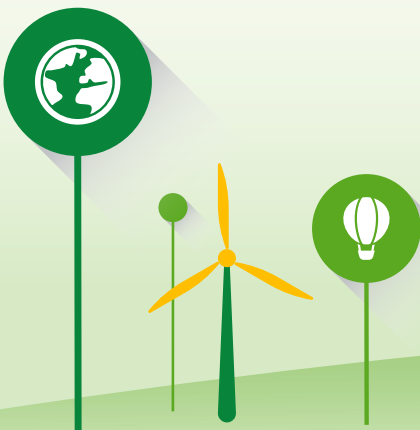
**5.2 STIMULATING THE DEVELOPMENT POTENTIAL OF TALENTS**

As an enterprise that encourages innovation, we focus on exploring the development potential of our talents and provide diversified development resources and space for those who are willing to grow with the Company to realize their value.

• **Talent cultivation**

Talent development is an important part of the Group’s development vision. We are deeply aware of the importance of building a comprehensive employee training system and providing quality training to facilitate the personal growth of our employees. We promote a culture of learning and sharing, aim to build a learning organization and ensure that all employees are provided with growth opportunities, and provide abundant training resources and promotion opportunities, formulate and implement the Training Management Measures of Sheng Ye Capital Limited to implement talent cultivation in our daily management. To meet different training needs, we have built a comprehensive talent development training system for new employees, frontline employees, new managers and senior management members, developed an online learning platform, continuously promoted the upgrade of course contents, continuously increased training resources, and repeatedly operated the learning mechanism to meet the Company’s requirements of high-quality development while benefiting individual employees and striving to meet the learning needs of employees in different positions and at different levels.

<p><b>Training for new employees</b></p>	<p>In order to help new employees quickly integrate into the Company, we organize general training and job-specific training, so that new employees can quickly become familiar with the Company’s processes, understand the overall business information, learn working methods, improve work efficiency, and build up legal and risk control awareness.</p>
<p><b>Training for frontline employees</b></p>	<p>We provide training on professional skills and industry knowledge, such as financing management training and industry knowledge training, to help our employees broaden their horizons, deepen their knowledge of the industry to enhance their professionalism, improve their competence, and provide better services to our customers.</p>
<p><b>Training for new managers</b></p>	<p>We provide training on business development and project management to help new managers improve their management skills, strengthen their communication skills and leadership skills so that they can perform their duties more effectively in their management positions.</p>
<p><b>Training for senior management</b></p>	<p>We provide training on leadership development and strategic development planning specifically for senior management to help them better understand the industry trend and business development direction and enhance their leadership skills.</p>



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

SHENG YE CAPITAL LIMITED

Indicators	Unit	2020
Total number of employee trainings	Session	31
Total number of trained employees	Person	3,255
Average number of training hours per employee	Hours per person	23.53
Average number of training hours per employee by gender		
Average number of training hours per male employee	Hours per person	23.53
Average number of training hours per female employee	Hours per person	23.53
Average number of training hours per employee by job position		
Average number of training hours per general staff	Hours per person	23.69
Average number of training hours per engineer	Hours per person	20.85
Average number of training hours per middle management member	Hours per person	26.06
Average number of training hours per senior management member	Hours per person	26.29
Percentage of trained employees	%	93.63
Percentage of trained employees by gender		
Percentage of trained male employees	%	95.76
Percentage of trained female employees	%	91.95
Percentage of trained employees by job position		
Percentage of trained general staff	%	99.10
Percentage of trained engineers	%	94.05
Percentage of trained middle management members	%	85.00
Percentage of trained senior management members	%	83.33

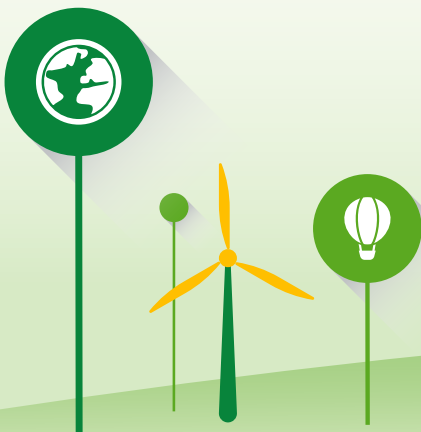
Carrying out industry-specific knowledge training

The Group is deeply engaged in the commercial factoring business in infrastructure sector. In order to provide more precise and quality services to our customers, we continuously strengthen the professional competence of our staff. During the reporting period, we invited experts in the construction industry to conduct special training and explain to our employees the key information in difference stages of construction work and other professional knowledge. During the training, the experts gave lectures on theories, conducted case studies, and shared their experience with our employees in order to provide them with an in-depth understanding of the construction industry. The training helped employees better understand the business logic of the whole industry, gain knowledge of the transaction characteristics of the construction industry, accurately identify the business risks, and enhance the competitiveness of individuals and the Company in the industry.



• Promotion and incentives

Sheng Ye Capital is willing to give talents more responsibilities and room for development, and provide them with competitive remuneration to motivate their continuous development and growth. The Group adheres to the principles of continuous optimization, openness and fairness, thorough communication, objectivity and timeliness, timely feedback, responsibility and self-discipline, and information confidentiality, and carries out promotion and performance management of talents in accordance with various management rules such as the Employee Handbook of Sheng Ye Capital Limited, the Performance Management Rules of Sheng Ye Capital Limited, the Project Incentive Management Measures of Sheng Ye Capital Limited and the Reward and Punishment Management Measures of Sheng Ye Capital Limited. Based on the performance of our employees, we provide them with year-end bonuses and performance-based bonuses, and we have also formulated an option incentive plan for our senior management and core talents to encourage our team to make continuous progress and provide long-term services to the Company.



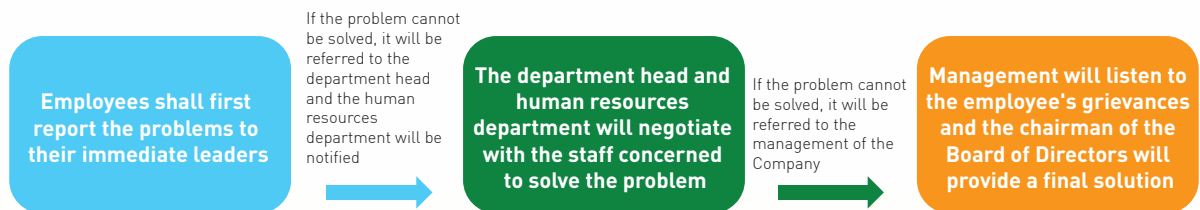
**5.3 UNITING EMPLOYEES WITH CARE AND LOVE**

Sheng Ye Capital strives to create a harmonious and friendly workplace. We strictly comply with the requirements of the Labor Law of the People’s Republic of China and other national and regional policies and regulations to provide necessary welfare and benefits to our employees, and incorporate our internal benefit policies into the Employee Handbook of Sheng Ye Capital Limited. We attach importance to listening to employees’ demands, protecting their health, providing them with care and attention, and addressing the needs of each and every employee, and have taken practical actions to care for our employees and enhance their sense of belonging during the COVID-19 pandemic.

• **Strengthening communication with employees**

The Group attaches importance to creating a democratic, smooth and efficient employee communication atmosphere. In daily operation, we encourage employees to actively express their views and collaborate through discussions to better ensure the quality of our services. In management, we fully listen to employees’ opinions and regularly explain the Company’s situation and management rules to them. In 2020, the Group conducted a presentation on the human resources system to all employees and held several rounds of discussion and communication with employees.

The Group provides communication and grievance channels for its employees in accordance with the relevant contents of the Employee Handbook of Sheng Ye Capital Limited. We respect employees’ right to speak up and protect their personal rights. If an employee encounters a problem arising from working conditions, working relationships, work rules or procedures, we encourage the employee to follow the Company’s system to file complaint and report the problem to higher management.

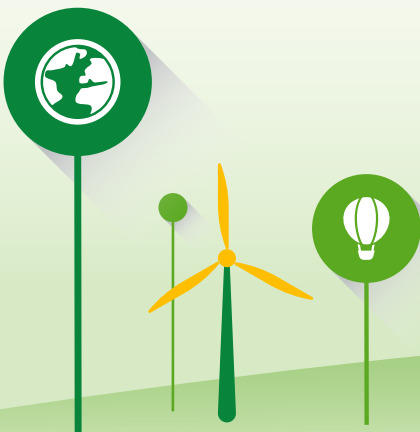


• **Protecting the health of employees**

The health of our employees is always our top priority. We contribute to the medical insurance for our employees in accordance with the law, purchase additional commercial accident insurance, offer subsidies to employees who suffer from major illnesses, and provide annual medical check-up fund. In addition, we also continuously strengthen the safety risk control of our office premises by prohibiting smoking in all enclosed areas of our offices and actively participating in fire drills in our office buildings to reduce the risk of fire and other man-made accidents while cultivating safety awareness among our employees. As of the end of the reporting period, the Group had not suffered any work-related injuries or deaths for three consecutive years.

Since the outbreak of the COVID-19 pandemic, the Group has complied with national and local requirements and calls for pandemic prevention and has taken a series of necessary measures to help prevent and control the COVID-19 pandemic and protect the safety of our employees.

- We promptly set up an Emergency Response Team to provide real-time pandemic information and protection advice to all employees, and regularly reported on the travel and health status of employees.
- We provided employees and their families with necessary supplies (including masks for three months' consumption) and medical expenses.
- We organized employees to work online to avoid the risk of infection due to crowd gathering.
- We understood the difficulties of our employees' families through timely communication and helped them solve their problems.
- We thoroughly disinfected our offices, distributed pandemic prevention supplies and disseminated pandemic prevention information to ensure resumption of operation in an orderly manner.

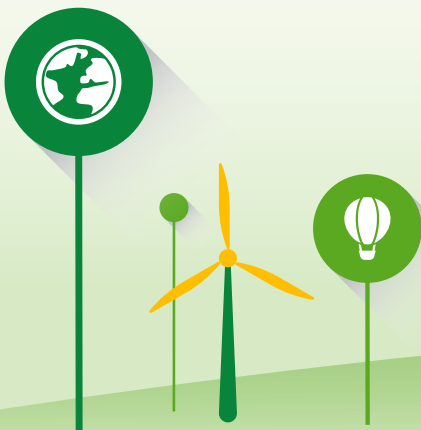


• **Care for employees**

The Group attaches great importance to caring for its employees and provides them with a wide range of benefits to help them achieve a better work-life balance.

<b>Employee care fund</b>	<ul style="list-style-type: none"> <li>We have set up an employee care fund which is specifically used to give birthday and wedding gifts to our employees. The fund is also used to provide emergency subsidies to our employees to help those in difficulties to solve their emergency problems.</li> </ul>
<b>Employee activities</b>	<ul style="list-style-type: none"> <li>We pay close attention to the physical and mental health of our employees, regularly organize fun sport games, outdoor recreational activities, family open days, and other diverse activities and encourage employees to participate in these activities, relax themselves, strengthen their bodies and minds and improve their quality of life.</li> </ul>
<b>Festival benefits</b>	<ul style="list-style-type: none"> <li>We provide festival benefits to our employees on every major festival. In addition, we send small gifts to our employees on their anniversary of joining us as a token of celebration, appreciation and encouragement.</li> </ul>
<b>Daily benefits</b>	<ul style="list-style-type: none"> <li>We provide a wide variety of afternoon tea every day to let our employees refresh and relax from work.</li> </ul>





## 6. PURSUING AN ENVIRONMENTALLY FRIENDLY GROWTH PATH

### 6.1 PROVIDING LOW-CARBON FINANCIAL SERVICES

The Group is committed to integrating inclusive financial services with environmentally friendly concepts. Through digital online technology, we can significantly streamline our business processes and reduce resource consumption and carbon emissions generated during traditional business processes, thereby providing customers with high-quality and low-carbon financial services.

#### Facilitate transformation to low-carbon services with the “Easy Factoring” cloud-based platform

Based on years of research and development and industry experience, the Group’s self-developed “Easy Factoring” cloud-based platform enables online business processing and operation, which continuously facilitates the development of low-carbon financial services. With the “Easy Factoring” cloud-based platform, customers can complete the entire process online, from uploading documents, applying for loans, obtaining credit facilities to approving and withdrawal of loans, thereby realizing online operation and management of business operations, risk control and asset management. After joining the online signature system of China Financial Certification Authority (CFCA), a national authoritative security certification organization under the People’s Bank of China, the platform can provide customers with digital certificates with electronic signatures, significantly reducing the use of paper in offline operation. In addition, the platform is also connected to the credit reference system of the People’s Bank of China, the world’s largest credit reference system, which strengthens the risk control mechanism and eliminates the need for customers to bring various documents to the credit reference center to obtain credit reports on site, significantly improving service efficiency and experience while reducing carbon emissions from transportation.

### 6.2 PROMOTING GREEN OFFICE OPERATION

The Group integrates environmental protection into its daily operation and continuously strengthens green office operation to reduce the adverse impact on the environment. We strictly comply with the Environmental Protection Law of the People’s Republic of China, the Energy Conservation Law of the People’s Republic of China and other relevant regulations and policies on environmental protection and emission management, and deepen our green operation mechanism. During the reporting period, the Group had no environmental litigation cases arising from environmental issues.

The major energy and resources consumed by the Group are electricity and water resources used in daily office operation and gasoline consumed by business vehicles. In order to continuously reduce the consumption of resources, we continuously improved our internal management mechanism and formulated and implemented the Office Energy Saving and Consumption Reduction Policy of Sheng Ye Capital Limited in our workplaces throughout the Group during the reporting period to regulate the use of electrical equipment, water, electricity and office consumables. In addition, we also paid attention to strengthening employees’ awareness of environmental protection and issued the Advocacy Letter on Energy Saving in Daily Office Operation to all employees to encourage them to practice green concepts in their work and adopt various measures to contribute to green development by taking small steps.





In addition to reducing resource consumption, we also strive to reduce emissions. Our emissions are mainly from greenhouse gases generated from energy use, exhaust emissions from use of our business vehicles, and office and domestic wastes generated from our daily operations. We reduce greenhouse gas and air pollutant emissions by strictly managing the use of energy and business vehicles. Meanwhile, we continue to strengthen our efforts in solid waste management and emphasize the recycling of office supplies to reduce emissions while improving resource utilization efficiency.

Energy saving and emission reduction measures	
<b>Rent green workplace</b>	<ul style="list-style-type: none"> <li>We take environmental factors into account when selecting office space. The Kerry Plaza leased by our Shenzhen headquarter is a LEED-EBOM Platinum certified office building with the most advanced energy-saving and environmentally friendly design concepts. It can significantly reduce the consumption of water and electricity when compared to traditional office space with the same floor area.</li> </ul>
<b>Save energy consumption</b>	<ul style="list-style-type: none"> <li>We encourage employees to develop the good habit of turning off lights and air conditioning when they leave the office. Lights, air conditioners, televisions, computers and other equipment shall be turned off after using the meeting room and when leaving the office at the end of the day; and lights and air conditioners shall be turned off when leaving the independent office.</li> <li>We encourage reasonable setting of air conditioning temperature. The air conditioning temperature shall not be higher than 20°C in winter and shall not be lower than 26°C in summer, and we advocate turning off the air conditioner half an hour before leaving work.</li> <li>We encourage employees to turn off the power of the computer and peripherals if they are away from the computer for more than 2 hours, and turn off the computer monitor and set the computer to power saving mode if they are away for more than 30 minutes.</li> </ul>
<b>Save water consumption</b>	<ul style="list-style-type: none"> <li>We reduce the consumption of bottled water. We encourage our employees to bring their own bottles and cups, no longer provide bottled water internally, and ask guests to take away any unopened bottled water in customer entertainment events to avoid wastage. After a year of management practice, the amount of bottled water used in December 2020 was 50% less than that in January 2020.</li> </ul>
<b>Strengthen the recycling of office supplies</b>	<ul style="list-style-type: none"> <li>We carry out recycling of waste products by engaging professional companies for unified recycling of waste paper boxes, waste paper and office consumables.</li> <li>We reduce the use of disposable items and encourage the use of more durable and recyclable items, encourage employees to bring their own bottles and cups to reduce the use of disposable cups and consumption of bottled water.</li> <li>We save paper consumption and promote double-sided paper use, and use the single-side printed paper of non-confidential documents and data as draft paper, sticky notes, and for internal data printing.</li> </ul>
<b>Avoid food waste</b>	<ul style="list-style-type: none"> <li>We require our employees to take an appropriate amount of food for afternoon tea and encourage them to clean their plates when dining out.</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

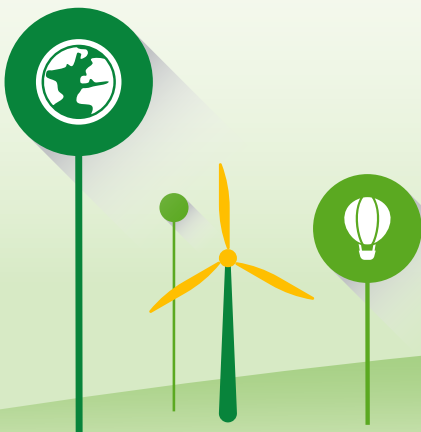
SHENG YE CAPITAL LIMITED

Indicators <sup>1</sup>	Unit	2019	2020
Scope 1: Greenhouse gas emissions from direct sources <sup>2</sup>	tCO <sub>2</sub> e	49.36	9.81
Scope 2: Greenhouse gas emissions from indirect sources <sup>2</sup>	tCO <sub>2</sub> e	233.63	128.79
Total greenhouse gas emissions <sup>2</sup>	tCO <sub>2</sub> e	282.99	138.59
Greenhouse gas emissions per capita	tCO <sub>2</sub> e per person	1.42	0.52
Greenhouse gas emissions per unit area	tCO <sub>2</sub> e per square meter	0.158	0.035
Nitrogen oxide (NO <sub>x</sub> ) emissions <sup>3</sup>	kg	3.45	1.00
Sulfur dioxide (SO <sub>2</sub> ) emissions <sup>3</sup>	kg	1.68	0.33
Particulate matter (PM) emissions <sup>3</sup>	kg	1.21	0.12
Total amount of non-hazardous waste generated	tonnes	5.94	8.32
Non-hazardous waste generated per capita	tonnes per person	0.030	0.031
Paper recycled	kg	64	42.97
Plastic bottles recycled <sup>4</sup>	kg	575	119.65
Total waste recycled <sup>4</sup>	kg	639	162.62
Waste recycled per capita	kg per person	3.2	0.61
Total electricity consumption	MWh	269.04	229.20
Gasoline consumption <sup>5</sup>	MWh	201.18	39.21
Total energy consumption <sup>6</sup>	MWh	470.22	268.41
Energy consumption per capita	MWh per person	2.36	1.01
Energy consumption per unit area	MWh per square meter	0.263	0.069
Distilled water consumption <sup>7</sup>	tonnes	–	6,001.74
Water consumption per capita	tonnes per person	–	22.48



Notes:

1. The environmental data covers all workplaces of Sheng Ye Capital in Mainland China and Hong Kong, China.
2. Greenhouse gas emissions are calculated with reference to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) and the Fifth Assessment Report issued by the Intergovernmental Panel on Climate Change (IPCC). The grid emission factors used for the calculation of Scope 2 emissions are based on the latest China Regional Grid Emission Factors (2019) published by the Department of Climate Change under the Ministry of Ecology and Environment of the PRC. The Group's "Scope 1: Greenhouse gas emissions from direct sources" are mainly derived from greenhouse gases generated from gasoline consumption in the use of business vehicles. In 2020, due to the impact of the COVID-19 pandemic, the number of miles travelled by the Group's business vehicles significantly decreased as compared to 2019, and therefore "Scope 1: Greenhouse gas emissions from direct sources" was significantly reduced.
3. Emissions of NO<sub>x</sub>, SO<sub>2</sub> and particulate matter are generated from the use of the Group's business vehicles, and the emissions are calculated with reference to the Technical Guide for Air Pollutant Emission Inventory for Road Vehicles issued by the Ministry of Ecology and Environment. In 2020, due to the impact of the COVID-19 pandemic, the number of miles travelled by the Group's business vehicles significantly decreased as compared to 2019, and therefore the emissions of NO<sub>x</sub>, SO<sub>2</sub> and particulate matter were significantly reduced as compared to 2019.
4. In 2020, the Group launched the "Green Pantry" initiative to promote the reduction of bottled water consumption by employees. Meanwhile, due to the impact of the COVID-19 pandemic, our employees worked from home for certain period of time. As a result, the amount of bottled water consumed in 2020 was significantly reduced as compared to last year, and the amount of plastic bottles recycled and total waste recycled decreased accordingly.
5. In 2020, due to the impact of the COVID-19 pandemic, the number of miles travelled by the Group's business vehicles significantly decreased as compared to 2019, and therefore the gasoline consumption was significantly reduced.
6. The total energy consumption is calculated based on relevant conversion coefficients provided in the General Principles for Calculation of the Comprehensive Energy Consumption (GB/T2589-2008), a national standard of the People's Republic of China.
7. The Group's office and operation premises are all part of the office areas in leased commercial buildings, and municipal water consumption is managed by the property management companies in a unified manner without sub-metering records and data, making it difficult to compile municipal water consumption data.



## 7. CREATING MORE VALUE FOR THE SOCIETY

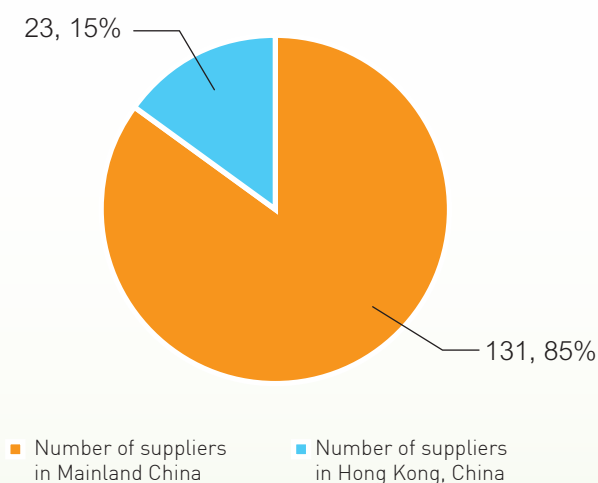
### 7.1 FACILITATING THE IMPROVEMENT OF SUPPLY CHAIN PARTNERS

The Group carries out supplier procurement and tendering management in accordance with relevant laws and regulations, formulates and implements the Procurement Management Rules of Sheng Ye Capital Limited, establishes comprehensive procurement management procedures and supplier screening and selection criteria to ensure standardized procurement practices. Our procurement activities are supervised by all employees of the Company and any employee may report non-compliant procurement practices in accordance with the Whistleblowing Management Rules of Sheng Ye Capital Limited.

The Group avoids various environmental and social risks in the supply chain by continuously strengthening supervision and examination. The admission requirements in the Procurement Management Rules of Sheng Ye Capital Limited clearly stipulate that suppliers must comply with the requirements of national regulations and policies in relation to labor protection, energy saving and emission reduction, and ecological and environmental protection. We also require all suppliers participating in procurement cooperation to sign the Integrity Agreement. If a supplier violates the integrity requirements, it will be blacklisted and disqualified as a supplier.

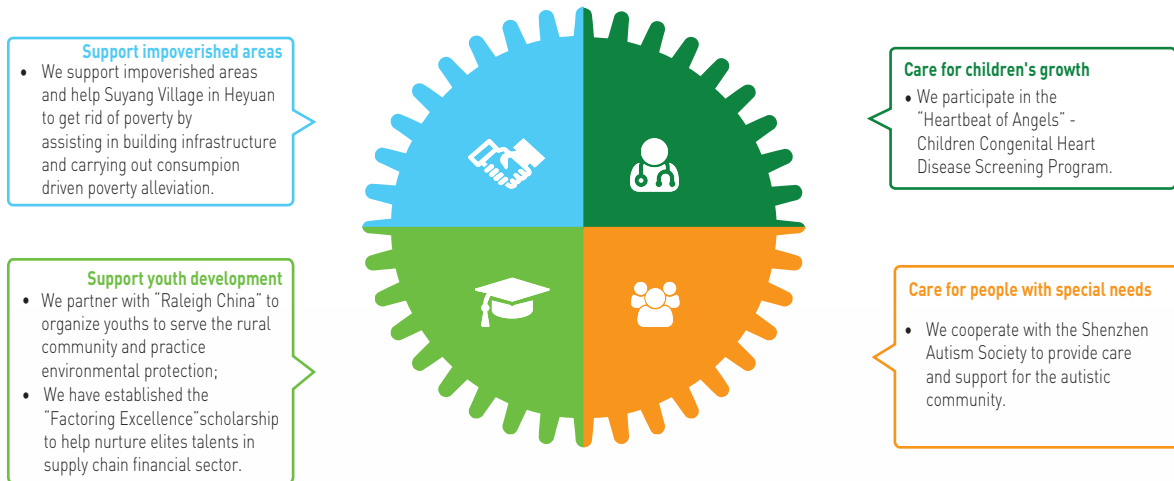
In addition to ensuring compliance, we also strive to continuously facilitate the positive development of our supply chain partners. We conduct semi-annual assessments of all suppliers and propose recommendations and improvement period for rectification of problems identified in a timely manner, in order to facilitate the positive development of our supply chain partners.

As of the end of the reporting period, the Group had 154 suppliers from Mainland China and Hong Kong, China.



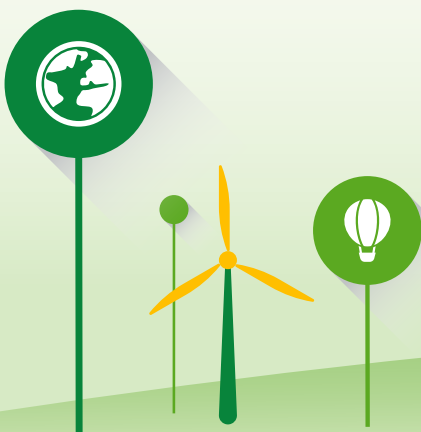
### 7.2 COMMITMENT TO SOCIAL WELFARE ACTIVITIES

As an enterprise with a strong commitment to social responsibility, the Group insists on giving back to society through practical actions and actively carries out public welfare and charitable activities. Over the years, we have made continuous investment in various aspects such as supporting impoverished areas, caring for children’s growth, supporting youth development, and caring for people with special needs, and gradually broadened the coverage of our public welfare and charitable activities. Meanwhile, we also continue to improve organizational management, and has formulated the External Donation Management Rules of Sheng Ye Capital Limited to ensure that charitable activities are carried out in an efficient and standardized manner. By organizing branded, regular and diverse social welfare activities, we join hands with our employees to contribute to the society and bring help and hope to people in need in the society with our best efforts.



**Focus areas of social welfare of the Group**

With its outstanding contribution to public welfare, the Group was awarded the "Corporate Social Responsibility Model Award" in the 9th China Charity Festival, the "2020 Outstanding Charitable Contributor Award" by the Shenzhen Factors Association, the "Corporate Social Responsibility Awards 2020" by the Capital Magazine in Hong Kong, and the "2019-2020 Award of Excellence" by the Community Chest of Hong Kong.



Indicators	Unit	2020
Number of public welfare activities	Sessions	15
Number of participants in public welfare activities	People	41
Length of public welfare activities	Hours	797
Investment in public welfare activities	RMB'0000	106



“Corporate Social Responsibility Awards 2020” of the Capital Magazine in Hong Kong



“2020 Outstanding Charitable Contributor Award” by the Shenzhen Factors Association



“Corporate Social Responsibility Model Award” in the 9th China Charity Festival



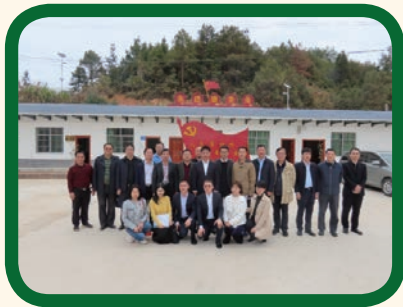
“2019-2020 Award of Excellence” of the Community Chest of Hong Kong



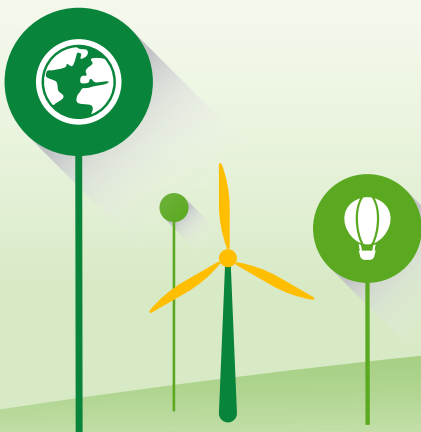
Contribute to poverty alleviation by carrying out supporting activities in impoverished areas

The unbalanced regional development in the PRC makes people in impoverished areas face severe living pressure. The Group is always concerned about the living conditions of people in impoverished areas, and actively responds to the call of the state to participate in long-term public welfare and poverty alleviation projects, joining hands with people in impoverished areas to create a better life.

On 6 January 2020, under the leadership of the Shenzhen Financial Administration, the Group, as the vice director company of the Shenzhen Factors Association, our staff visited the Suyang Village in Heyuan together with the members of Shenzhen Factors Association to participate in the poverty alleviation and supporting activity. During the activity, our staff and the members of Shenzhen Factors Association visited the tea processing factory, the Dendrobium planting base and other precise poverty alleviation projects, and jointly donated RMB40,000 to support the construction of event space in the Suyang village and RMB20,000 to support the Xianhu tea consumption-driven poverty alleviation project. By pooling the strong support of poverty alleviation from different parties, we contributed to building a moderately prosperous society in all respects and the critical task of poverty alleviation.



Visit to Suyang Village in Heyuan for poverty alleviation



## Care for children's growth by organizing employees to participate in the "Heartbeat of Angels" charitable activity of the Handpicked Love Foundation

Congenital heart disease (CHD) is one of the most serious of all congenital diseases. Although most children can be treated surgically and live like normal children. In certain underdeveloped areas, some children cannot receive timely treatment due to their families' poverty, causing lifelong effects.

In order to help more children with CHD to grow up healthy and happy, the Group actively cooperates with professional charity organizations to bring warmth and practical help to these children and their families, and encourages our employees to participate in this effort personally. In October 2020, the Group arranged for four employees to participate in the "Heartbeat of Angels" – Children Congenital Heart Disease Screening Program organized by the Handpicked Love Foundation in Xiangxi, Hunan Province. During the activity, the Group's staff volunteers visited the Huayuan County in Xiangxi Tujia and Miao Autonomous Prefecture, a national-level poverty-stricken county, to assist the local county and village doctors in conducting free initial screening of CHD for children from poor families. After 7 hours of hard work, 492 children with suspected congenital heart disease in the county were successfully screened and diagnosed, laying a foundation for the subsequent treatment and helping the children in these impoverished areas to overcome the disease and grow healthily.

Heartfelt messages:

"Compared with the simple donation campaigns in the past, this first-hand experience made me feel that this charitable activity can actually help these children and give them a second chance at life, which is very meaningful. It also made me realize that living a healthy life is not easy, and that I should cherish life. In the future, I will participate in more public welfare activities and give back to society and help others with practical actions," said Zoe, an employee of the Group.



Staff volunteers assisting local doctors in initial screening for CHD





Support youth development by organizing the “2020 Sheng Ye Raleigh Yunnan Youth Camp” eco-friendly activity

We planted trees, built public toilets, and walked through the rainforest. In the summer of 2020, our staff volunteer team visited Xishuangbanna Dai Autonomous Prefecture in Yunnan Province, home to Asian elephants and green peacocks, to participate in restoration and protection of tropical rainforest ecosystem.

Over the past few decades, rubber cultivation has caused serious damage to the ecosystem in Xishuangbanna, with frequent extreme weather, crop damage, and impact on the livelihoods of local residents. In order to enhance the biodiversity of the region and protect the sustainable development of the tropical rainforest, Sheng Ye Capital organized and participated in the “2020 Sheng Ye Raleigh Yunnan Youth Camp”. Our staff volunteers and youths trekked through the tropical rainforest in Xishuangbanna, which deepened their understanding and love for nature through personal experience. They also actively responded to the local government’s call to “restore rubber land to forest” by planting saplings of sandalwood and rosewood trees in the region, thereby using their hands to bring more life and hope to this precious rainforest.

In addition to rainforest restoration, the volunteers also worked with local residents to build pit latrines in order to improve the sanitation conditions of the local community and help the residents to live a more convenient and healthy life. In this activity, the youths not only contributed to the development of the local community and environmental protection, they also gained an unforgettable experience of a lifetime. They were able to learn about their real selves and the real world and gain valuable growth.

The Group believes that every young person is unique, precious and can thrive. Even before the launch of the “Yunnan Youth Camp”, we have been working with Raleigh China, a non-profit organization dedicated to youth development, for many years to inspire young people to step out of their comfort zone and build a sustainable future through various community service and environmental protection activities. Over the past few years, we have sponsored the establishment of the Sheng Ye Raleigh Guizhou Camp, which has supported 700 Raleigh team members to carry out public welfare activities in rural area through 3 junior camps, 4 youth camps and 2 expedition camps, and served 16 community support projects and 8 environmental protection projects. The camp has helped young people grow physically and mentally through services and cultivated the awareness of public welfare.



Picture of the “2020 Sheng Ye Raleigh Yunnan Youth Camp” activity

## Establishment of "Factoring Excellence" scholarship to provide new strength for industry development

In order to contribute to industry development with a steady stream of new strength and cutting-edge technology, the Group continuously strengthens the industry-academia research cooperation with universities and strives to contribute to the cultivation and output of outstanding professionals in the supply chain finance and factoring industry.

With the support of the Shenzhen Factors Association, we have joined hands with the College of Economics of Shenzhen University to establish the "Factoring Excellence" scholarship program, which aims to stimulate students' learning enthusiasm, create an excellent learning culture, and cultivate students to become professionals with comprehensive knowledge, competence and quality. In the future, in addition to continuous scholarship funding, we will also provide more internship positions for students in factoring major, so that they can apply their academic knowledge in practice, integrate into the industry faster and better, and further improve their professional ability.



"Factoring Excellence" Scholarship Award Ceremony



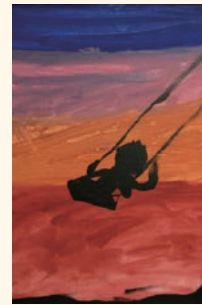
Care for people with special needs and raising awareness for autistic community



There is a group of children who live alone in their own world and are unable to communicate with the outside world and need special care from the public. As an active participant in public welfare and charitable activities, Sheng Ye Capital always pays attention to the living conditions of autistic children and offers love and support to them. In order to help create a more inclusive and friendly social environment for autistic people to travel, study, work and live in the community without barriers, the Group actively participates in the "One Foundation Blue Campaign", a public awareness campaign for autistic community, and strives to create a friendly environment for the growth of autistic children under the mission of "Creating a barrier-free community with love and care".

In the 2020 "Blue Campaign", we actively communicated with the Shenzhen Autism Society to provide support and care by purchasing paintings. In addition to encouraging the children to express their emotions through art creation, thus achieving the purpose of rehabilitation. We also hope to enable children to receive continuous treatment and education and integrate into the society as much as possible, and even have a job within their capacity, so that they can pursue and realize their dreams like other ordinary children and relieve certain pressure for their families.

Through the paintings purchasing activity, we donated over RMB14,000 to support the paintings of children with autism. The funds will be used for rehabilitation training, teacher training, and purchase of rehabilitation materials for autistic people to help alleviate the severe difficulties such as inconvenient daily life and financial pressure faced by autistic people and their families. In addition, we also hope to take this opportunity to call on more people to pay attention to, protect, understand, accept and care for autistic people, so that they can grow up and live happily under the same blue sky.



Paintings by benefitted children

**ESG INDICATOR INDEX**

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