



盛業資本
SHENG YE CAPITAL
6 0 6 9 . H K

2021 Interim Results Presentation



Driving supply chain efficiency | Making finance more inclusive

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Key Management Team



Jeff TUNG
Chairman

- Founder of SY Capital and led the company through its start-up phase to become a listed company in just 3 years
- Honored as one of the Influential Leaders in 2020 by Association to Advance Collegiate Schools of Business (AACSB)
- Holds various positions in social and charity groups



CHEN Jen-Tse, Jerry
Chief Risk Officer & Executive Director

- Has over 20 years of experience in the factoring industry
- Held various positions in different financial institutions prior to joining the Group



LO Wai Hung, Ivan
Chief Financial Officer

- Has approximately 30 years experience in financial accounting
- Member of HKICPA
- Associate member of ICAA



YUAN Ye, Aaron
Chief Strategy Officer

- Has extensive experience in the capital market and profound knowledge in fintech
- Executive Director of Olympus Capital Asia, a pan-Asia PE fund with AUM exceeding USD2 bn
- Chartered Accountant of Singapore



CHUNG Chi Shing, Stephen
Senior Financial Controller

- More than 13 years experience in financial accounting
- Previously with a big four accounting firm, including holding various positions in asset and fund management
- Member of HKICPA



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Company snapshot

We are a leading supply chain fintech platform...

Empowering **SMEs**

Driving supply chain efficiency
Making finance more inclusive

China's first supply chain fintech company listed on the HKEx

Platformisation

Dual Engine + One Platform

Strong shareholder support

From reputable investors

Solid partnerships

With blue-chip core enterprises and their business ecosystems



Industrial Technology + Digital Finance



Supply chain fintech platform

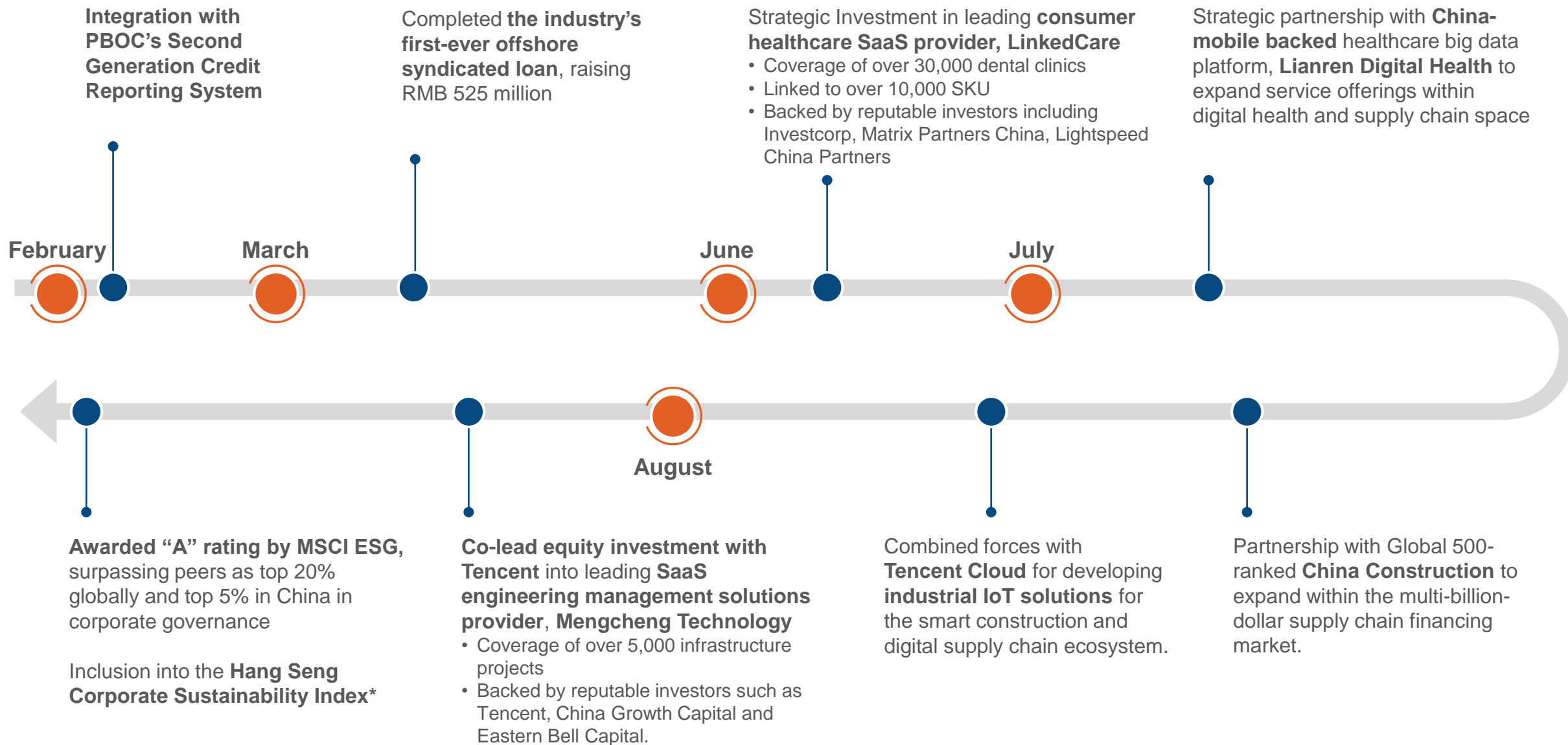


Coverage of **11** core enterprise ecosystems spanning **1,600+** entities

▶ **8,200+** SMEs served

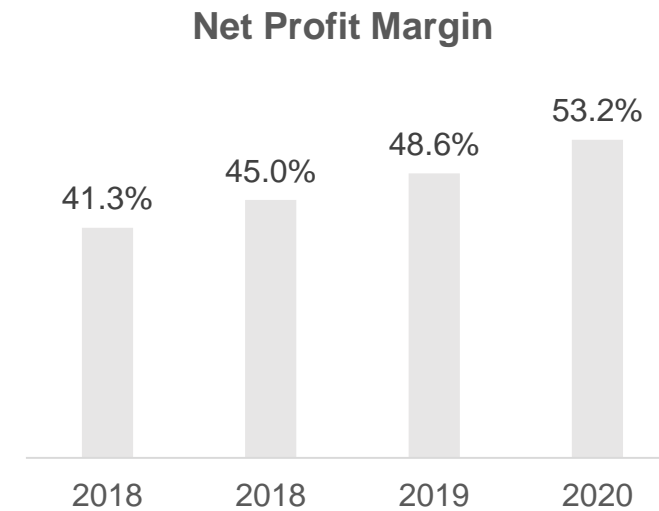
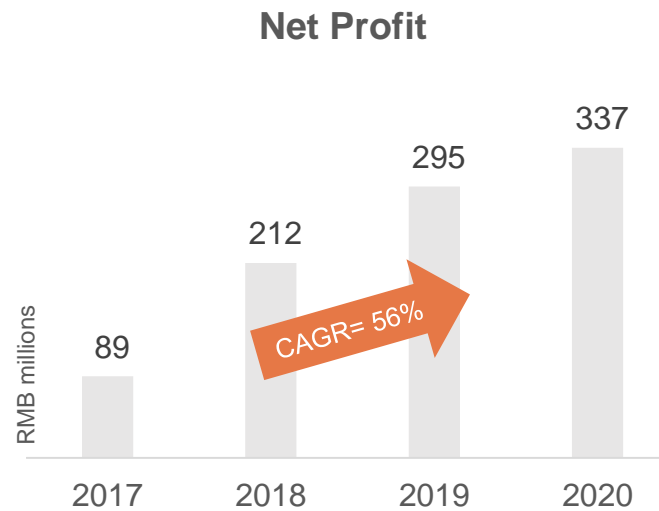
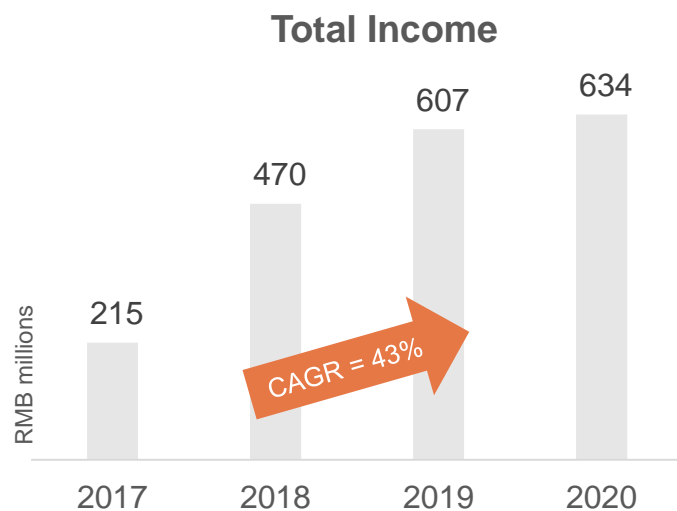
*Note: Effective 6 September 2021

Key milestones

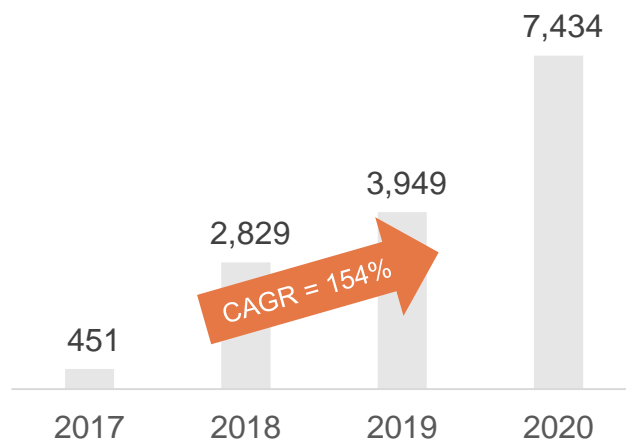


*effective 6 September 2021

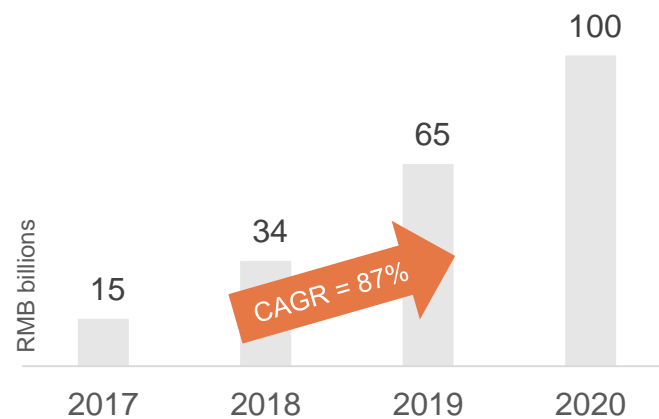
Our track record of growth since listing



Cumulative Platform Users



Cumulative Platform Assets



Supply Chain Ecosystem



Platformisation in full force

Key Platform Performance Indicators

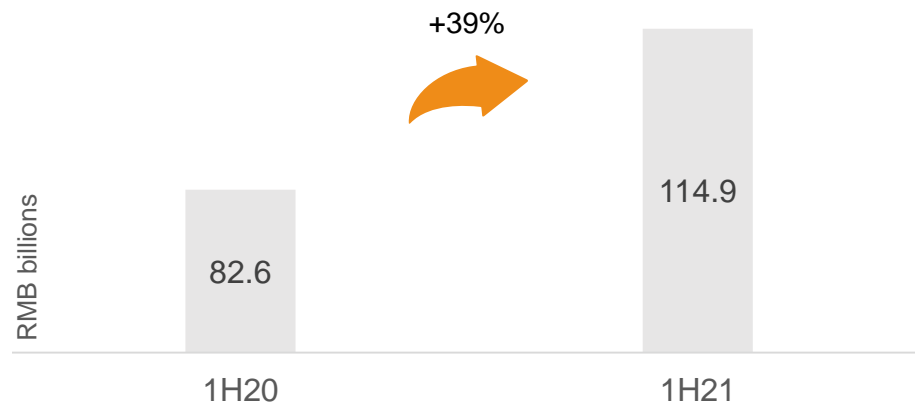
+39%
Total assets managed

>70%
Total platform users

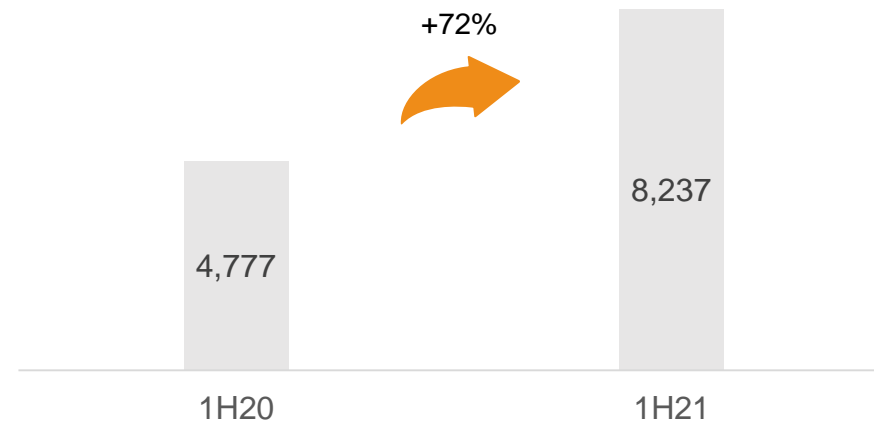
~2.9x
Daily average loan facilitation balance

>80%
Funding partners

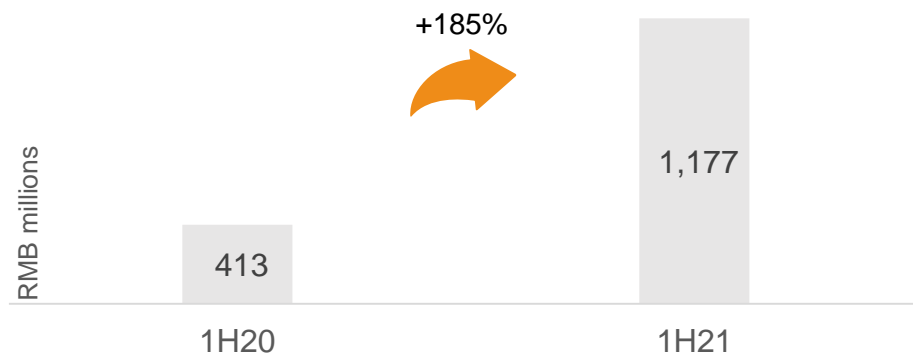
Cumulative Assets Under Management



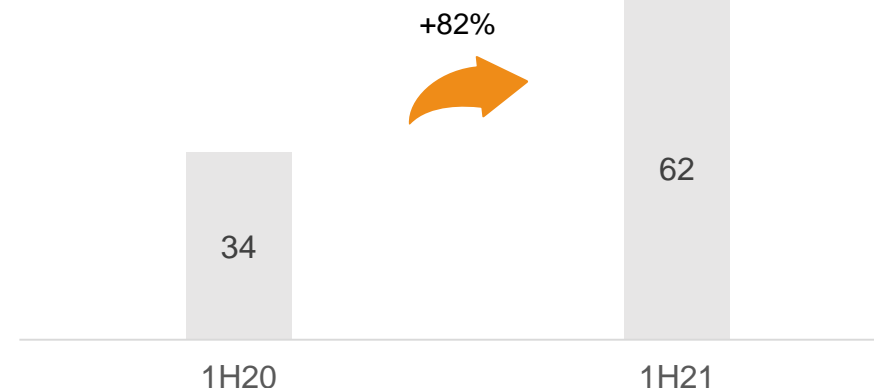
Total Platform Users



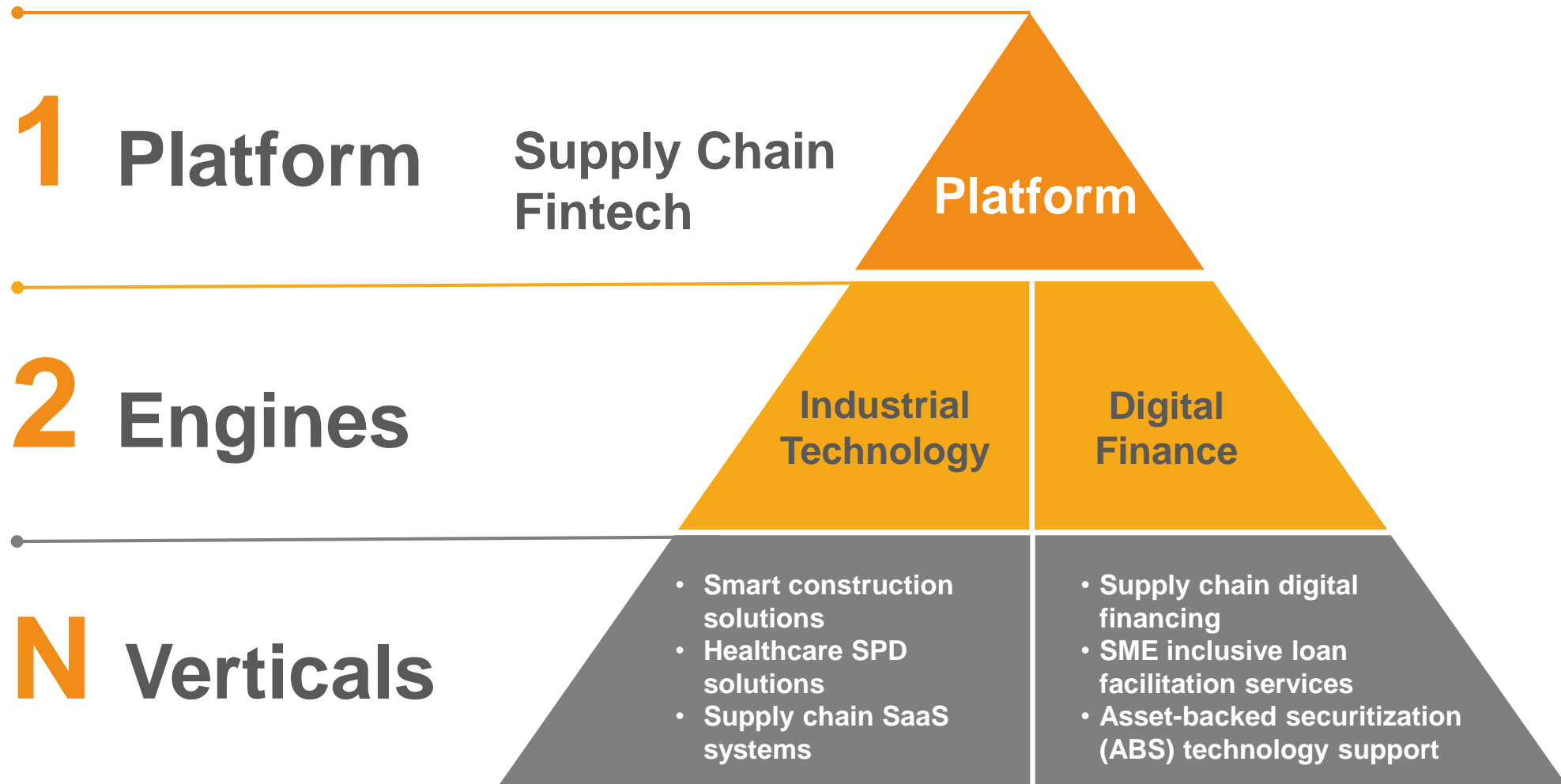
Daily Average Loan Facilitation Balance



Platform Funding Partners



Dual-Engine + One Platform Strategy



IoT-driven supply chain finance model



Digital Supply Chain Finance Solution

Value creation for SMEs

- ✓ Improve scale and capability via flexible financing
- ✓ Stronger relationship with core buyers



Supply chain SaaS and IoT services

Value creation for core enterprises

- ✓ Enhance operational efficiency
- ✓ Effective cost management
- ✓ Improve profitability



Efficient Customer Acquisition and Big Data-driven Risk Management

Value creation for financial institutions

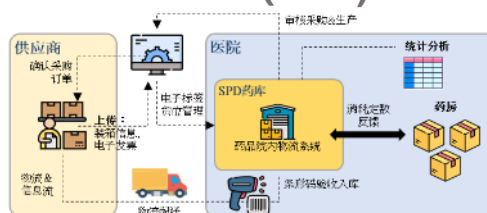
- ✓ Serve more SMEs with efficient customer acquisition
- ✓ Fintech-enabled risk management

Supply Chain SaaS & IoT Services

Smart Construction



Hospital Supply, Procurement & Distribution (SPD)



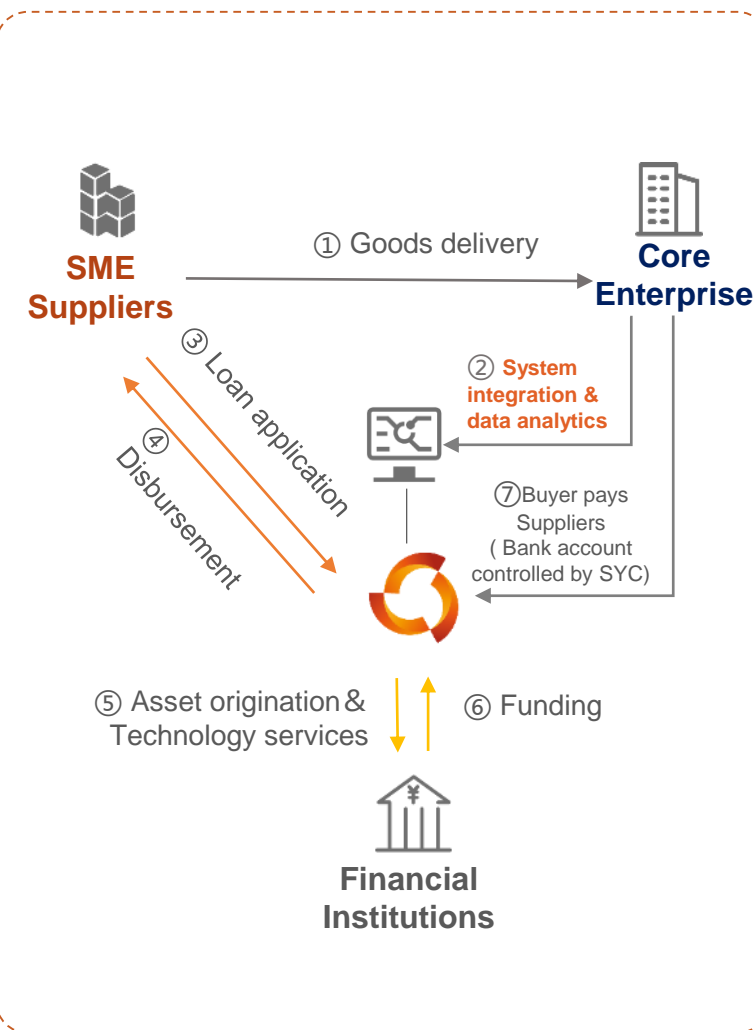
Supply Chain SaaS System



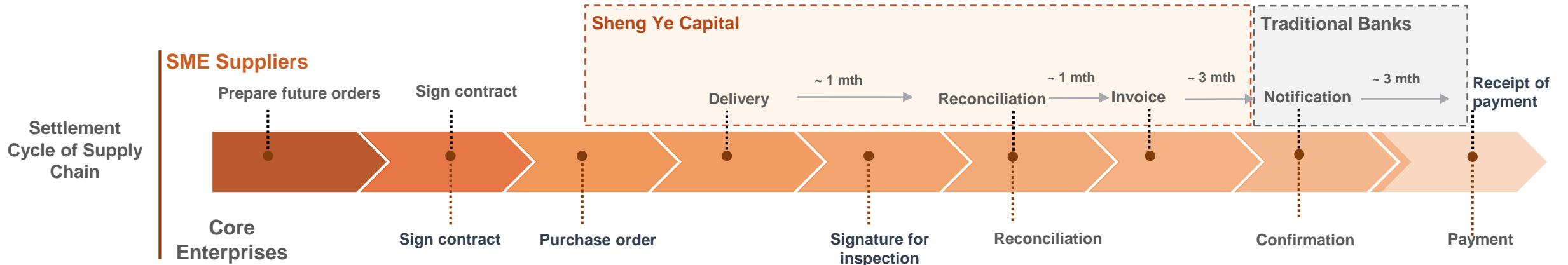
Acquire Transaction Data



SME Supply Chain Financing Model



Flexible supply chain finance services: driven by digital technology



Sheng Ye Capital Digital Finance

- Range of Offering**
 - Covers the entire supply chain settlement cycle allowing for more innovative solutions
- Customer Experience**
 - Easy Factoring platform is fully online
 - Convenient and flexible
- Flexibility**
 - Big data-driven, more precise and efficient
 - Ability to offer competitive financing rates and flexible repayment schemes

Traditional Bank Factoring

- Notification-based factoring
- Cannot timely alleviate SME pain points in financing
- Application process done offline
- Cumbersome
- Following traditional rationales of credit risk control, without support from real-time data and flexibility
- More requirements and limitations



Tailor-made for SMEs, convenient and flexible



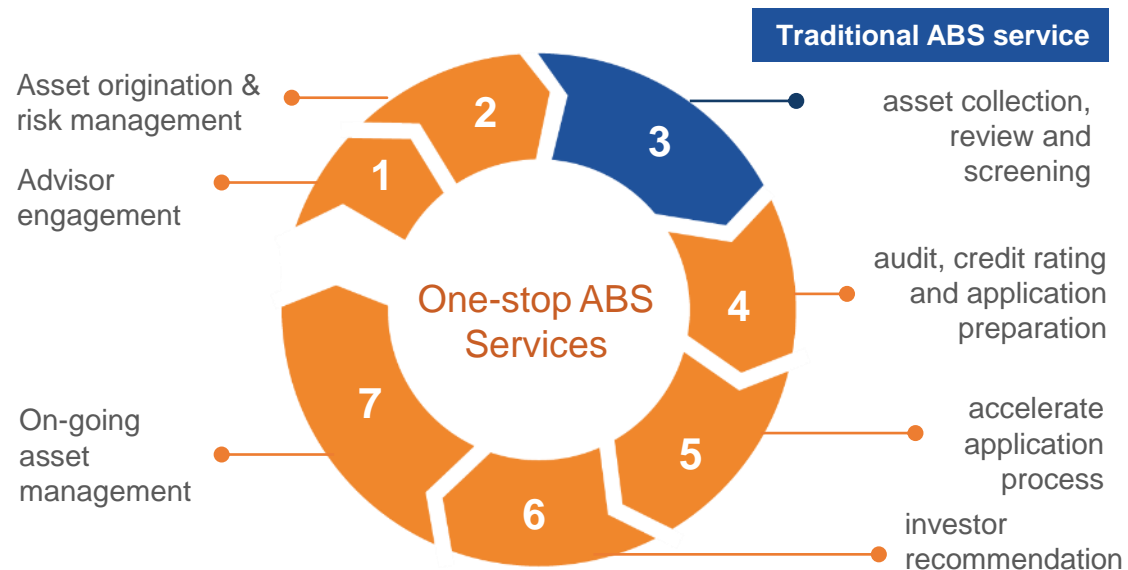
Data-driven, precise customer acquisition and highly efficient risk control



Transaction-based and digital technology-enabled

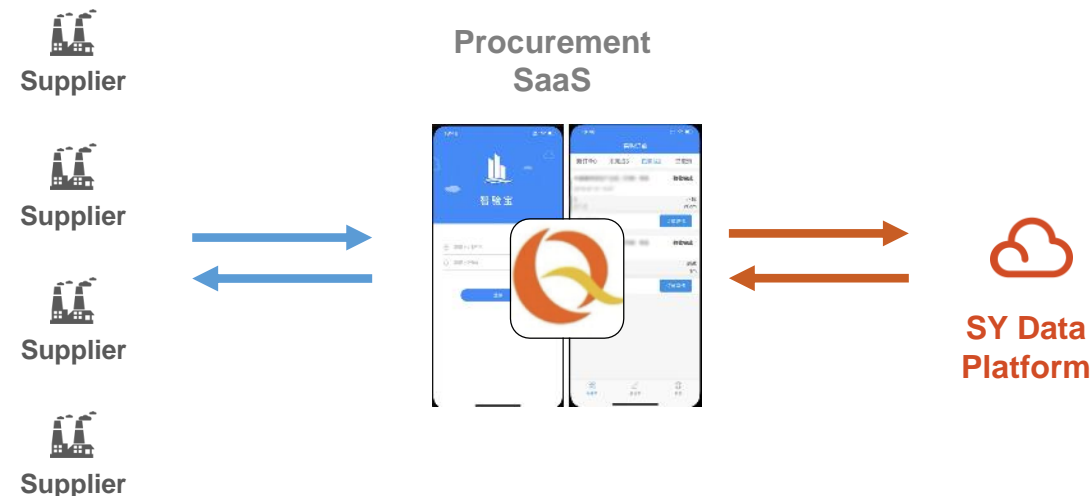
Paving the way with business innovation

ABS Innovation - Providing end-to-end service



- ✓ **End-to-end ABS service offering**
- ✓ Multi-dimensional data cross-checking
- ✓ Including non-confirmation factoring assets supported by proactive risk management approach
- ✓ **AAA rated:** achieved a **low issuance coupon rate of 3.6%**

SaaS and IOT-driven service innovation



- ✓ **Core enterprises:** No need for confirmation or use of credit limits to support supplier financing, reducing procurement costs
- ✓ **SME Suppliers:** using flexible financing to scale business development
- ✓ **SY Technology:** Data acquisition and verification, strengthen customer acquisition and risk management capabilities

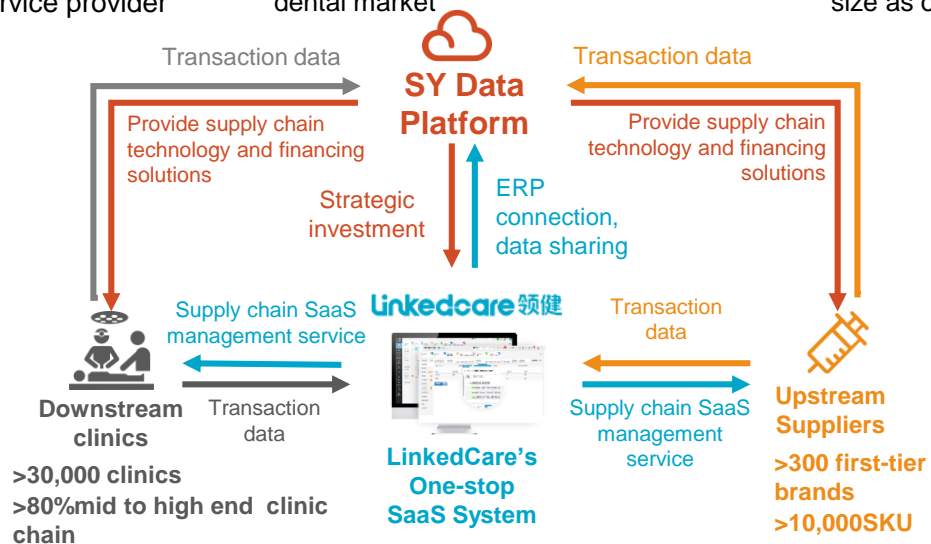
Strategic investments into industrial technology

Consumer medical SaaS+ supply chain digital finance

This **strategic investment** enables both parties to pool resources and create a more efficient supply chain ecosystem for the consumer medical industry. Transaction is backed by reputable investors including Investcorp, Matrix Partners China, Lightspeed China Partners.

LinkedCare: A Leading Consumer Healthcare SaaS Player in China

China's Largest dental clinic SaaS service provider | **80%** share in high-end dental market | **30,000+** clinics covered | **RMB230 billion** Supply chain market size as of 2020



- ✓ Efficient customer acquisition
- ✓ Operational data analytics
- ✓ Centralized procurement and supply chain management

SaaS-powered Engineering management + supply chain digital finance

Together with Tencent, our **strategic investment** into Mengcheng Technology creates a "Smart Construction + Digital Supply Chain" platform for accelerating the development of the industrial IOT ecosystem within the infrastructure segment. Transaction is backed by reputable investors: Tencent, China Growth Capital and Eastern Bell Capital.

Mengcheng Technology: A leading SaaS provider of engineering management solutions in the infrastructure segment

5,000+ Infrastructure projects | **RMB3 trillion+** Project investments managed

Enhanced data risk management capabilities:

Mengcheng's vast and timely construction data and other information enables SY Capital to employ dynamic risk management



Broaden industrial technology footprint: Strategic investment into Mengcheng facilitates joint efforts in creating value for core enterprises



Sheng Ye + Tencent: Driving the industrial IoT ecosystem



- ✓ Increased efficiency
- ✓ Cost savings
- ✓ Differentiated fintech solution



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Favorable policies for the supply chain fintech industry and SMEs

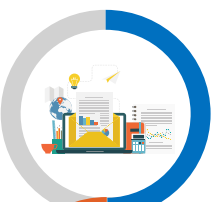
Favorable Policies and Regulations

Vast demand for Large number of SMEs in China with huge demand for financing

 **100 million+¹ SMEs in China**

 **Size of Supply Chain Finance Market in China RMB 25 trillion²**

Policies and regulations supporting the development of the factoring industry and SMEs...



October 2019 Notice 205

The China Banking and Insurance Regulatory Commission (“CBIRC”) implemented Notice 205 to regulate the commercial factoring industry and created opportunities for third party factoring companies to grab market share.



January 2021 Civil Code

Factoring contracts officially ratified into the Civil Code. Established strong legal foundation for the future development of the industry.



March 2021 Inclusive Financial Policy

Government announced at the CBIRC press conference goal for five largest state banks to achieve 30% loan growth to SMEs.

Note: ¹ Publicly available data sources

² Publicly available data sources

Data Security and Business Compliance



Direct platform connection with PBOC’s Credit Reference Centre, powered with financial grade data security



Access to supply chain data is fully compliant with regulations

 **Business Model**  **Data type**  **Regulatory**

Business Model	Data type	Regulatory
B-to-B	Transaction data authorized by companies	Not in conflict with Data Security Law
B-to-C	Personal data and privacy	Closely governed by Data Security Law



VS.
 **Other platforms**

Robust outlook for supply chain financing market

Strong government support for the development and innovation of commercial factoring and supply chain segments...

Supply chain finance sector

2016: Government adopts structure and improve efficiency through financial support to industries

2018: Government announces support for promoting supply chain finance to serve real economy

2019: CBIRC, Ministry of Industry and Information Technology and other agencies to strengthen support for innovation and SME

2020: CBIRC announces enhanced financial support for SMEs

2021: Fourth Plenary Session of the 13th NPC first mention of innovating supply chain finance service model

Commercial factoring sector

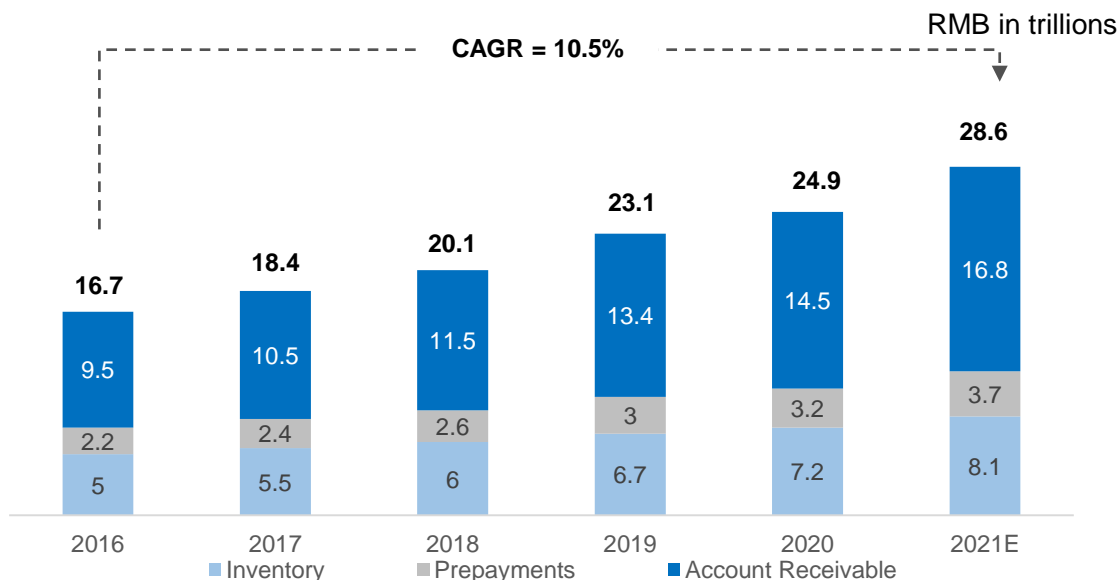
2018: Ministry of Commerce sets out responsibilities for CBIRC to supervise the factoring market

2019: CBIRC implements Notice 205 which regulates the amount of account receivables financing for enterprises

2020: Factoring contracts officially included into Civil Code

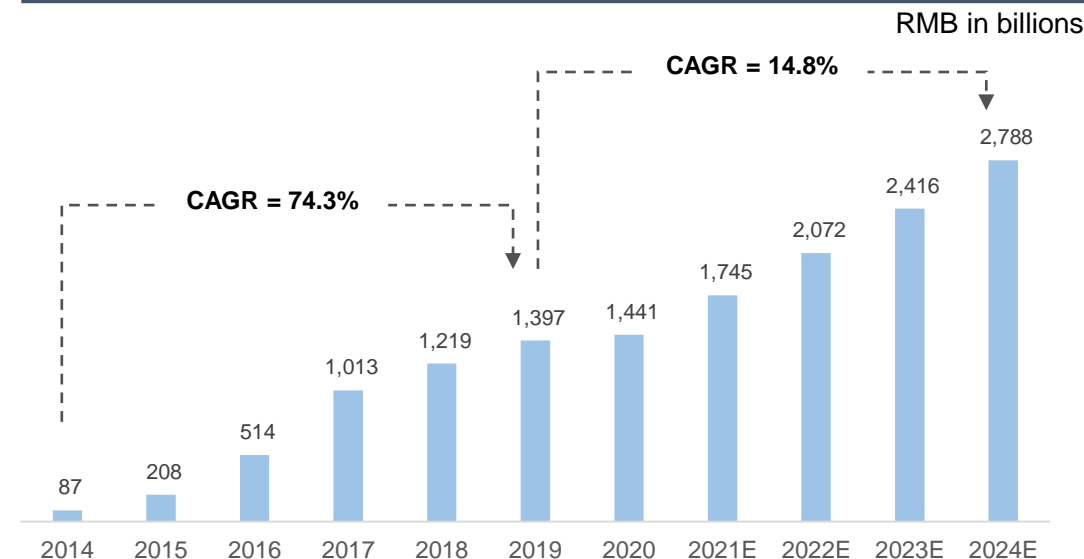
...to drive supply chain financing activity and commercial factoring sector

Supply Chain Financing Market Size in China



Note: Publicly available data sources

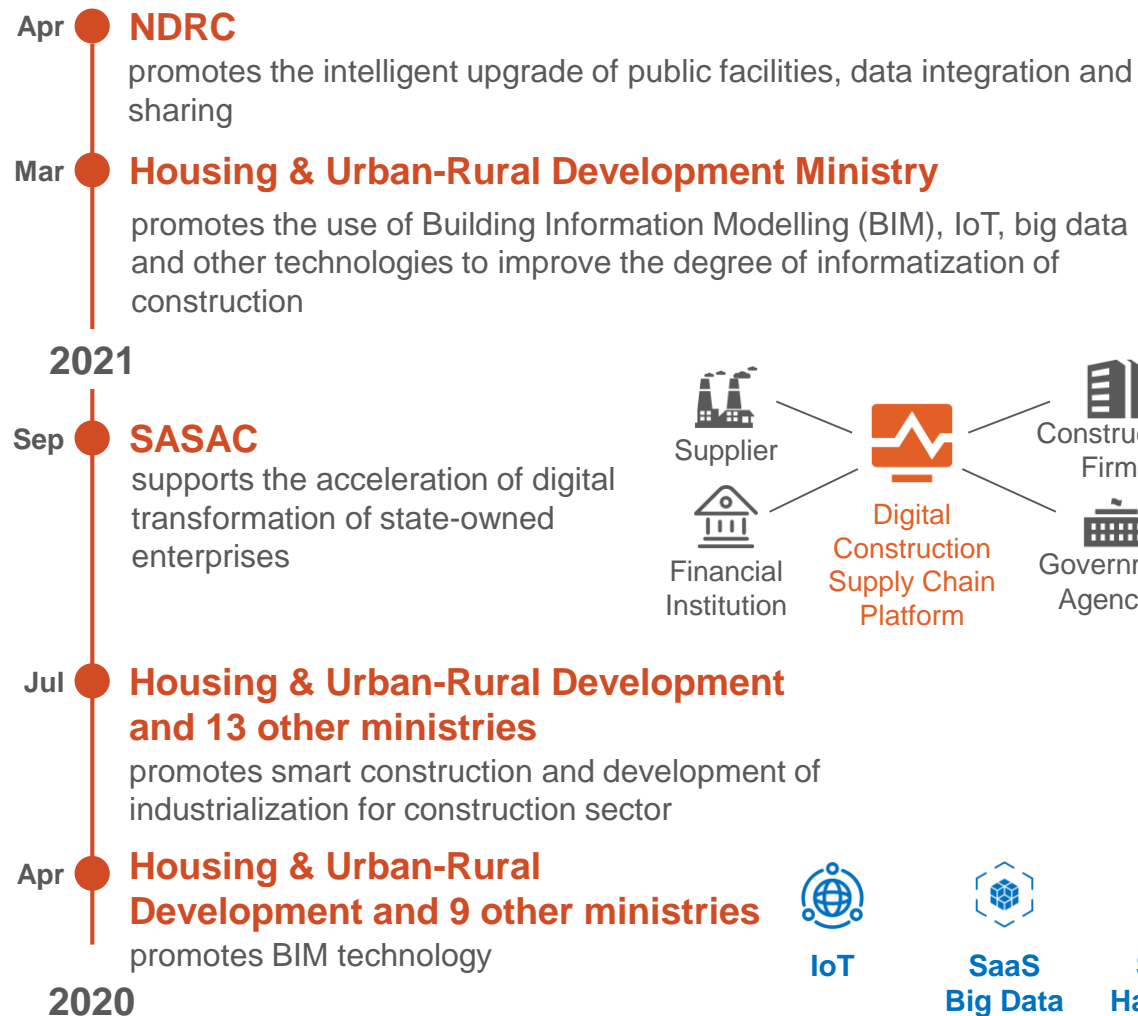
Commercial Factoring Market in China



Source: Frost & Sullivan data

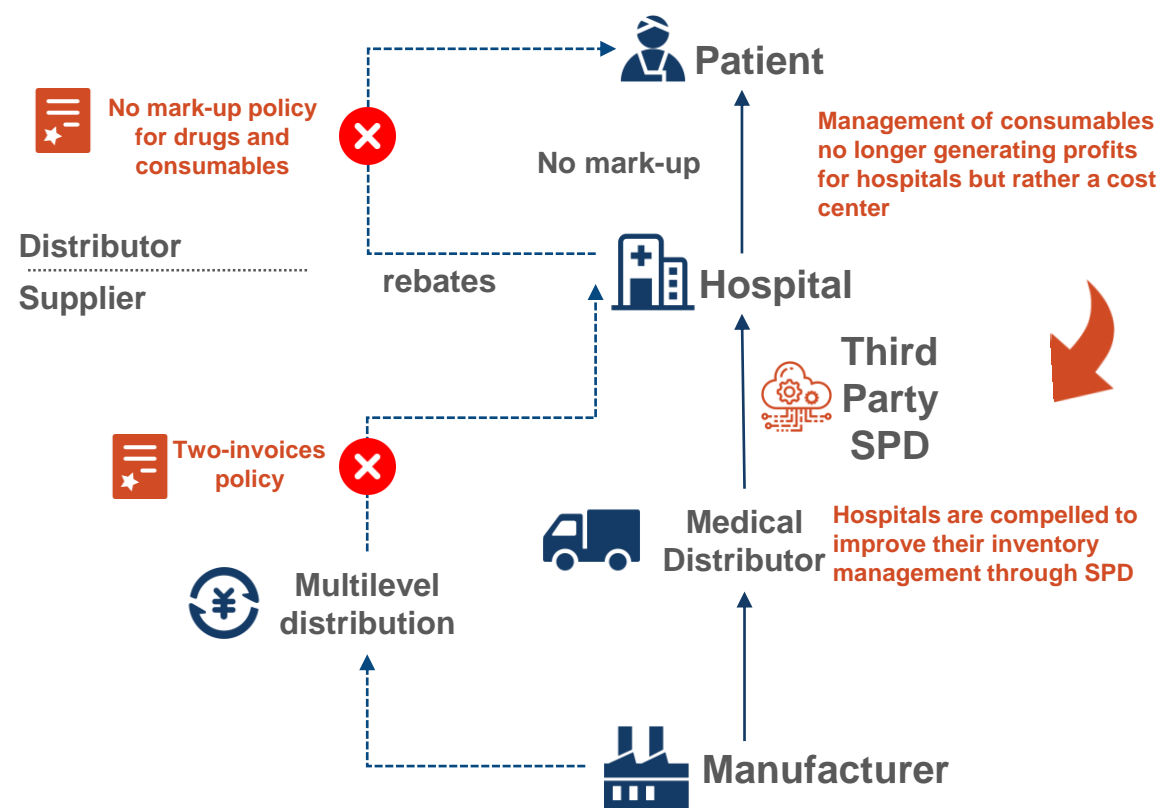
Strong policy supporting for industrial technology

Smart Construction



Healthcare SPD

With the advancement of medical reform in China and the end to the practices of hospitals funding their operations with profits from overpriced drugs, hospitals are forced to fine-tune their management of medical supplies, creating market potential for third-party medical SPD.





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Digital technology enabling

Digital technology advantages



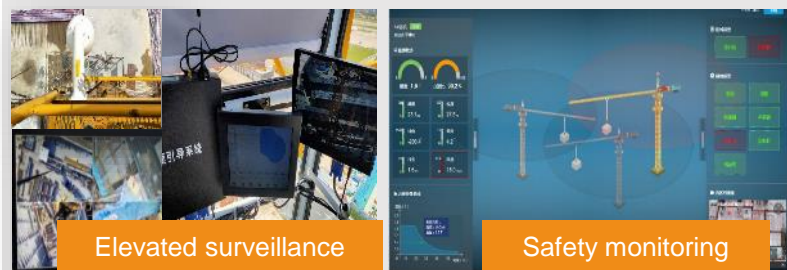
Solutions for smart construction

Emergence of smart construction sites

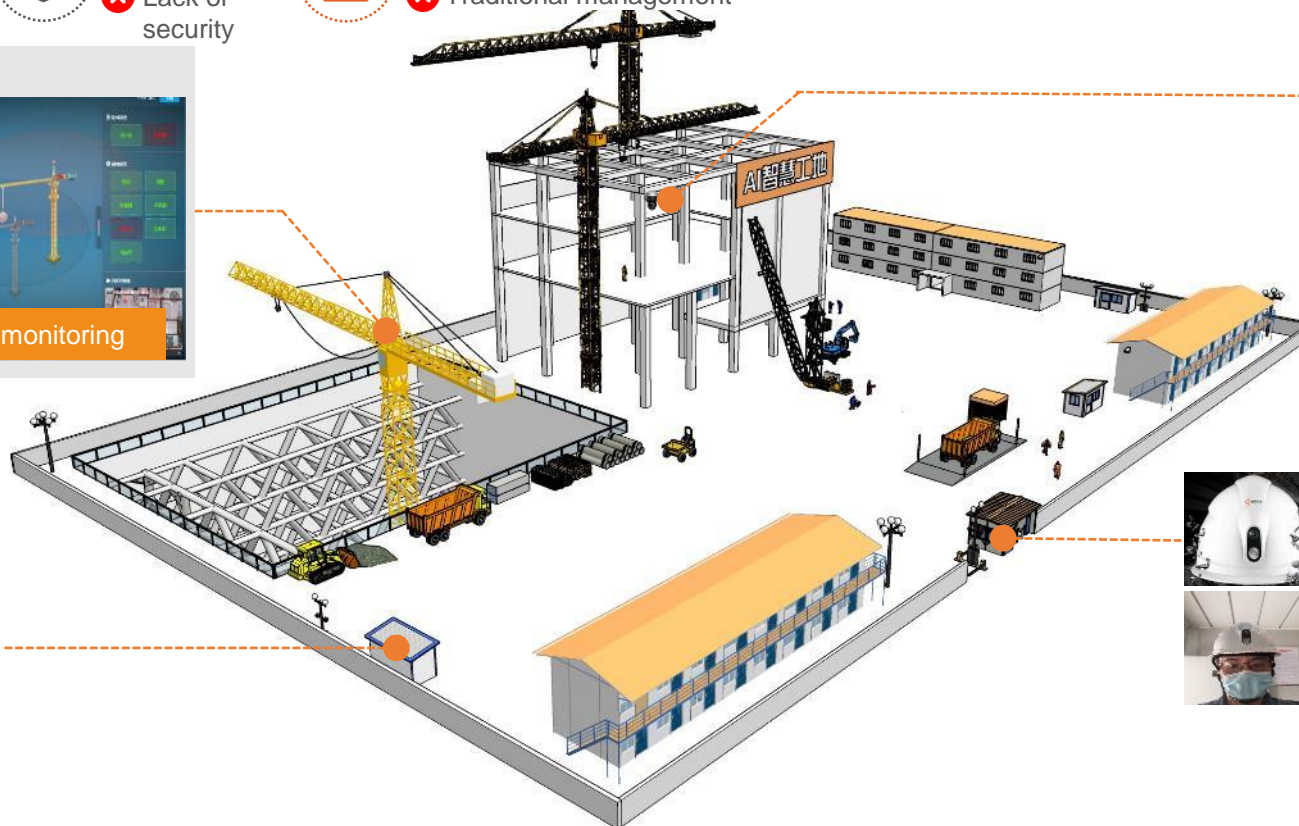
Smart construction sites has evolved to harness **AI, Big Data, IoT** and other advanced technologies including real-time, dynamic collection. This allows companies to achieve intelligent site management, save energy and reduce emission, monitor IOT, implement safety management and other integrated applications. |

- 
✔ Going green
✘ Waste
- 
✔ IoT
✘ Manual
- 
✔ Security
✘ Lack of security
- 
✔ AI
✘ Traditional management

Tower crane monitoring



5G-enabled surveillance workstation & AI platform



Panoramic surveillance



Cloud-enabled live streaming



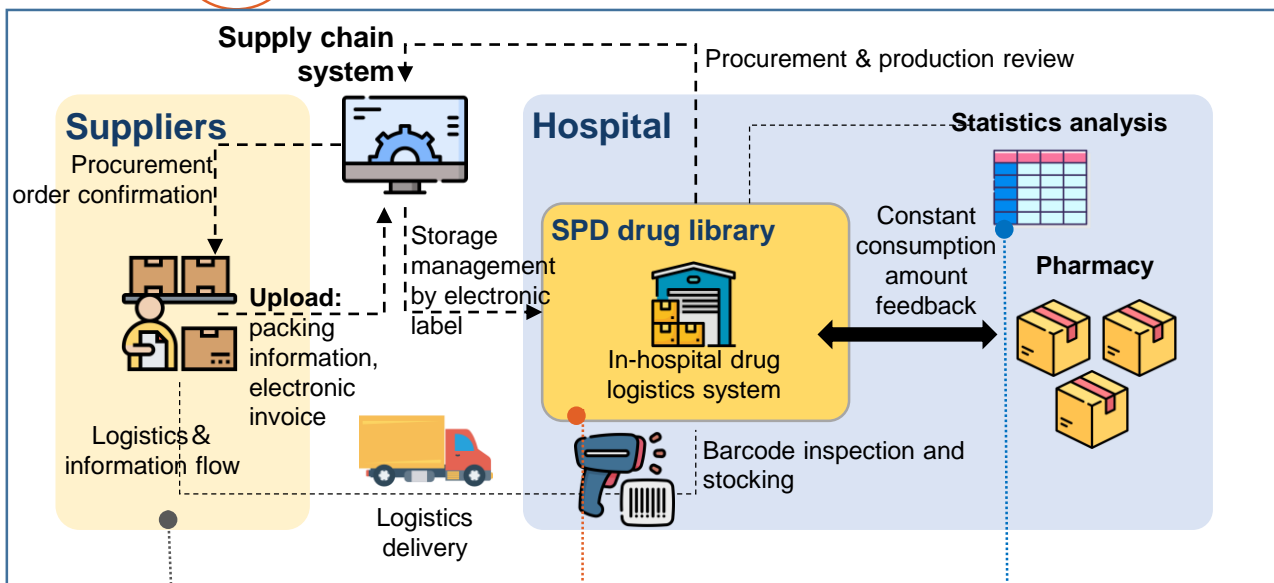
Healthcare SPD smart supply chain management

Healthcare SPD smart supply chain management

1. Work closely with core enterprises, assist hospitals in the implementation of their SPD supply chain platforms for enhanced management
2. Provide more efficient financing solutions through leveraging data integration



System implementation and holistic solution



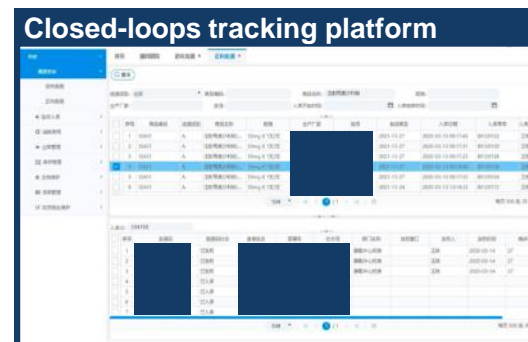
Become preferred financing partner



Acquire real-time order, delivery and warehouse data



Acquire procurement and receivable information in real-time





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Responsible Inclusive Finance Model



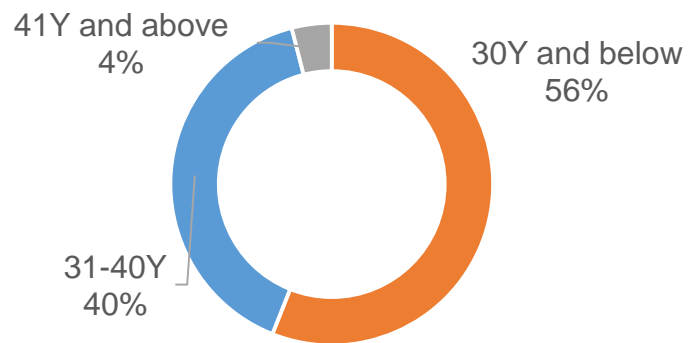
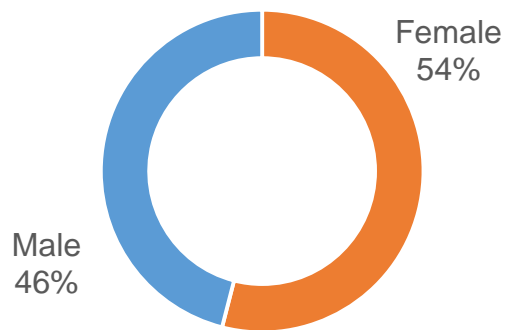
Responsible
Inclusive Finance
model



*Note: Effective 6 September 2021

Corporate culture

“Age is just a number...”



Data as at 30 June, 2021



Diversified Team Building Activities



Our commitment to social responsibility

In addition to supporting SMEs in their financing needs, we are also active in various charitable and socially responsible activities.

98%

Loan disbursement to small and medium enterprises

RMB

3 million

Average loan size + extension fee waiver

180+

hours Dedicated to charitable activities





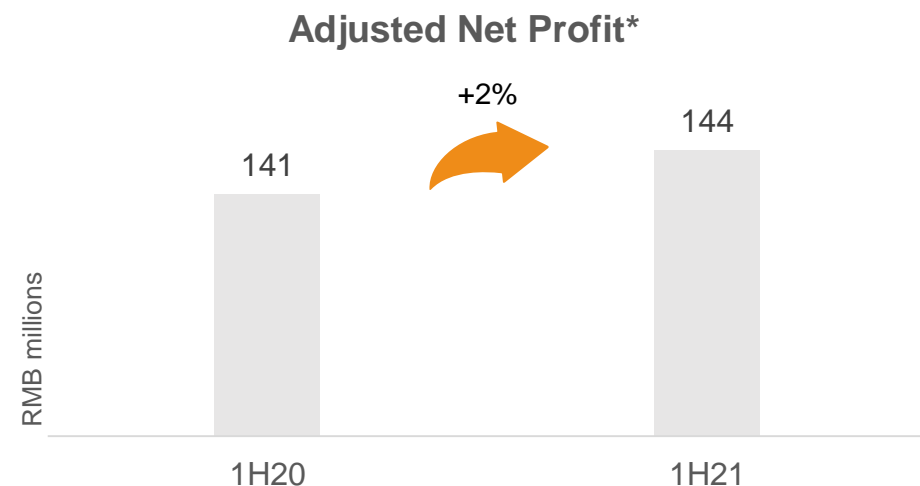
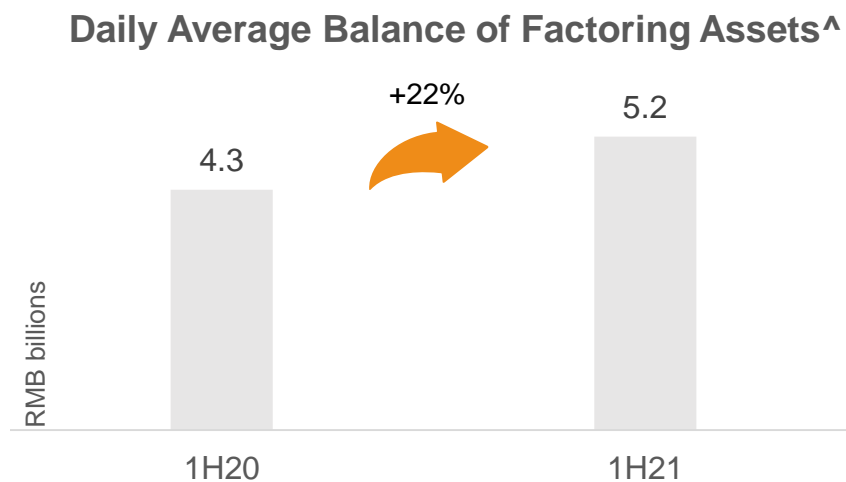
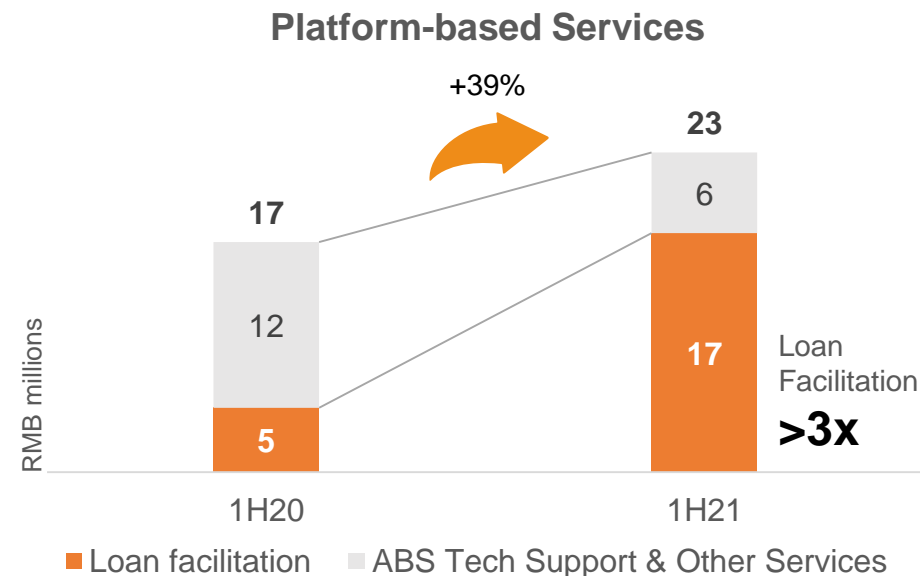
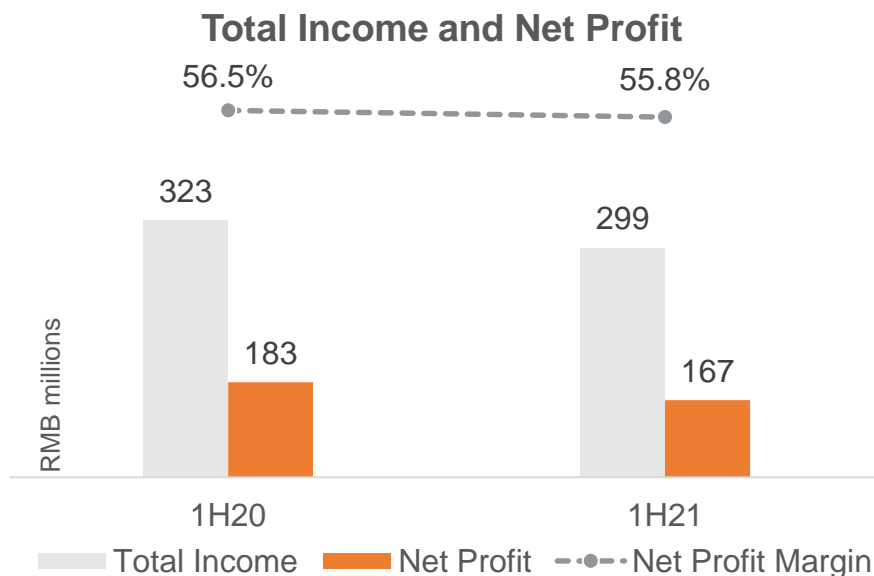
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Robust quality of earnings driven by technology transformation

In line with our strategy, we experienced a slight decline in revenue due to our shift towards a platform-based strategy to achieve higher earnings quality.

Our business model remains fundamentally sound, with total factoring assets[^] increasing 22% year-on-year while maintaining profitability at over 50%.



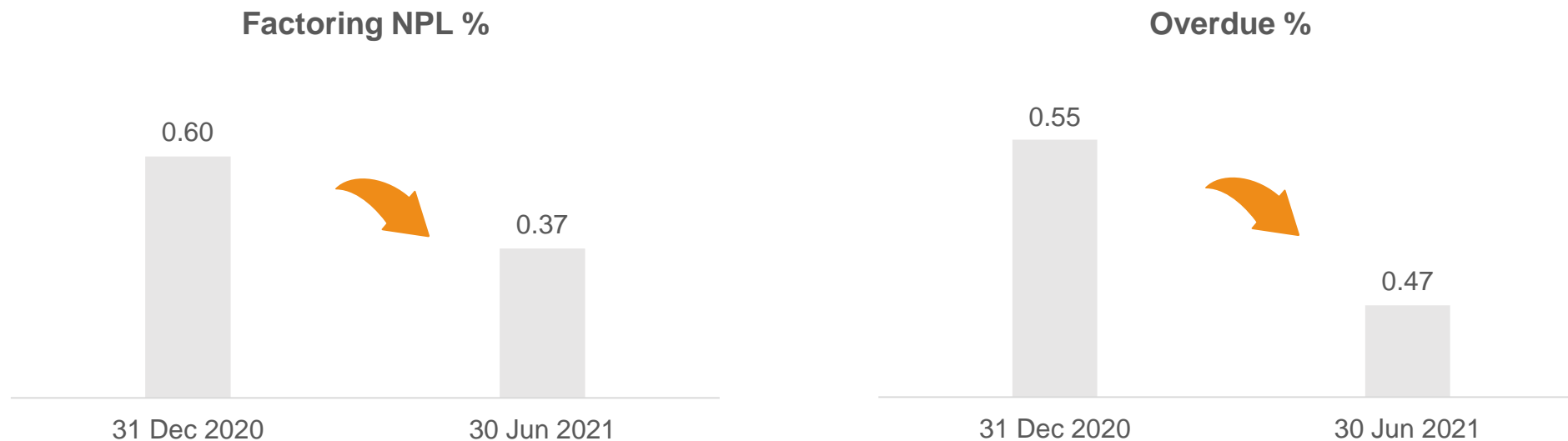
[^] includes self-funded and platform-originated (loan facilitation) assets

*Excluding gains from changes in FV of equity tranche financial assets

Key Financials

Factoring NPL % was lower as of 30 June 2021 as compared to 31 December 2020 due to partial recovery of some loans over the period.

We had lower overdue % due to changes in our factoring portfolio risk exposure as well as overall improvement of asset quality across the platform.



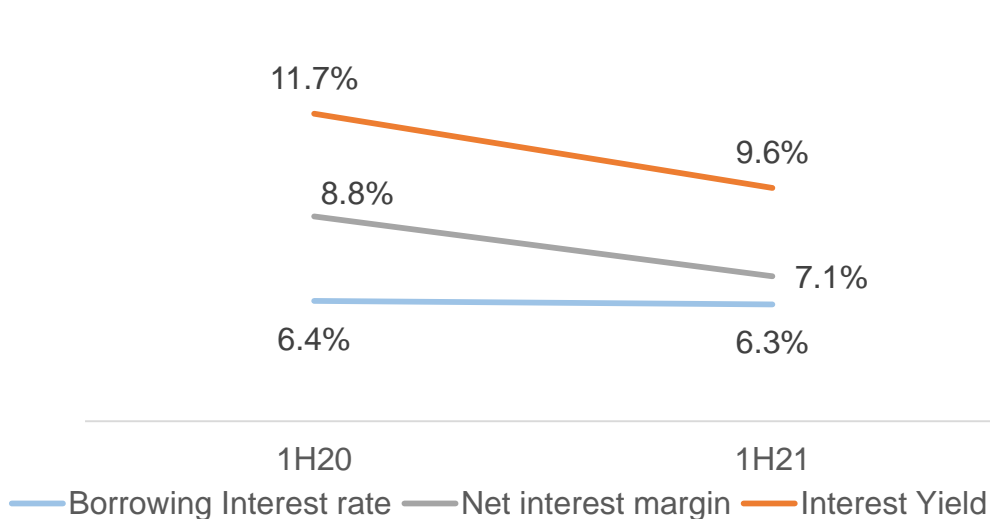
Note:

- Factoring NPL ratio = End of period gross carrying amount of NPL / End of period gross carrying amount of total factoring assets x 100%
- The Group continues to strengthen its risk management in 2021 with prudent operation and rigorous selection of clients while enhancing business development

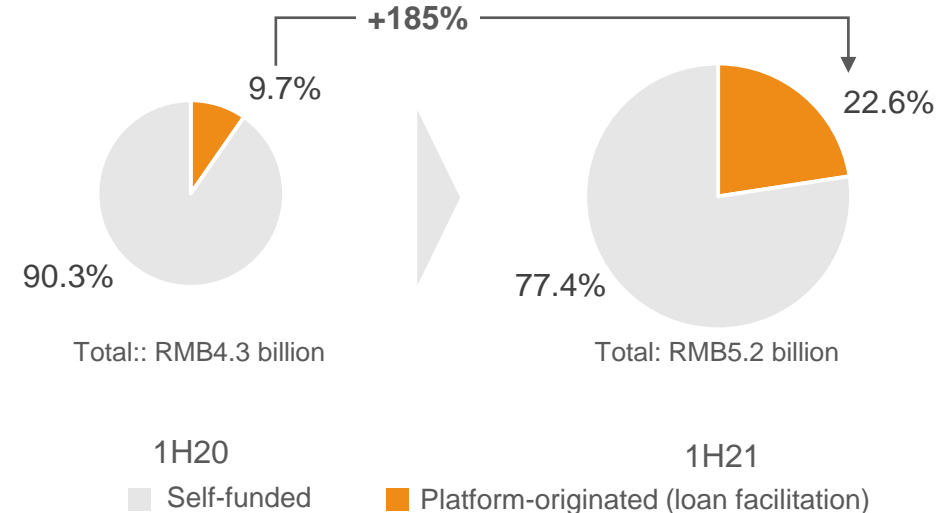
Key Financials

Net interest margin declined over the previous period due to change in our product mix and our commitment to keep flexible financing solutions affordable for our SME customers.

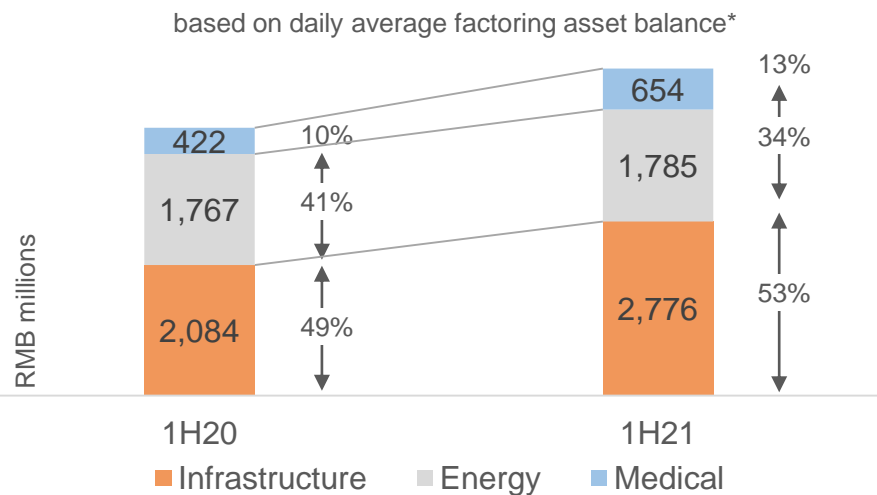
Net Interest Margin



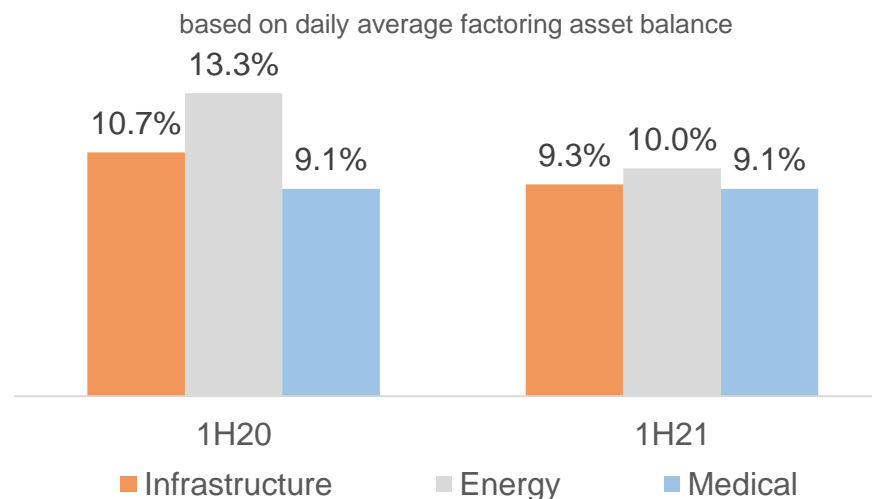
Daily Average Factoring Asset Balance



Sector Mix



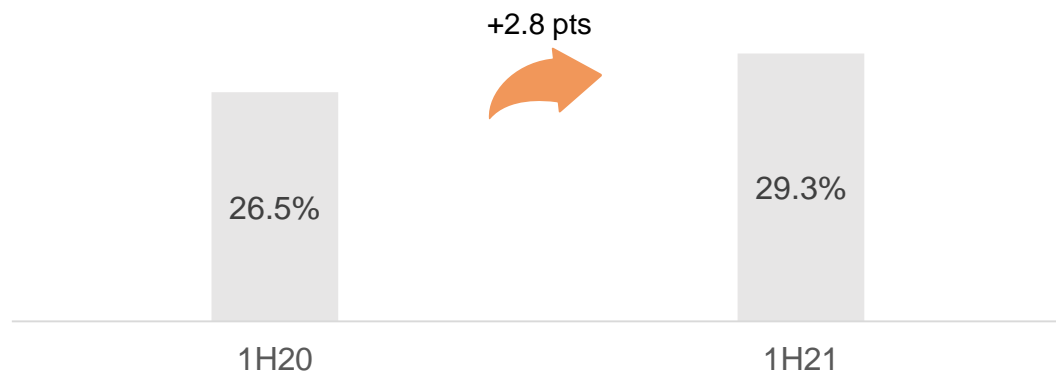
Sector Yield



* includes self-funded and platform-originated (loan facilitation) assets

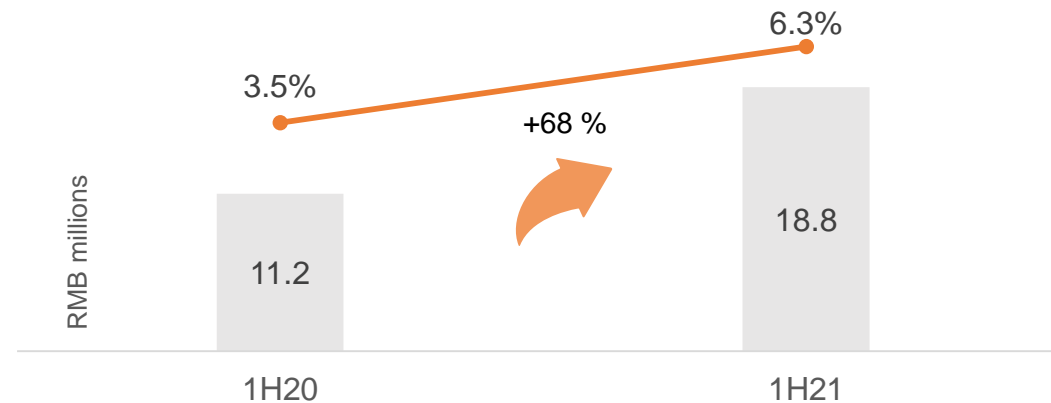
Cost structure

Operational Costs % of Income*

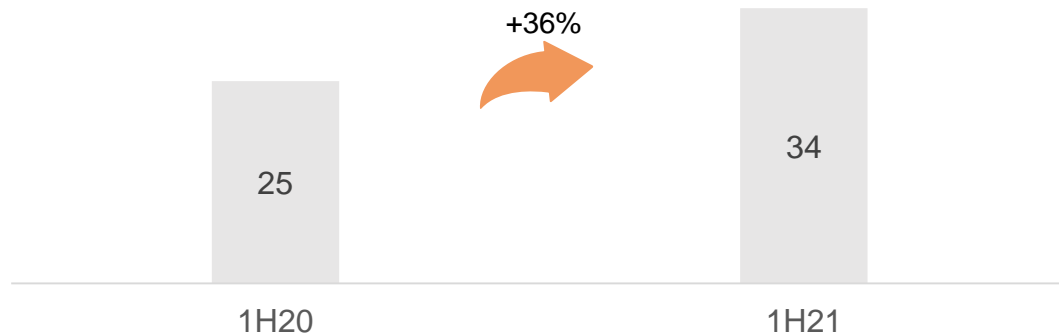


* Not including one-time expenses

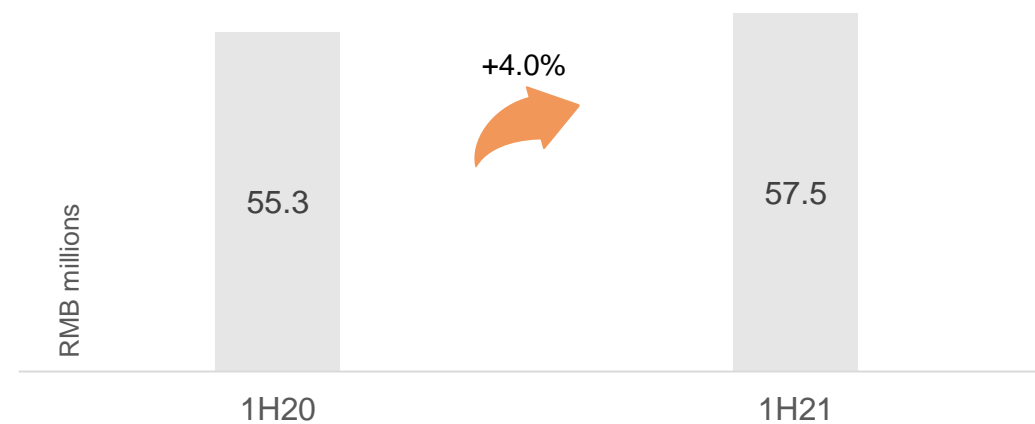
R&D Expenses % Income



Intellectual Property Count



Total Staff Costs



Q&A



盛業資本
SHENG YE CAPITAL

Stock Code
6069.HK

Driving supply chain efficiency,
making finance more inclusive

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A Leading Supply Chain Fintech Platform

Appendix: Simplified Income Statement

	FY2020 RMB'000	1H 2020 RMB'000	1H 2021 RMB'000	YoY change
Digital financing solutions				
Interest income	443,529	226,130	192,896	-14.7%
Guarantee fee	17,324	5,500	7,690	+39.8%
Subtotal	460,853	231,630	200,586	-13.4%
Platform-based services				
Loan facilitation services	12,000	4,696	17,400	+270.5%
Technology service for asset-backed securitization products	13,286	8,296	3,130	-62.3%
Other services	9,748	3,753	2,731	-27.2%
Subtotal	35,034	16,745	23,261	+38.9%
Gains on sales of factoring assets	138,233	75,105	75,427	+0.4%
Total Revenue	634,120	323,480	299,274	-7.5%
Administrative and other expenses	(189,655)	(88,199)	(88,321)	-0.1%
Finance costs	(126,721)	(64,317)	(50,595)	-21.3%
Profit before taxation	387,088	213,505	187,532	-12.2%
Taxation	(49,692)	(30,846)	(20,573)	-33.3%
Profit for the period	337,396	182,659	166,959	-8.6%
Effective tax rate	12.84%	14.45%	10.97%	-3.48 pts
Profit for the period attributable to:				
Owners of the company	329,252	179,210	160,589	-10.4%
Non-controlling interests	8,144	3,449	6,370	+84.7%
Earnings per share				
Basic (RMB cents)	37	20	17	-15.0%
Dividend:				
Dividend per share (HK\$ cents)	6.3	-	-	-

Appendix: Simplified Balance Sheet

	As at 31 Dec 2020 RMB'000	As at 30 Jun 2020 RMB'000	As at 30 Jun 2021 RMB'000	YoY change
Non-current assets				
Intangible assets	22,218	19,504	25,494	+ 30.7%
Investment in associates	150,911	140,748	162,541	+15.5%
Total non-current assets	324,078	207,743	390,663	+88.1%
Current assets				
Financial asset at FVTPL	30,878	48,268	126,357	+161.8%
Factoring assets at FVTOCI	3,789,922	3,947,696	4,253,048	+7.7%
Pledged bank deposits	255,489	175,552	320,522	+82.6%
Bank balances and cash	348,715	211,448	301,333	+42.5%
Total current assets	4,462,420	4,446,660	5,100,446	+14.7%
Total assets	4,786,498	4,654,403	5,491,109	+18%
Factoring assets/ total assets %	79%	85%	78%	-7 pts
Current liabilities				
Other payables and accrued charges	105,552	86,424	103,796	+20.1%
Income tax payable	36,679	33,653	25,650	-23.8%
Borrowings	1,475,913	1,748,456	1,562,469	-10.6%
Bank overdrafts	10,828	16,505	-	-100%
Total current liabilities	1,689,368	2,044,587	1,812,815	-11.3%
Net current assets	2,773,052	2,402,073	3,287,631	+36.9%
Non-current liabilities	69,786	67,489	535,112	+692.9%
Net assets	3,027,344	2,542,327	3,143,182	+23.6%
Capital and reserves				
Share capital	8,127	7,642	8,139	+6.5%
Reserves	2,907,920	2,422,520	3,040,149	+25.5%
Non-controlling interests	111,297	112,165	94,894	-15.4%
Total equity	3,027,344	2,542,327	3,143,182	+23.6%

Appendix: Key Operating Metrics

	FY2020	1H2020	1H2021	YoY change
Daily Averages (RMB'000)				
Factoring asset balance	3,931,383	3,859,834	4,037,432	+4.6%
Borrowings	1,710,282	1,709,545	1,540,493	-9.9%
Loan Disbursement	13,124,958	6,516,242	6,604,491	+1.4%
Operational KPIs (using daily averages)				
Net profit margin	53.2%	56.5%	55.8%	-0.7 pts
Interest yield from factoring services	11.3%	11.7%	9.6%	-2.1 pts
Borrowing interest rate (excl. one-off expense)	6.6%	6.4%	6.3%	-0.1 pts
Net interest margin (excl. one-off expense)	8.4%	8.8%	7.0%	-1.8 pts
Operational cost to income	29.2%	26.5%	29.3%	+2.8 pts
Return Ratios				
ROA (on factoring assets)	8.8%	9.4%	8.3%	-1.1 pts
ROA (on total assets)	7.3%	8.0%	6.5%	-1.5 pts
Balance Sheet Ratios				
Total asset / Total equity	158%	183%	175%	-8 pts
Total asset / Total liability	272%	220%	234%	+14 pts
Gearing ratio: Total liability / Total equity	58%	83%	75%	-8 pts