[Press Release]

Sheng Ye Capital Announces 2020 Interim Results

Both Total Income and Net Profit Soared as
Commercial Factoring Demand Remained Strong

Financial Highlights for the six months ended 30 June 2020 (unaudited):

- Income from factoring and other services surged 36.2% year-on-year to RMB323.5 million.
- Profit after tax soared 46.3% year-on-year to RMB182.7 million.
- Basic and diluted earnings per share were RMB20 cents and RMB20 cents, respectively, compared with RMB14 cents and RMB13 cents, respectively, for the same period last year.

Hong Kong, August 21, 2020 - Sheng Ye Capital Limited ("**Sheng Ye Capital**", HKEx: 6069), a leading data-driven supply chain financial services provider, and its subsidiaries (collectively the "**Group**"), announced the unaudited interim results for the six months ended 30 June 2020 (the "**Period**").

As the first publicly traded and leading third-party commercial factoring company in China, Sheng Ye Capital reinforced its leading position in the market with stellar results for the first half of 2020. The Group continued to see strong double-digit top and bottom-line growth. During the Period, income from factoring and other services reached RMB323.5 million, representing a significant increase of 36.2% year-on-year. Net profit surged to RMB182.7 million, representing an increase of 46.3% year-on-year. Net profit margin was 56.5%, 3.9 percentage points higher than the same period last year, and 10.4 percentage points higher than the second half of 2019.

The Group generates revenue mainly through provision of information technology services, guarantee services, consulting service, and other service including account receivables ("**AR**") management services without financing. During the Period, the Group's total revenue increased by 23.2% to RMB248.4 million. In addition, in order to drive optimal funding, support increasing customer financing demand and capture more market share, the Group sold factoring assets to financial institution partners that were seeking supply chain fixed income products. During the Period, the Group's gain on sale of factoring assets climbed 109.0% year-on-year to RMB75.1 million.

Fintech-driven solutions offered strong support to SMEs during challenging times whilst mitigating risks

The Group's digitalized fintech solutions enhance efficiency, its proprietary data-driven risk control system mitigates the risk of fraud, and its closed-loop accounts monitoring system helps minimize embezzlement risk, all of which have enabled the Group to achieve a 0% non-performing loan ("**NPL**") ratio since inception and an extension rate of 0.76% in the first half of 2020. During the Period, the Group transferred over RMB13 billion in AR turnover, deployed RMB6.5 billion of total loans, and as of 30 June 2020, it served more than 4,000 small, medium and micro enterprise ("**SME**") customers with both commercial factoring and asset-backed securities services.

Leveraging the Group's core competencies in data-driven risk management and efficient customer acquisition, the Group's banking partners are now able to lend directly and reach out to more SME customers. During the Period, the Group renewed its credit facilities with both China Construction Bank and Ningbo Commercial Bank for RMB1 billion and RMB0.5 billion, respectively, to continue its SME-based loan facilitation initiatives. This is in support of the Chinese government's call to strengthen collaboration among banks and fintech service providers to better serve SMEs during the novel coronavirus ("**Covid-19**"). The Group booked income from loan facilitation of RMB7.9 million in the first half of 2020, up 3 times from RMB2.6 million in the second half of 2019 when it began cooperating with the banks.

When Covid-19 pandemic first hit Asia in early 2020, supply chains saw huge disruptions. In the midst of this disruption, the Group helped its SME customers weather difficult times, including by allowing loan extensions and waiving extension fees to free up more capital for their working capital needs. In addition, the Group's 100% online loan application process allowed SME customers to obtain loans remotely and seamlessly during this time. During the Period, total loans disbursed by the Group rose 33% year-on-year.

Sheng Ye Capital further enhanced its risk control capabilities

Following the integration of the Movables Financing Registry Portal from the Credit Reference Center of the People's Bank of China (known as "**Zhongdengwang**") in 2019, the Group further enhanced risk control capabilities as its wholly owned subsidiary, Sheng Ye Factoring Limited formally integrated the credit reporting system of the People's Bank of China ("**PBOC Credit Reporting System**"). Sheng Ye Capital can now access credit reports of SME clients automatically. Sheng Ye Capital is among the few commercial factoring companies that have formally integrated with the PBOC Credit Reporting System.

Sheng Ye Capital is well-positioned to benefit from favorable government policies

The factoring industry gained more support and a clearer regulatory framework which will allow the Group to capture growing supply chain financing demand from SMEs. In particular, China Banking and Insurance Regulatory Commission ("**CBIRC**"), the governing body for non-banking and banking institutions, released its first official factoring regulatory notice, and the passage of Civil Code of the People's Republic of China (the "**Civil Code**") by the legislators that legitimizes factoring contracts in China.

After the release of Notice 205 by CBIRC in late 2019, the first official regulatory paper on factoring that set industry regulations and gave support to third-party commercial factoring companies, local financial regulatory bureaus took measures to clear out unqualified factoring companies and maintain strict control on new registrations. In addition, the inclusion of a Factoring Contract Chapter in the Civil Code, which will be enforced on 1 January 2021 will not only make China the first country in the world to clearly define factoring contracts as a typical independent contract, but also affirmed the support from, and importance of the factoring industry from the Chinese government.

These policies are of great significance in expanding the potential of the factoring market and preventing industry risks, and will play a highly positive role in promoting and standardizing the development of China's factoring industry. The Group believes it is well-positioned to benefit from market consolidation as regulations tighten.

Business outlook and prospects

Given current macro uncertainty and continued pockets of resurgence of Covid-19, the Chinese government will continue to push for faster adoption of digitization in supply chain financing to better facilitate financial inclusivity across SMEs. As a fintech company, Sheng Ye Capital will continue to leverage its deep industry knowledge and data-driven risk management to enhance liquidity in the economy. Sheng Ye Capital's primary focus remains on the infrastructure, energy and medical sectors, which are pillars of China's domestic economy.

In addition, as companies around the world continue to shift towards a more geographically diversified supply chain strategy, supply chain financing companies need to address these new opportunities. With a vision of becoming a leading supply chain fintech platform in Asia, the Group has plans to expand to South East Asia. The Group is in the application process for a digital wholesale banking license in Singapore, and has partnered with a reputable consortium of members, including Phillip Capital and Advance.AI.

Looking forward, the commercial factoring industry is expected to grow steadily in light of favorable policies and increasing funding demand from SMEs. The Group will continue to improve its funding leverage to drive future growth, but will do so cautiously as it continues to enhance data-driven risk management processes. Sheng Ye Capital's "one core, two wings" strategy was formulated to help the Group achieve sustainable growth. The "core" represents its "supply chain financing platform", where the Group will continue to partner with more core enterprises and explore new potential funding avenues to better serve more SMEs with customized financing solutions; while the "two wings" represents "fintech innovation and "overseas expansion" to drive the next phase of growth. Over the long term, Sheng Ye Capital aims to build a highly efficient supply chain financing ecosystem to drive growth that is sustainable and beneficial to all its stakeholders.

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About Sheng Ye Capital Limited (HKEx: 6069)

Sheng Ye Capital Limited ("Sheng Ye Capital", HKEx: 6069) is a leading data-driven supply chain financial services provider in China and is the first commercial factoring company listed on the main board of the Hong Kong Stock Exchange. Powered by fintech capabilities and in-depth understanding of the core industries, Sheng Ye Capital offers a range of flexible financing products and corporate services to meet the vast financing needs of underserved SMEs in the region. Sheng Ye Capital aims to become the most reliable data-driven supply chain fintech platform in Asia.

Sheng Ye Capital has been included in the MSCI small cap China Index, Hang Seng Composite Index and Shenzhen-Hong Kong Stock Connect. The current market cap of Sheng Ye Capital is around HK$6 billion. Its major institutional investors include Olympus, China Taiping, and Pavilion under Temasek.

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