

## **PUYI INC. FISCAL YEAR 2021 EARNINGS CONFERENCE CALL EDITED TRANSCRIPT**

September 27, 9:00 PM (US EST)

Operator:

Ladies and gentlemen, welcome to Puyi Inc's Fiscal Year 2021 Earnings Conference Call. At this time all participants are in listen-only mode. Following management's prepared remarks, there will be a Q&A session. For your information, today's conference call is being recorded; this conference call is also being broadcasted live over the Internet and will be available for replay purposes on the company's website.

I'd like to turn the meeting over to your first speaker today, Ms. Jing He, Puyi's General Manager of financial reporting department. Thank you. Please go ahead.

Jing He:

Thank you, operator. Good evening. Welcome to our earnings conference call for the fiscal year ended June 30, 2021. Our annual report on Form 20-F has been uploaded to the website of U.S. Securities and Exchange Commission earlier today, and is also available on our IR website.

Before we continue, please note that the discussion today will contain forward-looking statements made under the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. The accuracy of these statements may be impacted by a number of risks and uncertainties that could cause our actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but not limited to, those outlined in our filings with the SEC, including our 20-F. We do not undertake any obligation to update these forward-looking information except as required under the applicable laws.

Joining us today are our Chief Executive Officer, Mr. Yong Ren and Chief Financial Officer, Mr. Anlin Hu. Mr. Ren will walk you through our business and financial conditions of the fiscal year 2021. And he, together with Mr. Hu will answer your questions after the prepared remarks. Now I will turn the call over to Mr. Ren.

CEO Yong Ren (Translated):

Good Evening. Thank you for joining us today on the earnings conference call for the fiscal year ended June 30, 2021. Here with me is our Chief financial officer, Mr. Anlin Hu. We will begin today's call with an overview of our financial and operational results for the fiscal year 2021, followed by a brief discussion of our business outlook for the fiscal year

2022. We will take your questions after the report.

1. First, let's take a look at our business development in the fiscal year 2021

In the past fiscal year, in light of the continuous spread of COVID-19 epidemic, we achieved significant business growth as our management team worked diligently with all of our employees: our total net revenue reached RMB191.2 million (US\$29.6 million), representing an increase of 47.7% over last year. In particular, the income generated from public raised fund products hit a new record, which grew from RMB48.8 million in the fiscal year 2020 to RMB128.5 million (US\$19.9 million) in the fiscal year 2021, representing a significant increase of 163.4%. In the past fiscal year, we mainly made the following progress:

First, we focused on sales of standardized products, and our business of publicly raised fund products continued to grow rapidly. The number of clients of our publicly raised fund products increased significantly by 68.5% from more than 260,000 as of June 30, 2020 to more than 442,000 as of June 30, 2021, and the aggregate transaction value of our publicly raised fund products increased significantly by 148.9% from approximately RMB6.8 billion in the year ended June 30, 2020 to approximately RMB17.1 billion (US\$2.6 billion) in the year ended June 30, 2021. In particular, more than 430,000 clients invested in publicly raised fund product portfolios, accounting for approximately 97.4% of the total number of clients of our publicly raised fund products. Meanwhile, the transaction value of our publicly raised fund product portfolios reached approximately RMB11.9 billion, accounting for approximately 69.8% of the total transaction value of our publicly raised fund products. In addition to the publicly raised fund product portfolios developed and managed by our in-house investment and research team, we started cooperating with top publicly raised fund managers in China such as China Asset Management (华夏基金), Southern Asset Management (南方基金) and Aegon-Industrial Fund (兴证全球基金) to develop diversified and rewarding portfolios of publicly raised fund products for us, leveraging their strong investment and research capabilities. All of the above mentioned products received positive feedback from the market.

Second, we accelerated the professionalism and specialization of our sales team, and achieved our target in the construction progress of our branch offices. The progress of enhancing our sales team mainly included the following two aspects:

On one hand, in order to adapt to the transformation of the wealth management market to standardized product model, we have launched branch offices in economically developed cities in China, and recruited professional financial advisors having industry resources and specializing in wealth management. This professional, specialized team of financial advisors aim to provide competitive wealth management services of family financial assets, comprising mainly portfolios of funds and insurance, for the emerging middle class and affluent individuals and families, leveraging the

strong support from our technology operations and product investment and research team. By August 2021, we have established branch offices in Guangzhou, Dongguan, Shenzhen and other cities, and recruited a team of more than 200 professional in-house financial advisors.

On the other hand, we continued to classify our seed clients into ordinary seed clients, elite seed clients and financial advisors, which were under multi-level management and operation; a number of elite seed clients with high productivity and expertise stand out, and have become a strong driving force for our professionalization process. Meanwhile, we have also started digital upgrade of our seed clients' social e-commerce platform to achieve more efficient multi-level marketing strategy. Empowered by new media such as mini program app, wechat public account, and wechat video account, we assisted our seed clients in launching digital and social online activities, so as to achieve a more comprehensive companionship for the client of our seed clients.

Third, we enhanced our capabilities of digital operations to achieve more comprehensive client services;

In the past fiscal year, we have initiated a series of upgrades of information technology infrastructure, including the setup of big data analysis platform and smart operations platform, to equip ourselves with multi-dimension operating tools, such as automatic grouping of multi-level clients, attachment of different tags to different clients, big data collection and storage from multi-platforms, as well as visualized data charts. These upgraded operating tools can ensure more accurate and efficient communication between our clients and us, which in turn increased our clients' level of satisfaction and the rates of clients retention and conversion.

Forth, we continued to invest in the construction and upgrade of technology platforms to increase efficiency and reduce costs.

The construction and upgrade of information technology infrastructure have been vital in increasing service capabilities in financial industry. In the past fiscal year, we have implemented the following three initiatives for our information technology infrastructure:

First, we have continually to optimize our core transaction system of publicly raised fund products, which enabled online transactions by clients and simplified repeat purchases and investments.

Second, we launched a new, comprehensive, full-cycle online transaction system for privately raised fund products in December 2020, which simplified our sales process and increased transactional efficiency of our privately raised fund products, thus reducing our operating costs.

Third, we continued to optimize the “i Financial Planner” app, which was embedded with professional solution models for family financial asset allocation and education systems for both financial advisors and seed clients. i Financial Planner focuses on improving the level of activity and stickiness of our financial advisors and seed clients, achieving the multi-level operation and management of financial advisors and seed clients, and empowering financial advisors and seed clients to provide our clients with scientific, customized family financial asset allocation service.

2. Next, we will briefly discuss our financial conditions for the fiscal year 2021.

In the past fiscal year, net revenues increased year-on-year by 47.7% from RMB 129.5 million to RMB191.2 million (US\$29.6 million). Now let's turn to each individual business line:

First business line, our wealth management services

Net revenues generated from our wealth management services increased year-on-year by 65.9% from RMB106.4 million to RMB176.6 million (US\$27.4 million). In particular,

Net revenues generated from distribution of publicly raised fund products increased year-on-year by 163.4% from RMB48.8 million to RMB128.5 million (US\$19.9 million). Such increase was primarily due to an increase in commission income (including management fee) as a result of the significant increase in the distribution, and the accumulated balance of the transaction value, of publicly raised fund products.

Net revenues generated from distribution of privately raised fund products increased year-on-year by 7.2% from RMB44.5 million to RMB47.7 million (US\$7.4 million). The increase was primarily due to the increase in commission income (including management fee) of privately raised fund products.

Net revenues generated from distribution of other financial products were RMB300,000 (US\$46,000), representing a 97.7% year-on-year decrease from RMB13.1 million. The decrease was primarily because we have focused on distribution of fund products and ceased to offer new exchange administered products since October 2019, and we received management fees in the past fiscal year from the existing products only.

And second business line, our asset management services

Net revenues generated from asset management services for the past fiscal year were RMB13.5 million (US\$2.1 million), representing a 41.5% year-on-year decrease

from RMB23.0 million. This decrease was primarily due to a decrease in performance-based carried interest income. Our AUM significantly increased to RMB1.1 billion (US\$ 0.2 billion) as of June 30, 2021 from RMB 849.0 million as of June 30, 2020. We are confident that the continued increase of AUM is expected to result in organic growth in our future income.

3. And the last but not least, let's elaborate on our strategic planning and outlook for the fiscal year 2022

As the epidemic has been brought under control, China's economy has gradually returned to the track of stable growth. According to the government's common prosperity policy of "increasing the income of low-income groups and expanding middle-income groups" in the 14th Five-Year plan (2021-2025), the number of middle-class and affluent individuals and families in China will increase with certainty. As a company focusing on providing wealth management services for emerging middle-class and affluent population, we have met a historical period of development opportunities.

In the next fiscal year, we will focus on sales organization construction, products, technology operations and other aspects, and constantly build and strengthen our core competitiveness, as follows:

First, we will focus on the professionalism and specialization of our sales force. On one hand, to continue construct our branch offices, and on the other hand, to achieve professionalism of our seed clients;

The construction of branch offices is one of the key measures for us to promote the professionalism of our sales force. In the next fiscal year, our business focus is to continuously strengthen the professional capability of the established branch offices to support the financial advisors and improve our overall operation and service capability; we will focus on the improvement of the delivery performance of our branch offices and the level of professionalism of financial advisors, instead of on the number of branch officers and financial advisors. In the short term, the construction of branch offices and financial advisor team will incur significant expenditures, which will adversely affect the Company's operating cash flow and profits. However, our management agrees that this initiative is one of the core strategies for the Company to achieve transaction value of RMB100 billion in the future, and our management will implement this strategy firmly and effectively.

For the sales channel of seed clients, we will optimize the existing seed client team to achieve better compliance, efficiency and professionalism: on the one hand, we will gradually terminate our cooperation with seed clients with low productivity and weak service capability; On the other hand, we will select a group of capable and proactive elite seed clients from the existing seed clients to cultivate them into

professional, specialized financial advisors with the capability of financial asset allocation through enabling systems, such as science and technology, investment and education, operation and training.

Second, we will focus on digital transformation and continue to strengthen the construction of IT technology and digital operation center

As of June 30, 2021, we had upgraded Puyi fund app to 5.0 version and i financial planner app to 2.0 version. In the future, in addition to continuing to improve the above systems, we will focus on the construction of institutional business system, investment advisory business system and asset allocation consultation system. At the same time, we will start to use the existing technological operation capabilities to empower external partners and try to start Software-as-a-Service cooperation with external channels.

In terms of digital construction, we will rely on the established digital operation center and leverage the digital intelligent operation system, on the one hand, to effectively empower financial advisors to gain insights into client needs and improve their professional capabilities to achieve more efficient client acquisition, and on the other hand, to analyze client behavior through big data analysis to more accurately respond to the individual needs of clients.

Third, we will focus on featured portfolio products to match the differentiated financial needs of middle-class families, and cooperate with top financial institutions to strengthen our investment and research capability.

Our core client base is emerging middle-class and affluent population, whose financial risk appetite is relatively medium and low. In order to better match their risk appetite, we, as an independent buy-side investment adviser, will unswervingly take product portfolios of publicly raised funds and fund-of-funds of privately raised securities investment fund products as our featured products. In terms of publicly raised fund products, after three years of polishing, our management team for publicly raised fund products has demonstrated strong professional investment and research capabilities through sound performance of our product portfolios. In the next fiscal year, we determine to focus on publicly raised fund product portfolios developed by our in-house team, and supplemented by external channels; In terms of privately raised fund products, we determine to focus on the distribution of fund-of-funds developed by leading fund managers such as CICC (中金), Guojin (国金) and China Merchants (招商). At the same time, we will continue to enhance our capability to actively manage our existing privately raised fund-of-funds products and develop more Puyi-featured privately raised fund-of-funds products.

We will always be client-oriented, adhere to our mission of "Advance with financial advisors, and become the wealth gatekeeper of middle-class and affluent families in

China," and continue to create value for customers, financial planners and shareholders.

Jing He:

That ends with the prepared remark, now we will open for questions. Operator, please?

Operator:

No questions.

Jing He:

Seems no questions at this time. There is something wrong with our line today, we are sorry for the inconvenience. We will upload the full transcript on our website, please go to our website for the full transcript later if you are interested. And we have no other comments. Thank you everyone, for attending our fiscal year 2021 earnings call. If you have any further questions, please feel free to contact us. Thank you very much. Operator?

Operator:

Thank you. The conference has now concluded. Thank you again for attending today's presentation. You may now all disconnect your lines.