

**PUYI INC. FISCAL YEAR 2022 EARNINGS CONFERENCE CALL EDITED
TRANSCRIPT**

October 11, 2022 9:00 PM (US EST)

Operator:

Ladies and gentlemen, welcome to Puyi Inc's Fiscal Year 2022 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, everyone. Sorry for the delay, there was a small incident. Welcome to our earnings conference call for the fiscal year ended June 30, 2022. 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 and F-3. We do not undertake any obligation to update these forward-looking information except as required under the applicable laws.

Joining us today are our chairman of the Board and Chief Executive Officer, Mr. Yong Ren and Chief Financial Officer, Mr. Anlin Hu. The management will walk you through our business and financial conditions of the fiscal year 2022. And he, together with Mr. Hu will answer your questions after the prepared remarks. Now I will turn the call over to the management.

CEO Yong Ren and CFO Anlin Hu (Translated):

1. First, let's take a look at operational results and business initiatives in the fiscal year 2022

In the fiscal year 2022, China's GDP slowed down under the shadow of the continuous global COVID-19 epidemic, the trade tension between U.S. and China, the Russia-Ukraine conflict, the global inflations and the Federal's interest rate hikes. As a result, China's A share secondary market under-performed, and investors suffered a loss of confidence in investment and the willingness of investors to invest has significantly declined. In March 2022, Premier LI Keqiang, in the Report on the Work of the Government (the "Report"), stressed that "we must climb the slope and overcome the obstacles", which clearly showed the determination and strength of China's leaders to maintain the stable growth of economy. At the same time, the Report clearly pointed out that the government should prioritize stability while pursuing progress and should take initiatives which are beneficial to economy stability. Stable growth was also the guideline of us in the past fiscal year.

Despite all these difficult situations, our management insisted on our strategies and vigorously undertook several initiatives to increase income and control costs in all aspects. In the fiscal year 2022, we recorded a total net revenue of RMB188.7 million (US\$28.2 million), which did not deteriorate much as compared to the fiscal year 2021. In particular, the net revenues generated from privately raised fund products increased by 29.0% and the net revenues generated from consulting and other services increased by 886.1%; while the net revenues generated from publicly raised fund products decreased by 14.5%.

In the past fiscal year, we mainly focused on improving the quality of our sale organization, expanding the source of income, and strictly controlling costs and expenses, this led to the reduce of loss in the second half of the past fiscal year by 45.4% period on period compared with the first half of the past fiscal year, reflecting the effectiveness of our management's measures to increase income and cut costs. The details are as follows:

First, we regarded the development of professionalized wealth management studios as the axis of our organizational development, and firmly implemented "professional platform plus elite entrepreneurship" as our development strategy. In the fiscal year 2022, our management adjusted our sale organization according to the changes of market, optimized and improved the per capita productivity of our in-house financial advisors, vigorously developed cooperation with wealth management studios which may effectively reduce our costs. At the same time, we optimized the layout of our branch offices, and actively shrunk some under-performed branch offices. Since the launch of wealth management studio model, we had established cooperation with 135 wealth management studios as of June 30, 2022.

Second, we continuously strengthened the construction of our professional

platforms and vigorously promoted our family office business. With the coming era of population ageing and the entering of the stabilization period of China's economic development cycle, a large number of Chinese affluent and high-net-worth families who have become rich after the reform and opening up continue to have a high demand for wealth preservation and inheritance. We have started the construction of the family office business early. As of June 30, 2022, internally, we launched family office business operation system 1.0. This is an online digital information platform for family office business, providing family office business operators with back-office services such as client manager maintenance and management, client maintenance and management, trust product progress management and tracking. Externally, we have established cooperation with trust companies, insurance companies, education service institutions, tax firms, law firms, health service institutions and etc. We have basically completed the establishment and layout of professional services and operation systems for affluent and high-net-worth families by offering a comprehensive set of services such as insurance premium trust/family trust services, overseas education services, tax services, legal services, medical care services and etc. As of June 30, 2022, we have advised clients on setting up 86 trust accounts with an aggregate value of the entrusted assets of RMB1.0 billion. Benefiting from this, our consulting service revenue has greatly increased in the fiscal year 2022.

Third, we further enriched our product offering to keep up with clients' evolving needs. In the past fiscal year, we continued to adhere to our strategy of standardized product transformation. For publicly raised fund products, we continued to focus on the existing publicly raised product portfolio strategy supplemented by the sale of high-quality single close-end publicly raised funds. We aim to cultivate clients' habit of maintaining products for a longer period of time to avoid short-term drastic market fluctuations and enhance clients' investment experience. As for privately raised fund products, we offered both self-managed FOFs and external high-profile privately raised funds to ensure that we have two or more portfolio strategies of each type available. We have also been striving to design, develop and provide more products to our clients, in particular by providing more customized products and/or services to high-net-worth clients. As of June 30, 2022, the number of our privately raised FOFs products has increased to 34.

Forth, we continued to optimize our IT system to fully serve the development of all business lines. The establishment of a professional platform is inseparable from the support of scientific and technological forces. In the past fiscal year, we carried out the following initiatives on our IT system construction:

- 1、 First, we launched Institution Master system 1.0. Institution Master is a one-stop service solution for institutional investors to manage their OTC fund investments, aiming to provide professional and convenient investment services to institutional clients. It provides more professional, efficient and intelligent trading experiences through our leading intelligent trading system,

extensive product portfolios and comprehensive investment research system. With this system, we provide institutional investors with customized fund trading solutions to better meet their needs.

- 2、 Second, we upgraded Puyi Business School to a mobile app. Puyi Business School is a family asset allocation advisory education platform. It aims to provide financial advisors with various of knowledge empowerment, capability empowerment and tool empowerment. Systematic financial knowledge courses, diversified practical experience sharing and the boutique industry celebrity lecture are the most distinctive section in Puyi Business School. Also, with the cooperation with several education institutions, Puyi Business School provides large number of courses and practices on qualify certification tests.
- 3、 Third, we have added the TAMP (turn-key asset management platform) asset allocation system to the “i Financial Planner” mobile app, taking into consideration of the offline service scenario of financial advisors and the diversified needs of family financial asset allocation. This new system with leading technology is designed to help financial advisors pinpoint clients' needs and effectively track and manage clients through the one-stop comprehensive operation and communication platform. The system integrates three core functions: one-stop business development platform, asset allocation intelligent investment advising function and client SCRM system, and provides financial advisors with four empowering services: training and growth, client maintenance, team management and operation support.

Fifth, we strictly controlled our operating costs and expenses, and the result of the organizational optimization is significant. First, we optimized our employee structure with the per capita productivity index as traction and mainly oriented to professional ability and value contribution. Second, we further reduced our administrative expenses and comprehensively controlled our cost. Benefiting from our stringent cost control, our result of operations was nearly the same with last year despite the influence of external environment to our total operating revenues.

Sixth, we insisted that financial industry should be good, responsible and warm. As we develop our business, we are always dedicated to our social responsibility. We donated condolences and prevention materials to Chengdu in Sichuan province, when it was under severe COVID-19 pandemic in September 2022. In the same month, earthquake hit Luding county of Sichuan Province, our employee representative initially took part in the disaster relief activities held by Sichuan Red Cross.

2. Next, we will briefly introduce our financial conditions for the fiscal year 2022.

In the past fiscal year, our net revenues decreased year-on-year by 1.3% from RMB 191.2 million to RMB188.7 million (US\$28.2 million). Let's turn to each of the individual business lines:

The first business line, our wealth management services;

Net revenues generated from our wealth management services decreased year-on-year by 2.9% from RMB176.6 million to RMB171.5 million (US\$25.6 million). In particular,

Net revenues generated from distribution of privately raised fund products increased year-on-year by 29.0% from RMB47.7 million to RMB61.6 million (US\$9.2 million). Such increase was primarily due to the increase in commission income (including management fee) of privately raised fund products as well as the increase in performance-based fees.

Net revenues generated from distribution of publicly raised fund products decreased year-on-year by 14.5% from RMB128.5 million to RMB109.9 million (US\$16.4 million). Such decrease was primarily due to a decrease in commission income (including management fee) as a result of the decrease in the distribution and the outstanding balance of transaction value of publicly raised fund products.

The second business line, our asset management services;

Net revenues generated from asset management services for the past fiscal year were RMB5.9 million (US\$0.9 million), representing a 56.3% year-on-year decrease from RMB13.5 million. This decrease was primarily due to a decrease of 69.2% in performance-based carried interest income to RMB2.4 million (US\$0.4 million) generated by our actively managed FoFs from RMB7.8 million for the fiscal year ended June 30, 2021.

And the last business line, our consulting and other services.

Net revenues generated from consulting and other services were RMB11.3 million (US\$1.7 million), representing an increase by 886.1% year-on-year from RMB1.0 million. Revenues generated from consulting primarily consist of service fee from facilitating of insurance products for an insurance agency partner and service fee from providing comprehensive trust consulting service.

3. And last but not least, let's elaborate on the strategic planning and outlook for the future of our Company.

In the fiscal year 2023, we will insist on "professional platform plus elite

entrepreneurship” as our long-term development strategy, the details are as followed:

First of all, we will take per capita productivity as core assessment indicators to further optimize our sale organization.

- 1、 First, we will optimize the process to attract wealth management studios to enter into cooperation with us. On one hand, we expect to realize the standardization, specialization and professionalization of engagement management with wealth management studios by extracting past experiences, and strive to engage more wealth management studios. As of today, we have established cooperation with more than 190 wealth management studios. On the other hand, we will further empower our existed financial advisors and control their working progress, and eventually build up a complete financial advisors operating system to ensure that our cooperation with financial advisors could be implemented to achieve our goals.
- 2、 Second, we will strengthen the productivity of our financial advisors. Our financial advisors should achieve the professional transition from financial planners to personal banker, and finally to family wealth inheritance manager, and upgrade their services to provide asset management and wealth management services from simply selling products.

Second, we will embrace the booming of wealth management industry and vigorously promote family office business. After a year of polish, we are capable to serve our family office business, but there are still some gaps in operational efficiency and professional empowerment output from the company's requirements. In the fiscal year 2023, we will improve in the following aspects:

- 1、 First, we will develop and launch the 2.0 version of our family business operation system. The launch of our 1.0 version preliminary solved the problem of the sharing of internal information and empowered financial advisors to manage their trust clients and trust business online which we have seen an improvement in our operating efficiency. Our future 2.0 version will focus on the information communication between the financial advisors and clients, and improve the information transition efficiency among the front-, middle- and back-office. We believe the 2.0 version will deliver a better experience to our financial advisors and clients.
- 2、 Second, we will further increase the number of cooperating trust companies and other services providers under the needs of financial advisors and clients. At the same time, besides expanding sale channels like individual financial advisors, we will also vigorously expand our external cooperation channels with our trust consulting services as a vehicle.

- 3、 Lastly, we will comprehensively build a service system for affluent and high-net-worth family clients. At present, there is a strong demand for legal services, tax services, education services, and health care services. We will focus on creating a good service system. We will establish a trust account service expert group to focus on providing clients with full life cycle of asset allocation and non-financial planning services for their entire families after the opening of their trust accounts. As such, our financial advisors will be professionally empowered and warmly accompanied, our clients will have a better experience, and we can achieve a win-win-win situation for financial advisors, clients and our company.

Third, we will devote our full efforts in institutional clients. With the development of wealth management industry, it is obvious that more and more institutional clients are becoming investors of publicly raised fund products. According to public data, the transaction value contributed by institutional investors accounted for more than 47% of the market-wide publicly raised fund scale by the end of 2021. The types and numbers of publicly raised fund products are becoming extensive, and the advantages of stringent regulations and information transparency of publicly raised fund products make them become the most in compliance investment products, and the most popular investment products to institutional investors. In the future, we will provide our institutional investors with customized trading functions, extensive product portfolios and professional investment and research system through our “Institution Master” system, product offering, investment and research ability and offline service network.

Forth, we will strengthen our compliance construction, and adhere to the compliance of the sales of privately raised fund products and licensed operation and sales.

Licensed companies, licensed personnel and product compliance have become the bottom line requirements for financial industry under the current strong financial regulatory trend. In the fiscal year 2023, we will continue to strengthen the compliance construction and the compliance inspection of our branch offices to ensure the safe and stable operation of our company.

For the sales of privately raised fund products, we will continue to ensure that it is in compliance to relevant regulations and laws, we will strengthen the compliance management in selling procedure and avoid the transmission of investment risks of the products to our company.

Along with the increasingly strong demand for wealth management and inheritance services for affluent and high-net-worth families, a great era of wealth management industry is arriving. We must grasp the “next big thing” of this era and build an extraordinary TAMP platform, so that our financial advisors could achieve

“deals, growth and success” on our TAMP platform, and create value for our clients, employees 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. Again, sorry for the small incidents happened today. 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 2022 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.