

Business case for Hong Kong



August 2016



- Money Lending (ML) market keeps increasing year-on-year: populous city-state with high income, high ticket size and significantly lower losses comparing to emerging markets
- One of the highest Smartphone penetration in the Region – 87% of population using smartphone
- Fully online model is possible:
 - Easy & safe disbursement and repayment due to high banking penetration
 - KYC provided by the bank
- The only opportunity for ML is Instalment loans
- ML License is acquired
- Good market to attract Investors (Financial center of APAC region). There are successful examples of fundraising for the purpose of Moneylending

Key success factors in the market:

- Product – Instalment loan is the stable income generating product
- Low competition – only one fully online player is currently presented on the market
- Risk infrastructure - one of the highest in the region Credit Bureau data penetration
- Fundraising – opportunity to finance loan portfolio by attracting funding from the market

There is a good opportunity to launch instalment loan product in Hong Kong, moreover, loan portfolio could be financed by attracting funding from the market

General Market Information



- Population – 7.31 mln (2015)
- Ethnic composition: 95% Chinese, 2% Filipino, 3% others
- Labor force – 3.91 mln (2015)
- Unemployment rate – 3.4%
- Urban population – 100%
- Official languages: Cantonese Chinese, English.
- Average monthly income – \$2.3K (2014)
- GDP Per Capita (Nominal) – \$39.8K (2014)
- Household debt-to-GDP ratio – 67% (01'2016)
- Smartphone penetration at 87% (2015)
- Bank accounts penetration – 90% (2015)
- Credit card penetration – 260% (2015)
- Online banking penetration – 93% (2015)
- Mobile banking penetration - 41% (2015)
- Credit bureau data penetration to working age population – 96% (2015)



Source of information

www.info.gov.hk

www.hkma.gov.hk

www.ofca.gov.hk

http://www.hkeconomy.gov.hk/en/pdf/household_debt.pdf

Lending

- Consumer lending in Hong Kong is performed by Banks, Licensed Moneylenders, Pawnshops
- Emerging non-bank money lenders create challenges to retail banks:
 - Moneylenders volume keeps increasing year-on-year, new players are entering the market, players continuously upgrade business processes and develop new products
 - moneylenders are less regulated and benefit from flexible loan-to-value ratios and interest rates
- Fully online model is applicable, but explored only by 1 player (WeLend)

Fundraising

"Crowd-funding" typically refers to the use of small amounts of money, obtained from a large number of individuals or organizations, to fund a project, a business or personal loan through an online web-based platform... The more common types of crowd-funding include equity crowd-funding, peer-to-peer lending, donation crowd-funding and reward/pre-sale crowd-funding.

- Only one legal way to raise the funds from the public – through SFC licensed Asset Management Companies (AMC)
- No P2P platform in the market (besides 1 illegal platform as mentioned by SFC official) to which private investors can directly invest into borrower's scheme
- Some options to attract Investors that explored in the market:
 - Issue investment funds through the partnership with AMC
 - Directly from personal network
- Advertising - anyone conducts a business of promoting interests in a CIS (Collective Investment Scheme) must obtain a SFC license. *"Collective investment scheme" is a term introduced under, and defined in Schedule 1 to, the Securities and Futures Ordinance (SFO) to apply to investment products of a collective nature*

Expanding consumer lending market provides opportunities for new players with modern cost-effective business model. Relatively low interest rate forced players move to installment products which are require more capital. We will attract professional investors (directly / through the partnership with AMC) to finance our portfolio growth.

Source of information

www.euromonitor.com

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=14PR51>

http://www.sfc.hk/web/EN/files/PCIP/FAQ-PDFS/FAQs%20on%20Offers%20of%20Investments%20under%20the%20Securities%20and%20Futures%20Ordinance_20160617.pdf

http://www.sfc.hk/web/doc/EN/faqs/products/Frequently%20Asked%20Questions_3.6.09.pdf

Fundraising alternatives in Hong Kong

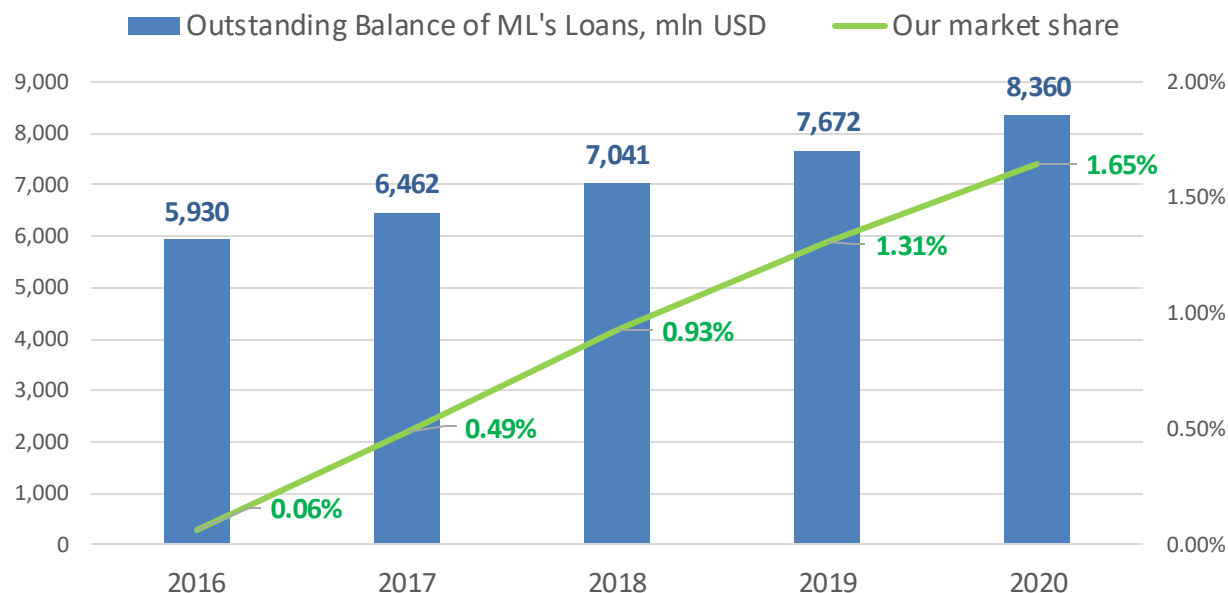


| | Crowdfunding | Initial Public Offering | Funds | Debt Securities |
|---|---|---|---|---|
| Targeted investor | <ul style="list-style-type: none"> Public Investors Professional Investors | <ul style="list-style-type: none"> Public Investors Professional Investors | <ul style="list-style-type: none"> Public Investors Professional Investors | <ul style="list-style-type: none"> Public Investors Professional Investors |
| 1) Pre-requisites / requirements for company & 2) average time for administration processing / application assessment / application approval | <ul style="list-style-type: none"> Partner with SFC licensed AMC (1 month) OR obtain SFC licenses, application approval time (6 months) | <ul style="list-style-type: none"> Positive cash flow from business of >\$2.58 million for 2 consecutive years Capitalization > \$12.9 million Appl appr time by hkex (4 months) | <ul style="list-style-type: none"> Partner with SFC licensed AMC (1 month) OR obtain SFC licenses, application approval time (6 months) | <ul style="list-style-type: none"> Company net assets > \$12.9 million Audited account for latest 2 years Application approval time (<1 month) |
| Platform | Equity Crowdfunding / P2P Lending | Hong Kong Stock Exchange | AMC | Hong Kong Stock Exchange / personal network** |
| Tool | Shares / Debts | Shares | Unit Trust | Debt Securities (e.g. debentures, bonds, notes) |
| Prospectus & avg. approval time (month) | Must be approved by SFC (2 months) | Must be approved by SFC (2 months) | Must be approved by SFC (2 months) | Must be approved by SFC (<1 month) |
| Advertisement materials & avg. approval time | Must be approved by SFC (1 month) | Must be approved by SFC (1 month) | Must be approved by SFC (1 month) | Must be approved by SFC (<1 month) |
| Total approval time | Min 4 months Max 9 months+ | 7 months+ | Min 4 months Max 9 months+ | <3 months |

The optimal ways to attract Investments is directly from personal network / through the partnership with AMC



Estimated Market Growth (MLs) & Our Share



| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|---------|----------|----------|-----------|-----------|
| Our disbursement volumes, mln. USD | \$3.871 | \$36.41 | \$70.874 | \$102.849 | \$134.348 |
| Our Outstanding Balance, mln. USD | \$3.799 | \$31.616 | \$65.409 | \$100.385 | \$137.812 |
| Our Number of loans disbursed per year | 500 | 4 740 | 9 317 | 13 567 | 17 748 |

Main assumptions:

- Y-o-Y Market growth rate estimated at 9 % for 2016-2020

Regulating bodies:

- Registrar of Money Lenders:
 - Processing and endorsement of applications for ML licences
 - Renewal of licences (on a yearly basis)
 - Maintaining a register of money lenders
- Police Force:
 - Examinations of applications for money lenders licences
 - Renewal of licences and (Licensing Office Money Lenders Licensing Section) as well as investigations of complaints against money lenders
- Licensing Court - Granting of ML license (a technical function)

Regulations documents:

- MONEYLENDERS ORDINANCE CAP 163
- MONEYLENDERS (PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM) RULES 2009
- CODE OF BANKING PRACTICE (information about Debt collectors activities)
- ELECTRONIC TRANSACTIONS ORDINANCE
- PERSONAL DATA (PRIVACY) ORDINANCE
- UNSOLICITED ELECTRONIC MESSAGES ORDINANCE

Regulation practice:

- HK Police Force do not intervene on money lenders' operation unless complaints received from borrower on interest rate charged exceeds **60% per annum**

HK financial services (FS) regulatory practices present a combination of progressive features, allowing use of technological solutions in the field of FS, along with the strict necessity to comply with the laws

Regulating bodies:

- Securities and Futures Commission (SFC)
- Regulations on crowd-funding in Hong Kong - Online crowd-funding platforms operating in Hong Kong are governed by Hong Kong's existing regulatory regime for offering securities (SFC) and money lending (Police Force)

Regulations documents:

- SECURITIES AND FUTURES ORDINANCE CAP 571
- COMPANIES ORDINANCE CAP 622
- WINDING UP AND MISCELLANEOUS ORDINANCE CAP 32
- Notice on Potential Regulations Applicable to, and Risks of, Crowd-funding Activities
- <http://www.sfc.hk/web/EN/files/ER/PDF/Notice%20on%20Crowdfunding.pdf>

Regulation practice:

- Hong Kong has not introduced specific laws or regulations in relation to crowd-funding
- During our visit to SFC in June 2016, official implied that crowd-funding activities in Hong Kong are classified as illegal without SFC's endorsement. Official suggested us to study how online lending platform "MoneySQ" and asset management company "Bridgeway" partnership works

There have been calls from the market requesting for relaxation on the regulatory regime to facilitate crowd-funding in Hong Kong. Hong Kong Government and SFC are neutral and are preparing laws and regulations on related activities since 2014. No timeline was announced.

Critical Business Model parameters Lending



| # | Parameters | The essence |
|---|---|---|
| | Maximum foreign capital share | 100% |
| | New license issuance / Renewal license | HK Police issue and renew licenses smoothly (providing applicants follow the rules with no complaint) |
| | Allowed credit products | Instalment loans, revolving credit line, mortgage |
| | Interest cap | Effective Interest Rate capped at the level of 60% p.a. |
| | Additional fees can be charged by passing % rates | All fees must be included in Effective Interest Rate calculation |
| | Advertising requirements | No restrictions, basic disclosure requirements (EIR , ML license number, etc.) |
| | Necessity to obtain written customer's consent for processing his personal data | Not mandatory (can be done on a website or mobile application) |
| | Face-to-face customer verification | Not mandatory |
| | Remote contract signing | Available* |
| | Debt collection | No specific restrictions** |
| | The funding of the loan portfolio | No specific restrictions |
| | Foreign transfer restrictions | No specific restrictions |



No specific issues



Need to pay some attention, but no serious issues



There are some issues, which require serious attention.



“Pure online” business model is feasible in HK and is already used by several players

* ELECTRONIC TRANSACTIONS ORDINANCE 7 January 2000

** CODE OF BANKING PRACTICE

Critical Business Model parameters Crowd-funding



| # | Parameters | Public Investor | Professional Investor | Personal Network |
|---|--------------------------|--|-----------------------|----------------------|
|  | License | <ul style="list-style-type: none"> The types of regulated activity required by each company depend on its mode of operation (not the type of investor) In our case, our partnering AMC must have the following licenses: <ul style="list-style-type: none"> Type 4 (advising on securities) Type 9 (asset management) | | No restrictions |
|  | Advertising requirements | <ul style="list-style-type: none"> All marketing materials (including prospectus) have to be submitted to and authorized by SFC All exemptions must also be approved by SFC | | Not openly advertise |



No specific issues



Need to pay some attention, but no serious issues



There are some issues, which require serious attention.

We will attract the professional investors (directly / through the partnership with AMC) to finance our portfolio growth.

Source of Information:

www.sfc.hk

http://www.sfc.hk/web/EN/files/PCIP/FAQ-PDES/09_FAQs%20on%20Advertising%20Materials%20of%20CIS%20Authorized%20under%20the%20Product%20Codes_....pdf

Current Money Lending Industry Business Models 1/2



| Example | Fully online (Welend) | O2O (Public Finance) |
|-------------------------------------|--|--|
| Application | <ul style="list-style-type: none"> Application form available on website | <ul style="list-style-type: none"> Application form available on website |
| Filling application | <ul style="list-style-type: none"> Becoming member online and account verification via SMS Borrower fills in online application form (24 fields) | <ul style="list-style-type: none"> Borrower fills in online application form (11 fields) |
| Pre-screening of application | <ul style="list-style-type: none"> Money Lender will obtain TU report after borrower submitted application (without any document) | <ul style="list-style-type: none"> Borrower uploads ID copy, income proof and residential proof on the website Money Lender will obtain TU report after borrower submitted documents and application |
| Preliminary decision | <ul style="list-style-type: none"> Within 1 hour Upon preliminary loan approval, borrower will be notified preliminary loan offer via mobile app | <ul style="list-style-type: none"> Within 1 day Upon preliminary loan approval, borrower will be contacted via phone |
| Final credit decision | <ul style="list-style-type: none"> If borrower agrees with the offer, he must upload his ID copy, income proof and address proof for final approval Upon final approval, borrower will be informed by mobile app | <ul style="list-style-type: none"> Borrower brings along the originals of documents uploaded to a designated branch Final credit decision will be made and inform borrower immediately after branch staff verifying the originals |
| Loan agreement signing | <ul style="list-style-type: none"> If borrower accepts the final offer, contract will be signed by confirmation with code sent via SMS by money lender | <ul style="list-style-type: none"> Loan agreement will be signed by borrower at branch |
| Loan disbursement | <ul style="list-style-type: none"> Into the borrower's designated account next business day In case of debt consolidation, borrower picks up cheques at money lender's office | <ul style="list-style-type: none"> Borrower picks up cash cheque at the branch (No cash available) |
| Loan repayment | <ol style="list-style-type: none"> 1) Direct Debit - Borrower downloads DDA form from website then post back to money lender 2) Deposit cash through ATM 3) Pay cash at 7-Eleven 4) Pay by PPS | <ol style="list-style-type: none"> 1) Direct Debit <ul style="list-style-type: none"> - Borrower have sign direct debit authorization after signing loan agreement - Monthly repayment will be debited from borrower's payroll account |

Source of information:

www.welend.hk

www.publicfinance.com.hk

Current Money Lending Industry Business Models 2/2



| Example | O2O (Promise) | O2O (UA Finance) |
|-------------------------------------|---|---|
| Application | <ul style="list-style-type: none"> Application form available on website | <ul style="list-style-type: none"> Application form available on website |
| Filling application | <ul style="list-style-type: none"> Borrower fills in online application form (12 fields) Customer service staff call borrower to confirm application | <ul style="list-style-type: none"> Borrower fills in online application form (56 fields) and set password Email confirmation will be sent to borrower |
| Pre-screening of application | <ul style="list-style-type: none"> Borrower uploads ID copy, income proof and residential proof on the website / submit to branch Money Lender will obtain TU report after borrower submitted documents | <ul style="list-style-type: none"> Borrower uploads ID copy, income proof and residential proof on the website / submit at branch Money Lender will obtain TU report after borrower submitted documents |
| Preliminary decision | <ul style="list-style-type: none"> Within 1 hour Upon preliminary loan approval, borrower will be notified preliminary loan offer by Customer Service Staff | <ul style="list-style-type: none"> Within 1 hour Upon preliminary loan approval, borrower will be notified preliminary loan offer by email with reference number |
| Final credit decision | <ul style="list-style-type: none"> Preliminary decision will be final if there is no further document required | <ul style="list-style-type: none"> Preliminary decision will be final if there is no further document required |
| Loan agreement signing | <ul style="list-style-type: none"> If borrower accepts the final offer, contract will be signed by confirmation with code sent via SMS by money lender / sign physical contract at any branch | <ul style="list-style-type: none"> If borrower accepts the final offer, contract will be signed by borrower online after inputting reference number and password / sign physical contract at any branch |
| Loan disbursement | <ul style="list-style-type: none"> Into the borrower's designated account same business day if borrower confirmed before 17:30 | <ul style="list-style-type: none"> Into the borrower's designated account same business day if borrower confirmed before 17:30 |
| Loan repayment | 1) Direct Debit - Borrower downloads DDA form from website then post back to money lender / sign DDA form at any branch | 1) Direct Debit - Borrower downloads DDA form from website then post back to money lender/ sign DDA form at any branch 2) Pay by PPS 3) Pay at branch (by Cash / Cheque / EPS) |

Source of information:

<https://www.promise.com.hk/product/with-document/>

http://www.uaf.com.hk/en/loan_services/i_money_internet_loan/index.html

General Information



| | |
|------------------|--|
| Established | 2013 |
| Location | Hong Kong |
| Owned by | Investors include CK Hutchison's TOM group, Khazanah Nasional Berhad, ING, Sequoia Capital and TOM Group's Ule.com |
| Type of Business | Pure online money lender |

Business Details

WeLend commenced their business as HK first P2P platform in 2013

They then transformed into a pure online moneylender after attracting funds from several strong investors

WeLend is focused on unsecured loan business in Hong Kong

Borrower Product

Product: Personal Loan / Balance Transfer

Clients: Hong Kong permanent residents

Business model: Fully online

Minimum Borrower's Income :

USD 1032 /month (Gross)

Features:

1. No Collateral

2. Time-To-Money: More than 1 day

3. Disbursement channel – transfer into borrower account

4. Repayment channels:

- i) direct debit
- ii) deposit cash at ATM
- iii) pay cash at 7Eleven
- iv) pay by PPS

5. Loan amount available : \$387 - \$77,419

6. Loan Period : 14 days – 60 months

7. Interest rate: 3.36% - 50.39%

8. Loan arrangement fee:

One-time handling fee = 1.5% - 2% on borrowed amount

9. Sales Volume

| | May | June | July | August |
|-------------|-------------|-------------|-------------|-------------|
| Loan Booked | \$3,870,000 | \$9,500,000 | \$7,610,000 | \$9,030,000 |
| # of cases | 461 | 1227 | 944 | 1149 |
| Avg. Size | \$8,387 | \$7,742 | \$8,061 | \$7,859 |

10. Cost per 1 client acquisition

June brand building campaign spent over \$1.55 million on Above-The-Line and digital advertisement. : $\$1,550,000 / 1227 = \$1,263$

Product parameters of WeLend



| | Parameter | Personal Loan / Balance Transfer | Interest Free Instalment Plan | 3HK Handset Instalment |
|----|--------------------------------|--|--|--|
| 1 | Acquisition Channel | Website / DSA | Website / Partnering Merchant | Website / Partnering Merchant |
| 2 | Target Segment | >18 years old, HK citizen | | |
| 3 | Loan amount | \$387-\$77,340 | \$387-\$77,340 | 100% Purchase Price of Handset |
| 4 | Avg Loan amount | \$7,742 | N/A | N/A |
| 5 | Tenure, month | 3 – 60 (Avg. 12) | 6-48 | 12/18/24 |
| 6 | Handling fee | 1.5 to 2% on loan amount | Not Applicable | 3% on loan amount* |
| 7 | Interest rate | 3.36% - 50.39% | Not Applicable | 10%* |
| 8 | Late payment fee | \$45 | \$45 | \$45 |
| 9 | Early loan repayment | Allowed on condition of mandatory notification 1 month prior | Allowed on condition of mandatory notification 1 month prior | Allowed on condition of mandatory notification 1 month prior |
| 10 | Early repayment penalty | No penalty but charge next month interest | No penalty | No penalty but charge next month interest |
| 11 | Partnering Merchants | N/A | <ul style="list-style-type: none"> • 3HK (Telecom Service) • Perfect Medical (Beauty Care) • General Assembly (Education) • MaBelle (Jewelry Shop) • Maggie Beauty (Beauty Care) • Paydollar (Online Payment System) • Beauskin (Beauty Care) • Artvantage (Online Artwork Seller)** | 3HK (Telecom) |

*No fees or interest will be charged if the borrower fully repays the loan before the 2nd payment date. If the borrower fully repays after the 2nd payment date, the borrower shall pay the outstanding fees.

** A fixed service fee of 15% will be charged for first 3 instalments on purchases from Artvantage

Source of Information:

<https://www.welend.hk/en/products>



General Information



| | |
|------------------|---|
| Established | 1990 |
| Location | Hong Kong |
| Owned by | Public Financial Holdings (HK Stock: 626) |
| Type of Business | Deposit Taking Company & Money lender |

Business Details

Public Finance is engaged in various business activities including the provision of personal and commercial lending, overdraft, property mortgage loans, hire purchase and leasing, taxi financing and fixed deposits

Borrower Product

Clients: Hong Kong permanent residents and Hong Kong incorporated companies

Business model: O2O

Minimum Borrower's Income :
USD 1,032 /month (Gross)

Features:

- 1. No Collateral**
 - 2. Time-To-Money:** 30 mins – 2 days
 - 3. Disbursement channel:** Borrower picks up cash cheque at the branch (No cash available)
 - 4. Repayment channels:** Direct debit from borrower's payroll account
 - 5. Loan amount available :**
\$1,032-\$77,419 for Personal Loans
- Loan Period :** 3 to 60 months
Interest rate: 3.41% - 47.45% per annum
Loan Processing fee: 1% of the borrowed amount

Depositor Product

Clients: Hong Kong permanent residents and Hong Kong incorporated companies

Business model: O2O

Min deposit: USD 12,903

Features:

Period : 3 to 15 months+
Return: Max. 1.25% per annum

Product parameters of Public Finance 1/4



| | Parameter | Balance Transfer | Interest Free Personal Loan | Overseas Contract Worker Loans |
|----|--------------------------------|---|---|---|
| 1 | Acquisition Channel | Branch / Website / DSA / Telesales | Branch / Website / DSA / Telesales | Branch / Telesales |
| 2 | Target Segment | >18 years old, Salaried Employee | >18 years old, Salaried Employee | Workers from Philippine/Indonesia |
| 3 | Loan amount | \$1,032-\$77,419 | \$1,032-\$77,419 | \$1,032-\$ 3,871 |
| 4 | Avg Loan amount | \$10,323 | \$10,323 | \$1,290 |
| 5 | Tenure, month | 3 – 60 (Avg. 24) | 12/18/24 | 3-24 |
| 6 | Handling fee | 1% on loan amount | \$65 annual admin charge (every year) | 1% on loan amount |
| 7 | Interest rate | 3.41% - 47.45% | N/A | 28.8% - 39.6% |
| 8 | Late payment fee | N/A | N/A | N/A |
| 9 | Early loan repayment | Allowed on condition of mandatory notification 1 day prior to repayment date | Allowed on condition of mandatory notification 1 day prior to repayment date | Allowed on condition of mandatory notification 1 day prior to repayment date |
| 10 | Early repayment penalty | Early repayment penalty 5% / 4% on original LA in first 12 / 24 months (e.g. early repay in 2nd year= 4% x original LA) and next month interest | Early repayment penalty 5% / 4% on original LA in first 12 / 24 months (e.g. early repay in 2nd year= 4% x original LA) and next month interest | Early repayment penalty 5% / 4% on original LA in first 12 / 24 months (e.g. early repay in 2nd year= 4% x original LA) and next month interest |
| 11 | Repayment Channel | Direct debit from borrower's payroll account | Direct debit from borrower's payroll account | <ul style="list-style-type: none"> • Pay at branch (Public Finance or Public Bank) • Pay by PPS • Pay at ATM • Overseas Payment / Transfer (Telegraphic Transfer or Demand Draft) |

Product parameters of Public Finance 2/4



| | Parameter | Personalized Rating Personal Loan | Personal Loan Express Promotion for Application Hotline and Internet | Special Personal Loan Program for Civil Servant |
|----|--------------------------------|---|---|--|
| 1 | Acquisition Channel | Branch / Website / DSA / Telesales | Website / Telesales | Branch / Website / DSA / Telesales |
| 2 | Target Segment | >18 years old, Salaried Employee | >18 years old, Salaried Employee | Civil Servants of HK |
| 3 | Loan amount | \$1,032-\$77,419 | \$1,032-\$77,419 | \$1,032-\$77,419 |
| 4 | Avg Loan amount | \$10,323 | \$10,323 | \$10,323 |
| 5 | Tenure, month | 12/24/36 | 3 – 60 months | 12/24/36 |
| 6 | Handling fee | 1% on loan amount | 1% on loan amount | 1% on loan amount |
| 7 | Interest rate | 4.75%-6.01% | 3.41% - 47.45% | 4.75% - 6.01% |
| 8 | Late payment fee | N/A | N/A | N/A |
| 9 | Early loan repayment | Allowed on condition of mandatory notification 1 day prior to repayment date | Allowed on condition of mandatory notification 1 day prior to repayment date | Allowed on condition of mandatory notification 1 day prior to repayment date |
| 10 | Early repayment penalty | Early repayment penalty 5% / 4% on original LA in first 12 / 24 months (e.g. early repay in 2nd year= 4% x original LA) and next month interest | Early repayment penalty 5% / 4% on original LA in first 12 / 24 months (e.g. early repay in 2nd year= 4% x original LA) and next month interest | Early repayment penalty 5% / 4% on original LA in first 12 / 24 months (e.g. early repay in 2nd year= 4% x original LA) and next month interest |
| 11 | Repayment Channel | Direct debit from borrower's payroll account | Direct debit from borrower's payroll account | Direct debit from borrower's payroll account |
| 12 | Welcome Gift | N/A | New borrower – Smartphone / \$2000 shopping coupon | <ul style="list-style-type: none"> New borrower - cash bonus 0.5% on loan amount booked Eligible borrower - \$2000 shopping coupon |

Product parameters of Public Finance 3/4



| | Parameter | Executive Super Cash | My Cash Revolving Loan |
|----|--------------------------------|---|---|
| 1 | Acquisition Channel | Branch / Website / DSA / Telesales | Branch / Website / DSA / Telesales |
| 2 | Target Segment | >18 years old, executive level | >18 years old, professional and stable income earners |
| 3 | Loan amount | \$1,032-\$77,419 | Max 6 times of customer's monthly salary or HK\$38,709 whichever is lower |
| 4 | Avg Loan amount | \$10,323 | \$10,323 |
| 5 | Tenure, month | 3 – 60 (Avg. 24) | 12 |
| 6 | Handling fee | 1% on loan amount | Annual Fee Waived |
| 7 | Interest rate | 3.41% - 47.45% | 3.41% - 47.45% |
| 8 | Late payment fee | N/A | N/A |
| 9 | Early loan repayment | Allowed on condition of mandatory notification 1 day prior to repayment date | Allowed on condition of mandatory notification 1 day prior to repayment date |
| 10 | Early repayment penalty | Early repayment penalty 5% / 4% on original LA in first 12 / 24 months (e.g. early repay in 2nd year= 4% x original LA) and next month interest | Early repayment penalty 5% / 4% on original LA in first 12 / 24 months (e.g. early repay in 2nd year= 4% x original LA) and next month interest |
| 11 | Repayment Channel | Direct debit from borrower's payroll account | Direct debit from borrower's payroll account |



| | Parameter | Residential Flat Owner Loan | Tax Bill Personalized Rating Personal Loan |
|----|--------------------------------|--|---|
| 1 | Acquisition Channel | Branch / Website / DSA / Telesales | Branch / Website / DSA / Telesales |
| 2 | Target Segment | <ul style="list-style-type: none"> All owners of any self-occupied residential properties are eligible to apply No property pledge is required | Tax payers in HK |
| 3 | Loan amount | \$1,032-\$77,419 | Max 15 times of monthly salary or \$103,226 whichever is lower |
| 4 | Avg Loan amount | \$20,646 | \$20,646 |
| 5 | Tenure, month | 3 – 60 (Avg. 24) | 12/24/36 |
| 6 | Handling fee | No handling fee, valuation fee and legal fee | N/A |
| 7 | Interest rate | 3.41% - 47.45% | 3.58% - 4.49% |
| 8 | Late payment fee | N/A | N/A |
| 9 | Early loan repayment | Allowed on condition of mandatory notification 1 day prior to repayment date | Allowed on condition of mandatory notification 1 day prior to repayment date |
| 10 | Early repayment penalty | Early repayment penalty 5% / 4% on original LA in first 12 / 24 months (e.g. early repay in 2nd year= 4% x original LA) and next month interest | Early repayment penalty 5% / 4% on original LA in first 12 / 24 months (e.g. early repay in 2nd year= 4% x original LA) and next month interest |
| 11 | Repayment Channel | Direct debit from borrower's payroll account | Direct debit from borrower's payroll account |

Our strategy. Product parameters



| | Parameter | Welend | Public Finance | UA Finance | Promise | Our proposal |
|---|--------------------------------|--|--|--|--|--|
| 1 | Business model | Fully Online | O2O | O2O | O2O | Fully Online |
| 2 | Loan amount | \$387-\$77,340 | \$1,032-\$77,419 | \$650-\$65,000 | \$1,290-\$77,419 | \$387 - \$77,340 (HKD 3,000 – \$600,000) |
| 3 | Avg Loan amount | \$9,677 | \$10,323 | \$10,323 | \$7,742 | \$7,742 (HKD 60,000) |
| 4 | Tenure, month | 3 – 60 (Avg. 18) | 3 – 60 (Avg. 24) | 2 – 36 (Avg. 24) | 3 – 60 (Avg. 18) | 3 – 60 (Avg. 18) |
| 5 | Handling fee | 1.5 to 2% on loan amount | 1% on loan amount | 1.5% on loan amount | N/A | Up to 2% (avg – 1%) |
| 6 | Interest rate | 3.36% - 50.39% | 3.41% - 47.45% | 12% - 54% | 9.11% - 47.45% | 3.36% - 54% (Avg. 44.9%) |
| 7 | Late payment fee | \$45 | N/A | N/A | \$12.9 | \$45 |
| 8 | Early loan repayment | Allowed on condition of mandatory notification 1 month prior | Allowed on condition of mandatory notification 1 day prior to repayment date | Allowed on condition of mandatory notification 1 day prior to repayment date | Allowed on condition of mandatory notification 1 day prior to repayment date | Allowed, notification 1 month prior |
| 9 | Early repayment penalty | No penalty but charge next month interest | Early repayment penalty 5% / 4% on original LA in first 12 / 24 months (e.g. early repay in 2nd year = 4% x original LA) and next month interest | No penalty but charge next month interest | No penalty and interest calculated till repayment day | Early repayment penalty 5% / 4% on original LA in first 12 / 24 months (e.g. early repay in 2nd year = 4% x original LA) and next month interest |

Only 1 player focuses specifically on Fully online installment loans, which presents opportunity for entering the market with unique easy-to-get installment loan product

Our strategy. Borrower requirements




| | Items | Welend | Public Finance | UA Finance | Promise | Our proposal |
|----|-------------------------------|---|--|-------------------------------------|---|---------------------------------|
| 1 | Customers | HK Permanent Resident | HK Permanent Resident and Foreigner | HK Permanent Resident and Foreigner | HK Permanent Resident and Foreigner | HK Permanent Resident Foreigner |
| 2 | Minimum Age | 18 | 18 | 18 | 18 | 18 |
| 3 | Citizenship | HK | HK / Foreigner* | HK / Foreigner* | HK / Foreigner* | HK |
| 4 | ID | Yes | Yes | Yes | Yes | Yes |
| 5 | Residential Proof | Latest Month | Any one of latest 3 month | Any one of latest 3 month | Any one of latest 3 month | 2 Latest Month |
| 6 | Payslips | Latest 2 consecutive months | Any one of latest 3 month | Any one of latest 3 month | Any one of latest 3 month | 2 Latest month |
| 7 | Bank Statements | Latest 2 consecutive months | Any one of latest 3 month | Any one of latest 3 month | Any one of latest 3 month | 2 Latest month |
| 8 | Bank Account | Yes | Yes | Yes | Yes | Yes |
| 9 | TU Report | Prepared by ML | Prepared by ML | Prepared by ML | Prepared by ML | Prepared by ML |
| 10 | Additional Requirement | <ul style="list-style-type: none"> Must be in present job for more than 2 months Debt- to-income ratio must below 80% | <ul style="list-style-type: none"> Latest tax demand notice | | <ul style="list-style-type: none"> Bank ATM card with name and account number accepted as income proof | |

*Foreigner refers expat with working visa

P2P players business process



| | Monexo  | Dynamic Fintech | MoneySQ | GoLend | 5Dlend |
|---------------------------------|--|---|--|---|---|
| Investor type | 1) HK Citizen 2) HK company | Professional Investor | Professional Investor | Professional Investor | 1) HK Citizen 2) Other MLs |
| Borrower type | 1) HK Citizen 2) HK Company | HK Citizen | HK Citizen | HK Citizen | 1) HK Citizen 2) Business Partner |
| ML / AMC * license | ML | ML | ML / AMC | ML | ML |
| Investor money stored at | 3rd Party Trust Company Account | Investors' account | SFC licensed AMC | investors' account | investors' account |
| Contract signing | Fully online | O2O | N/A | O2O | O2O |
| Investors acquisition | publicity, news, articles, presentations and seminars | publicity, news, articles, presentations and seminars | AMC could openly advertise | publicity, news, articles, presentations and seminars | publicity, news, articles, presentations and seminars |
| Borrowers acquisition | 1) Website 2) Re-targeting | Website | Website | Website | Website |
| Set of agreements | 1) Borrower and P2P 2) Lender and P2P | 1) Borrower and P2P 2) Lender and P2P | 1) Borrower and P2P 2) Lender and AMC 3) P2P and AMC | 1) Borrower and P2P 2) Lender and P2P | 1) Borrower and P2P 2) Lender and P2P |

* ML – Moneylending, AMC – Asset Management Company



Short term sales plan

| | Sep - 16 | Oct - 16 | Nov -16 | Dec - 16 |
|-------------------------------------|----------|----------|---------|----------|
| Number of loans disbursed per month | 50 | 100 | 150 | 200 |

Long term sales plan

| Parameter | EOY 1* | EOY 2 | EOY 3 | EOY 4 | EOY 5 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Number of loans disbursed | 500 | 4 740 | 9 317 | 13 567 | 17 748 |
| | | | | | |
| Number of loans disbursed per month | 200 | 500 | 750 | 1,000 | 1,250 |
| Online advertising | 40% | 45% | 50% | 45% | 45% |
| Outsource DSA / Call Center | 50% | 35% | 20% | 15% | 5% |
| Repeat sales | 10% | 20% | 30% | 40% | 50% |
| Total | 100% | 100% | 100% | 100% | 100% |



Marketing media mix at the launch

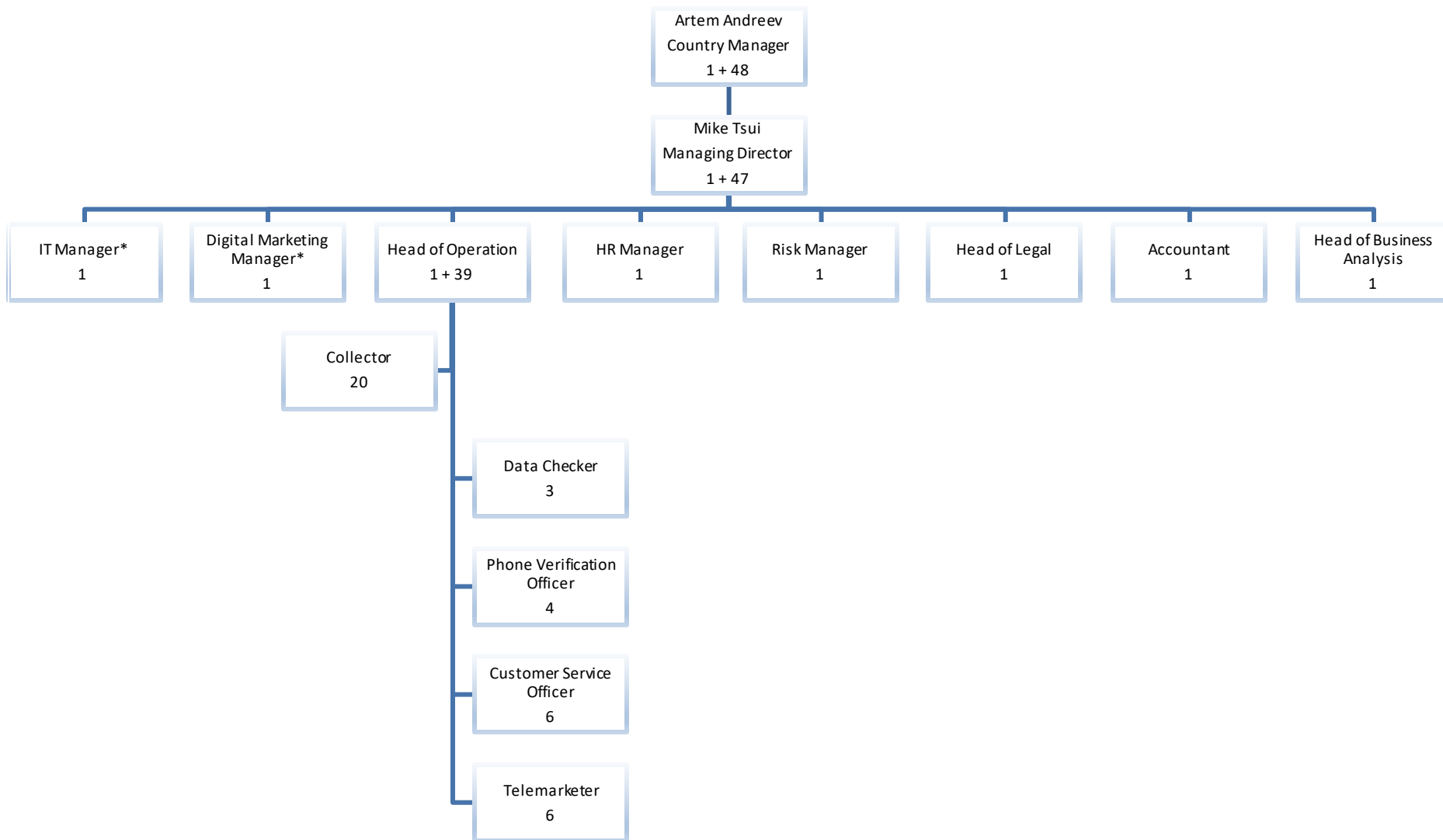


| # | Marketing tools | Sales volume % | New clients per month | Client cost \$ |
|---|---|----------------|-----------------------|----------------|
| 1 | Digital sales (Mobile+Web – Appendix 7) | 38% | 332 | 298 |
| | <i>Google AdWords</i> | 27% | 86 | 625 |
| | <i>Facebook</i> | 43% | 144 | 313 |
| | <i>Direct and Organic Search</i> | 14% | 48 | 0 |
| | <i>Others (Content marketing + WeChat + Lead generation partners)</i> | 16% | 54 | 197 |
| 2 | Outsource DSA | 40% | 344 | 465 |
| 3 | Outsource Call Center | 22% | 187 | 310 |
| | Total per month | 100% | 863 | 367 |













We will start with Digital Sales as a main channel and will do the pilots for Outsource DSA and Outsource Call Center

Organizational Chart



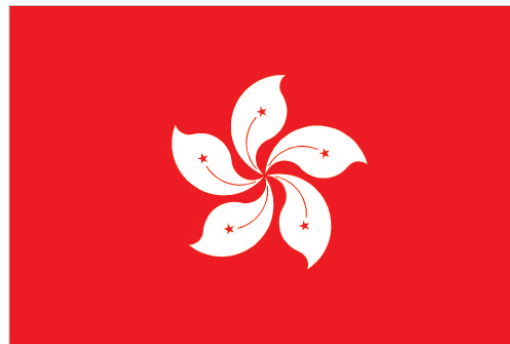
HK Project plan



| Activity | W3-4 Jul-16 | W1-2 Aug-16 | W3-5 Aug-16 | W1-2 Sep-16 | W3-5 Sep-16 |
|--|--|---|---|---|---|
| Business case final version |  | | | | |
| Business Plan | |  | | | |
| Business Requirements Document | |  | | | |
| Website development | |  | | | |
| Launch team hiring | |  | | | |
| Customer documents creation | | |  | | |
| Agreements with Vendors signing + Supply | | |  | | |
| Marketing campaign preparation | | | |  | |
| Trainings, tests, piloting | | | |  | |
| Start sales | | | | |  |

Appendixes

Hong Kong



Appendix Licensing options 1/2

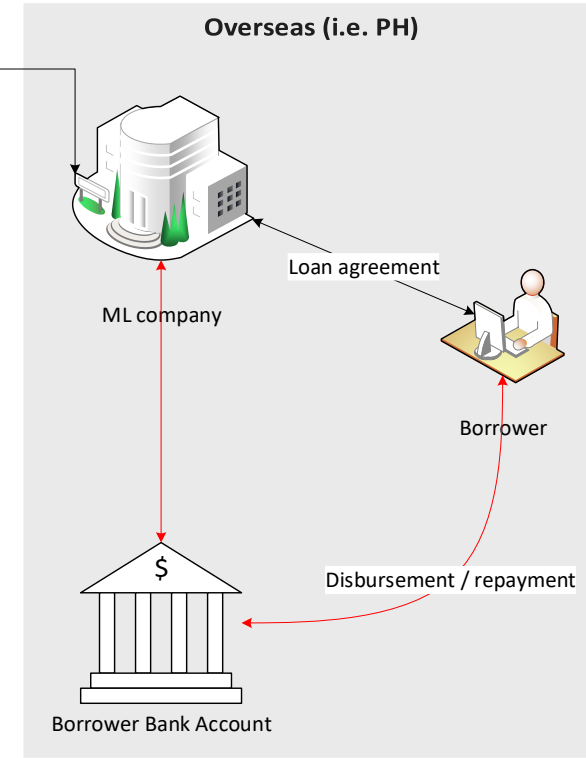
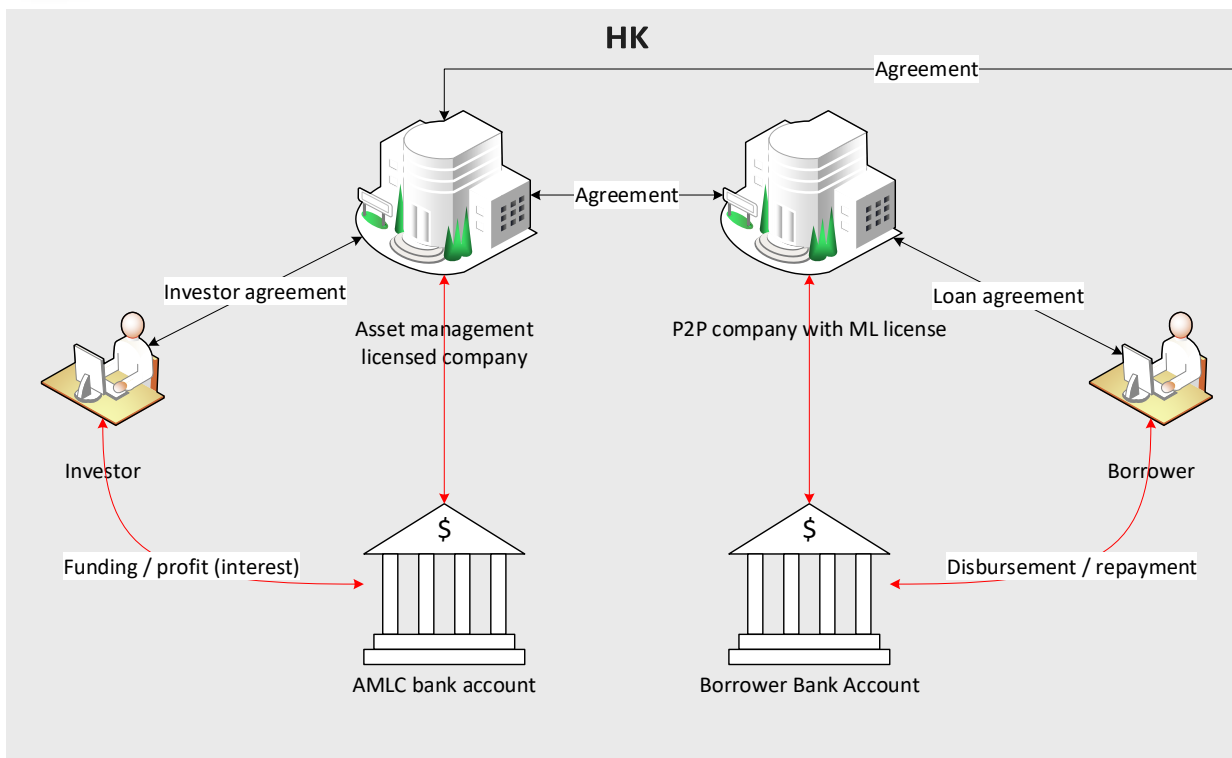


| # | Parameter | Licensed bank | Restricted Licence Banks | Deposit Taking Companies |
|---|--|---|--|---|
| 1 | Main purpose | Full-scale license allowing to open current and savings accounts, accept deposits of any size and maturity from individuals and pay or collect cheques drawn by or paid in by the customers | Special license granted for conducting merchant banking and capital market activities. Also allows taking deposits of any maturity of min. \$65K | DTCs are generally engaged in a range of specialized activities including consumer finance, trade finance, or securities business |
| 2 | Minimum capital requirements | \$39M | \$13M | \$3,3M |
| 3 | Maximum foreign capital share | 100% | 100% | 100% |
| 4 | Possibility to grant loans to individuals | Yes | Yes | Yes |
| 5 | Possibility to collect deposits from individuals | Yes | Yes (more than \$65k) | Yes (more than \$13k) |
| 6 | Necessity to obtain the license/Regulating body | Yes / HKMA | Yes / HKMA | Yes / HKMA |
| 7 | Comments | Not feasible due to very high price and difficulties with obtaining the license | Not feasible due to high price and difficulties with obtaining the license | May be considered in the future |
| 8 | The number of licenses (31.12.2014) | 159 | 21 | 23 |

Licensing options



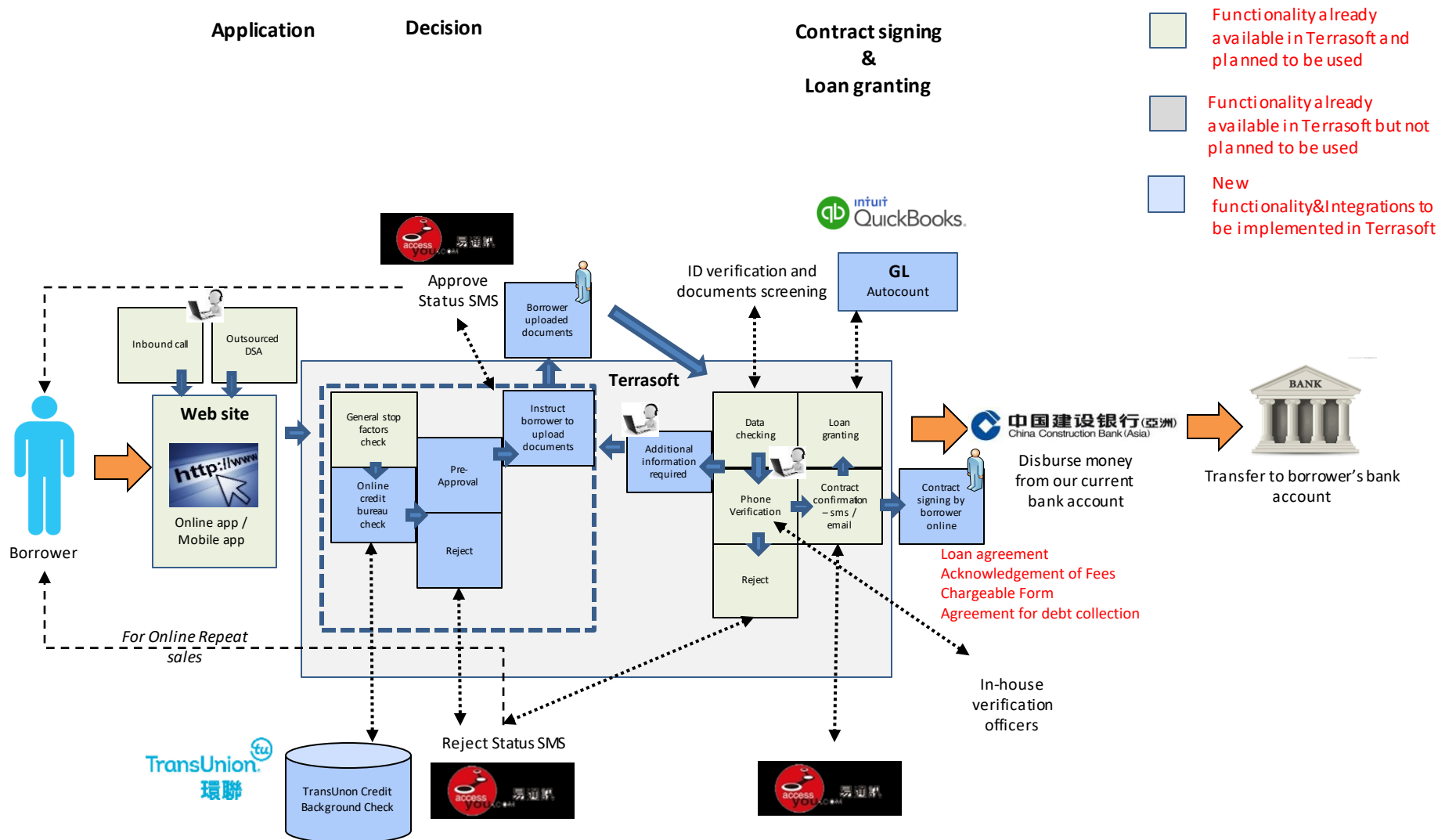
| # | Parameter | Money Lender (ML) | Asset Management Company | P2P Lending Platform |
|---|--|--|--|--|
| 1 | Main purpose | Specialized form for conducting lending activities to private individuals and commercial clients using own funds | Asset management company operates real estate investment scheme management or securities and futures contract management | Matching lenders and borrowers through online platform and charge arrangement fees on successful transactions |
| 2 | Minimum capital requirements | \$0.39M | \$0.39M (asset management activities only) | N/A |
| 3 | Maximum foreign capital share | 100% | N/A | N/A |
| 4 | Possibility to grant loans to individuals | Yes | No | Yes |
| 5 | Possibility to collect investment from individuals | No | Yes | No |
| 6 | Necessity to obtain the license / Regulating body | Yes / ML Registrar and Police Department | Yes / SFC | N/A |
| 7 | Comments | Extensively used for conducting consumer finance business | Instead of applying for licenses by the company, partnering with a licensed company is an alternative | New to market, no specific regulations and laws set by the government yet. All current players obtained ML Registrar even it is not mandatory. |
| 8 | The number of licenses | 1,715 (30.4.2016) | 1,223 (Type 9 License, Asset Management 31/5/2016) | N/A |



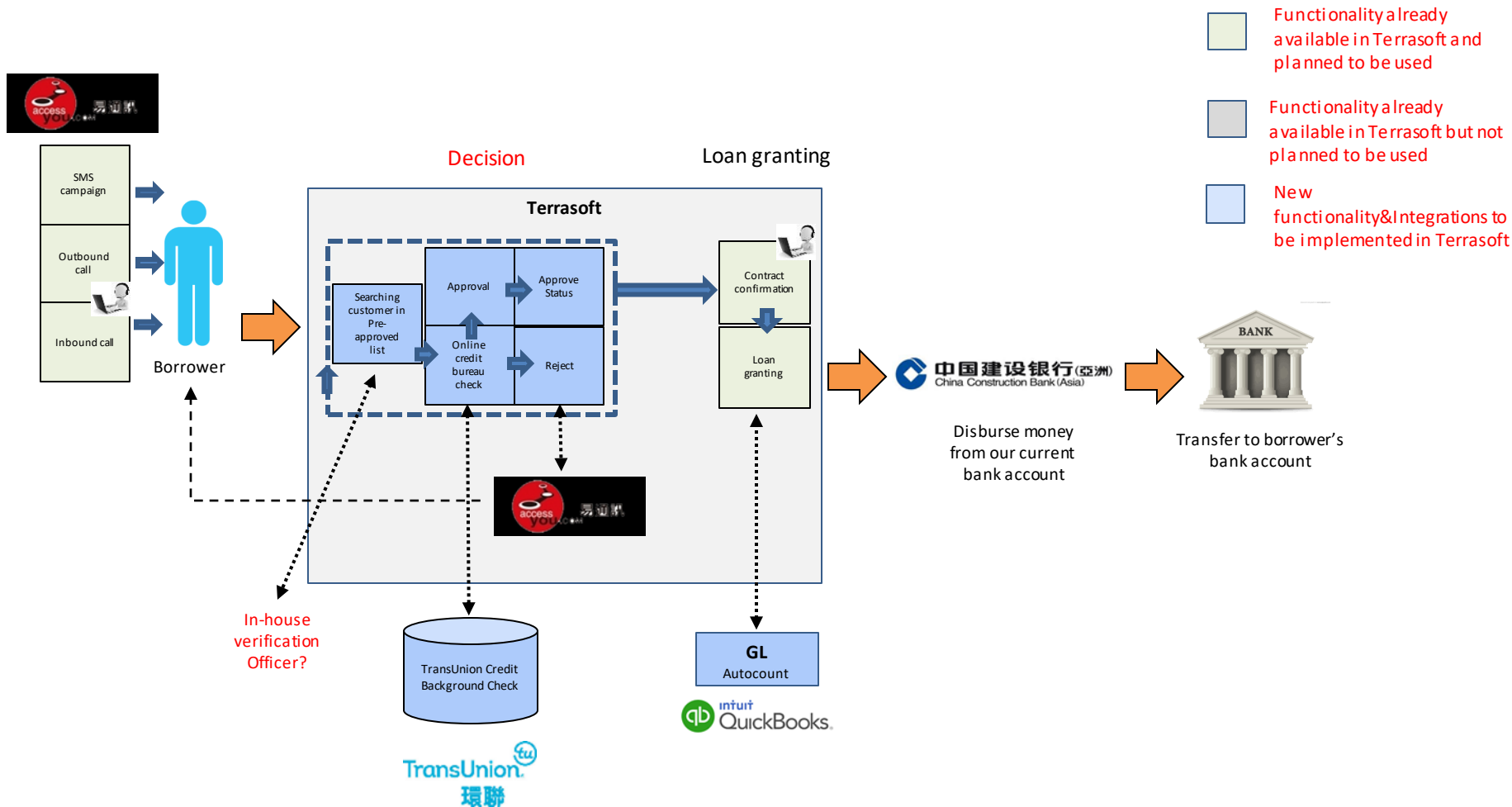
We will investigate next opportunities to attract capital for providing installment loans in Hong Kong:

1. Attracting professional investors through personal network
2. Through the partnership with Asset Management Company

Initial Sales Business Process (Online)



Repeat Sales Business Process (Online)





Personal Data (Privacy) Ordinance at a glance

Personal Data

The information which relates to a living person and can be used to identify that person. (2) It exists in a form in which access or processing is practicable.

- Examples of personal data protected by the Ordinance include names, phone numbers, addresses, identity card numbers, photos, medical records and employment records.

Data User

- A person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of the data. The Data User is liable as the principal for the wrongful act of its authorized data processor.

Unsolicited Electronic Messages Ordinance at a glance

1. Provide clear and accurate sender information in the message
2. Provide an unsubscribe facility and an unsubscribe facility statement in the message
3. Honor unsubscribe requests within ten (10) working days after the request has been sent
4. Do not send commercial electronic messages to any telephone or fax number registered in the Do-not-call Registers starting from the tenth (10) working day of its registration, unless consent has been given by the registered user of the relevant telephone or fax number
5. Do not hide calling line identification information when sending messages from telephone or fax numbers
6. Do not send email messages with misleading subject headings
7. In addition, UEMO also prohibits:
 - use of unscrupulous techniques to expand the reach of commercial electronic messages
 - fraud and other illicit activities related to the sending of multiple commercial electronic messages

Appendix 2: P2P players lending product parameters



| | Parameter | Monexo | Dynamic Fintech | MoneySQ | Golend | 5Dlend |
|----|-------------------------|--|-----------------------|--|-----------------------|---------------------------|
| 1 | Type of product | Unsecured installment loan | Secured mortgage loan | Unsecured installment loan | Secured mortgage loan | Unsecured instalment loan |
| 2 | Loan amount | \$1,290 - \$129,000 | Min. \$38,709 | \$645 - \$12,903 | Up to \$1,290,322 | \$387 - \$38,709 |
| 4 | Tenor, month | 3 – 48 | Up to 360 | N/A | 6 - 120 | 3 - 60 |
| 6 | Handling fee | 2% – 4% on loan amount | \$1,290 solicitor fee | N/A | N/A | Up to 10% on loan amount |
| 7 | Interest rate (IR), pa | 7.73% to 32.55% | N/A | 6% - 15% | 6% - 48% | N/A |
| 9 | Late fee | \$45 | N/A | N/A | N/A | N/A |
| 10 | Early loan repayment | Allowed on condition of notification 1 month prior to repayment date | N/A | Allowed on condition of notification 1 day prior to repayment date | N/A | N/A |
| 11 | Early repayment penalty | No penalty but charge next month interest | N/A | No penalty but charge next month interest | N/A | N/A |

Appendix 3: Our Strategy for Borrower Product



| # | Parameter | Bank | Credit Card | Money Lender | P2P | Our proposal |
|----|------------------------|--|--|---|--|--|
| 1 | Loan amount range | \$1,290 - \$387,096 | \$1,290 - \$64,516 | \$387 – \$77,419 | \$1,290 - \$129,000 | \$387 - \$77,340 (HKD3,000 to 600,000) |
| 2 | Average loan size | \$25,806 | \$6,451 | \$10,323 | \$10,323 | \$7,742 (HKD60,000) |
| 3 | Average tenor | 24 months | Revolving | 24 months | 24 months | 12 months |
| 4 | Upfront fees | 1% - 1.5% | N/A | 1% - 5% | 2% - 10% | Up to 2% |
| 5 | Interest rate per year | 2.6% - 47.99% | Up to 36% per annum | 3.36% - 59% per annum | Up to 33% | Up to 30% |
| 6 | Late fee | \$52 per late payment | \$23 per late payment | \$45 per late payment | \$45 per late payment | \$45 per late payment |
| 8 | Time to money | 1 - 3 days | 1 day – 14 days | 1 hour - 3 days | 1 day – 3 days | |
| 9 | Loan disbursement | Bank transfer | Grant credit card limit | Cash / Cheque in ML Office, Bank transfer | Bank transfer | Bank transfer |
| 10 | Verification | ID, Salary proof, Address proof, Credit Bureau check, Phone verification | ID, Salary proof, Address proof, Credit Bureau check, Phone verification | ID, Salary proof, Address proof, Credit Bureau check, Phone verification, Field visit | ID, Salary proof, Address proof, Credit Bureau check, Phone verification | ID, Salary proof, Address proof, Credit Bureau check, Phone verification |
| 11 | Business model | O2O / Offline | O2O / Offline | Fully Online* / O2O / Offline | O2O / Offline | Fully online |

Our strategy – we will focus on fast loan decision for reasonable loan amount

*Only WeLend is offering fully online personal loan service; Promise, UA, Prime Credit and Finance One offer online application but not accept electronic signing

Appendix 4: P2P players Investor product parameters



| # | | Monexo (P2P Lending) | Dynamic Fintech (P2P Lending) | Our Offer |
|---|-----------------------|--------------------------------------|---|----------------------------|
| 1 | Min Investment Amount | \$12,903 | \$38,709 | \$12,903 |
| 2 | Tenure (month) | 6 - 48 | 6 – 360 | 12-60 |
| 3 | Interest | 7% - 32.55% | 2.35% - 20% | up to 8% |
| 4 | Guaranteed return | No | if yes max 7%, if no max 20% | No |
| 5 | Early termination | No | No | No |
| 6 | Early termination fee | NA | NA | NA |
| 7 | Registration fee | Waived now, may charge in the future | No | No |
| 8 | Loan Servicing fee | 1.5% of all borrower payments | 30% of interest will be charged by platform as commission (for non-guaranteed return loan only) | 20% from Investor's income |
| 9 | Listing Period | 30 days | Investor can choose either new/existing loans pool | NA |

Compared to time deposit rate offered by banks (0.3% for 12 months), P2P platforms in Hong Kong provide relatively higher return to investors

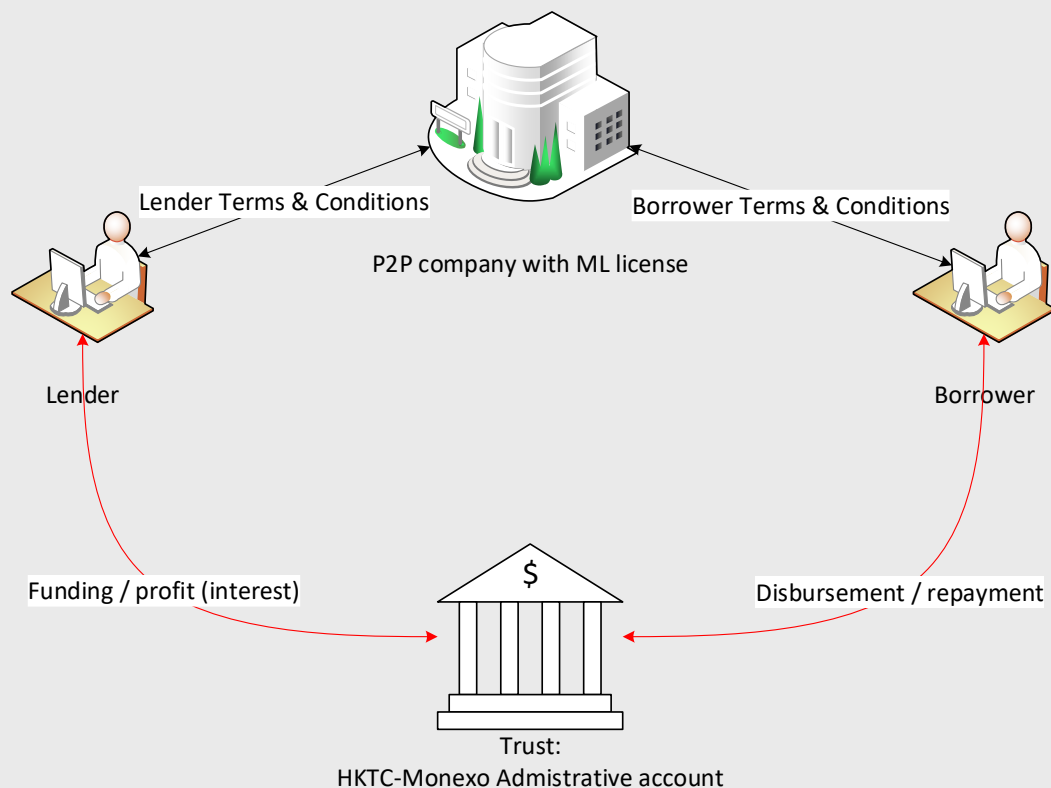


| General Information | |
|---|--|
|  | Established |
| | 2014 |
| | Location |
| | Hong Kong |
| | Owned by |
| | Mr. M Sundar / Mrs. Sonal Bengani / Mr. Mukesh Bubna |
| | Type of Business |
| | P2P lending platform |

| Business Process | Borrower Product | Investor Product |
|---|--|---|
| <p>Monexo is a licensed money lender which operates an online P2P lending platform matching borrowers and lenders</p> <p>A third party company – The Hong Kong Trust Company is their partner on holding investors' funds, proceeding all cash transactions, reconciliation, KYC and AML checks</p> | <p>Clients: Hong Kong permanent residents</p> <p>Business model: Fully online</p> <p>Minimum Borrower's Income : USD 1032 /month (Gross)</p> <p>Features:</p> <ol style="list-style-type: none"> 1. No Collateral 2. Time-To-Money: More than 1 day 3. Disbursement channel – Direct debit to borrower account 4. Repayment channels: Direct debit to designated account <p>5.Loan amount available :</p> <ul style="list-style-type: none"> • Up to USD 129,000 for property owner with rental income • Maximum USD 64,516 for Personal Loans <p>Loan Period : 6 to 48 months</p> <p>Interest rate: Max. 32.55% per annum</p> <p>Loan Processing fee: 2-4% of the borrowed amount</p> | <p>Clients: Hong Kong permanent residents and Hong Kong incorporated companies</p> <p>Business model: Fully online</p> <p>Min Amount to become the Investor USD 12900</p> <p>Min Amount to invest USD 129</p> <p>Features:</p> <p>Investment Period : 6 to 48 months</p> <p>Return: Max. 32.55% per annum (non-guaranteed)</p> <p>Loan Servicing fee: 1.5% on monthly repayment from borrower</p> |



MONEXO



| Parameter | Value |
|-------------|---|
| Legal Risk | High. SFC will take action against the Monexo |
| MS Lender | Enough Lenders (CEO network) Public Investors applicable 4 offers for 4 weeks No any Loan agreement Poor Service Quality |
| MS Borrower | Was rejected after 1 month of investigation |
| Volumes | Loan volume since service launched in Sep 2015 (9 months) – 4 mln USD May 2015 – 0.25 mln USD: <ul style="list-style-type: none"> Poor customer service No Mark budget |
| Staff | 3 co-founders, Indians (HK, SG, IN) 4 employees (2 in HK – Mark/Prod, Sales, 2 in IN – Underwriting, IT) |



General Information



| | |
|------------------|----------------------|
| Established | 2013 |
| Location | Hong Kong |
| Owned by | Mr. Paul Lam |
| Type of Business | P2P lending platform |

Business Processes

Dynamic Fintech was established in March 2013 as a licensed lending company and developed to be a P2P platform in 2015

They focus on borrower solicitation online and attracting investors through other sources

Borrower Product

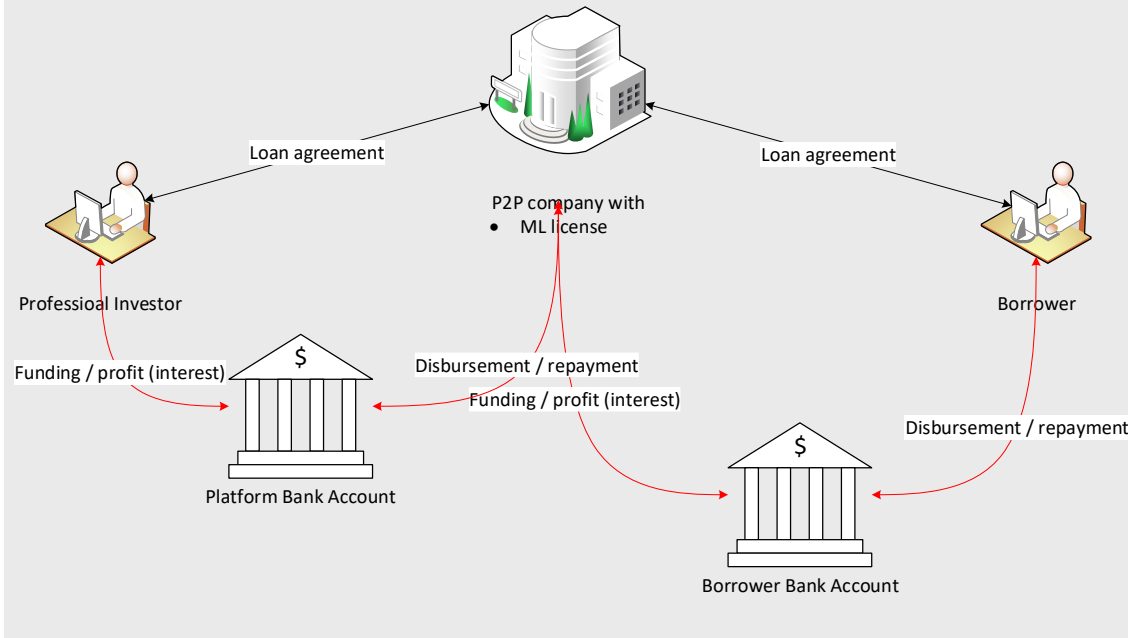
Clients: Hong Kong permanent residents
Business model: O2O
Minimum Borrower's Income : 1032 USD /month (Gross)
Features:
1. 1st and 2nd Mortgage Loan (for property owner)
2. Time-To-Money: >1 day
3. Disbursement channel – Bank transfer or pick up cheque at solicitor's office
4. Repayment channels: Direct debit to designated account
5. **Loan amount available :** N/A
6. **Loan Period :** Up to 360 months
7. **Interest rate:** N/A
8. **Solicitor Fee:** \$1,290 for loan agreement (average fee in HK)

Investor Product

Clients: Professional investors
Business model: Offline
Minimum Investment : N/A
Features: N/A



Dynamic FinTech



| Parameter | Value |
|-------------|-----------------------------|
| Legal Risk | No |
| MS Lender | Professional Investors only |
| MS Borrower | NA |
| Volumes | Portfolio - 5 mln USD |



| General Information | | Established | To be launched in July 2016 |
|--|--|------------------|-----------------------------|
|  | | Location | Hong Kong |
| | | Owned by | Konew Credit Limited |
| | | Type of Business | P2P lending platform |

| Business Processes | Borrower Product | Lender Product |
|--------------------|------------------|----------------|
|--------------------|------------------|----------------|

Jointly operated with SFC licensed asset management firm - "Bridgeway"

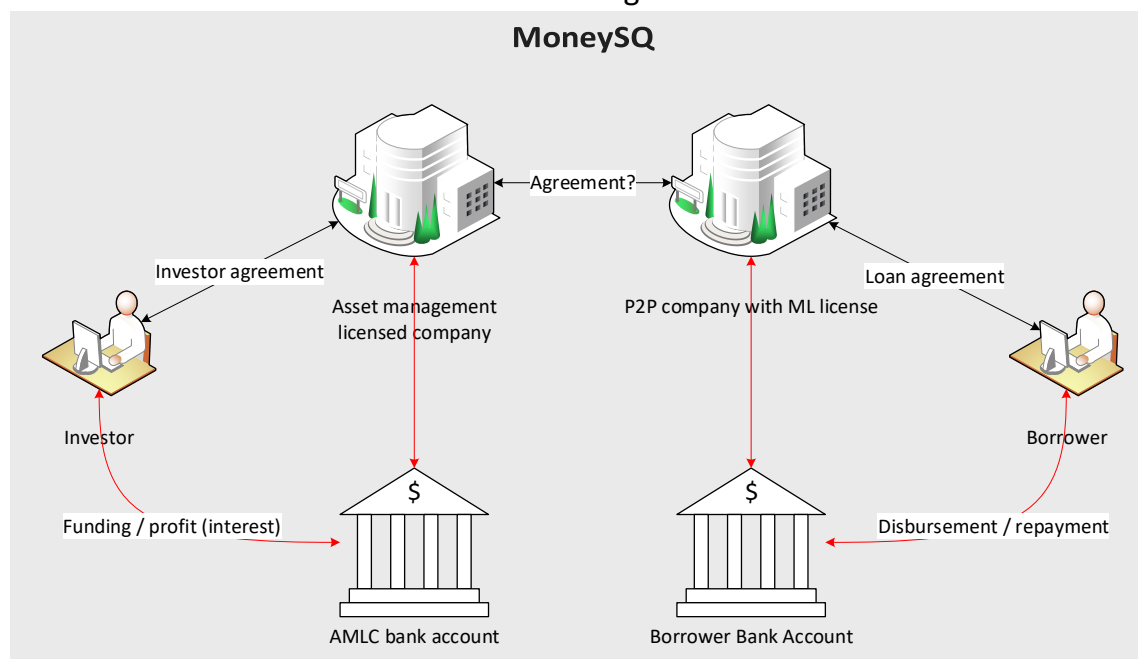
"Bridgeway" accepts funding from professional investors

P2P platform
MoneySQ.com focus on soliciting borrowers

Credit risk management through partnership with TransUnion

Clients: Hong Kong permanent residents
Business model: Fully online
Minimum Borrower's Income :
Features:

Clients: Professional Investors
Business model: Offline
Minimum Investment : \$129,032
Features: >5% guaranteed return





Hong Kong fund raises HK\$200m in loans for crowd funding platform MoneySQ

PUBLISHED : Wednesday, 15 June, 2016, 6:03pm

- An asset management firm has raised HK\$200 million from professional investors to be used as loans through Hong Kong's first peer-to-peer crowd funding lender MoneySQ.com.
- The Bridgeway Prime Fund raised the sum over three months from professional investors to lend through MoneySQ.com, as current regulations prevent other individuals from taking part in peer-to-peer lending.
- The professional investors that Bridgeway works with are defined as individuals with HK\$8 million in liquid assets or a partnership, trust or corporate body with a portfolio worth more than this amount.
- Less than 100 individuals invested in the fund, each putting in at least HK\$1 million, for returns promised at 5.5 per cent for a one-year term. Lee said investors included retirees, those with large property portfolios, family offices and companies.
- The loans will range from HK\$5,000 to HK\$100,000 at interest rates of between 6 and 15 per cent, targeting predominantly younger borrowers who are comfortable in the online world.

Process of launching AMC / New AMC Fund Registration



| Step | Description | Timing | Comment |
|---------------------------|---|-------------------------|---|
| 1 | Establish a private limited company with 2 local directors, registered with Company Registry in Hong Kong | 2 to 3 days | Directors must have clean background |
| 2 | Hire Responsible Officer (RO) with SFC licenses Type 4 and 9 | 1 to 1.5 months | Must hire 2 ROs |
| 3 | RO prepare required forms and documents for SFC licensing approval | 0.5 to 1 month | |
| 4 | Forms and documents submitted to SFC and waiting for approval | 4 to 6 months | |
| 5 | RO submitted "Investment Fund" proposal and waiting for SFC approval | 1 to 2 months | Prepared by RO and reviewed by solicitor |
| 6 | RO submitted advertising plan and waiting for SFC approval | 0.5 to 1 month | Advertising will be arranged by ourselves |
| Time to completion | | 7 to 11.5 months | |

| Step | Description | Timing | Comment |
|---------------------------|---|------------------------|---|
| 1 | Partner with an existing Asset Management Company and pay the agreed fees (one-off and recurring basis) | 2 to 3 days | |
| 2 | Partner RO submitted "Investment Fund" proposal and waiting for SFC approval | 1 to 2 months | Prepared by RO and reviewed by solicitor |
| 3 | RO submitted advertising plan and waiting for SFC approval | 0.5 to 1 month | Advertising will be arranged by ourselves |
| Time to completion | | 1.5 to 3 months | |

AMC Budget. Launch vs Cooperation



| Items | Asset Management Company (AMC) | New AMC Fund Registration |
|---|--------------------------------|---------------------------|
| Min paid up capital (declared) | \$645,161 | N/A |
| Min liquidity (standby) | \$387,097 | N/A |
| Capital Total | \$387,097 | N/A |
| One-off Costs | | |
| Investment fund (Cayman Island) set up fee | N/A | \$100,000 |
| Subscription fee (0.8% on Asset Under Management)* | N/A | \$80,000 |
| Independent computer system | \$12,903 | N/A |
| Solicitor fee for verifying documents submitting to SFC | \$38,709 | N/A |
| One-off Costs Total | \$51,612 | \$180,000 |
| Recurring Costs | | |
| Management fee - annually (1.5% on Asset Under Management)* | N/A | \$150,000 |
| Fund audit fee – annually | N/A | \$20,000 |
| Custodian Fee | N/A | \$3,500 |
| Fund Administration Fee | N/A | \$3,500 |
| Performance Fee (20% on exceed amount) | N/A | N/A |
| Salary of Responsible Officer with license 4&9 | \$25,806 | N/A |
| Salary of Financial Controller | \$10,323 | N/A |
| Salary of Clerical Officer | \$3,871 | N/A |
| Offshore Director Fee – annually | \$20,000 | \$20,000 |
| Office rental | \$3,871 | N/A |
| Monthly Costs Total | \$45,538 | \$22,833 |

*Assume AUM around USD 10 million

Costs for launching AMC in Hong Kong



| | Item | Cost | Description | Paid by | Paid to |
|---|---|-----------------|------------------|-------------------|-----------|
| | One Time Costs | | | | |
| 1 | Independent computer system | \$12,903 | One time | P2P | Vendor |
| 2 | Solicitor fee for verifying documents submitting to SFC | \$38,709 | One time | P2P | Solicitor |
| | Total | \$51,612 | | | |
| | Recurring Costs | | | | |
| 1 | Salary of Responsible Officer with license 4&9 | \$25,806 | Charged monthly | P2P and investors | Employee |
| 2 | Salary of Financial Controller | \$10,323 | Charged monthly | P2P and investors | Employee |
| 3 | Salary of Clerical Officer | \$3,871 | Charged monthly | P2P and investors | Employee |
| 4 | Offshore director fee | \$20,000 | Charged annually | P2P and investors | Employee |
| 5 | Office rental | \$3,871 | Charged monthly | P2P and investors | Landlord |
| | Total | \$45,538 | | | |

Costs for setting up investment fund in Hong Kong



| | Item | Cost | Description | Paid by | Paid to |
|---|-----------------------------|-------------------------|------------------|-------------------|---------|
| | One Time Costs | | | | |
| 1 | Investment fund set up cost | \$100,000 | One time | P2P | AMC |
| 2 | Subscription fee | \$80,000 (0.8% on AUM) | One time | P2P | AMC |
| | Total | \$180,000 | | | |
| | Recurring Costs | | | | |
| 1 | Management fee | \$150,000 (1.5% on AUM) | Charged annually | P2P and Investors | AMC |
| 2 | Custodian Fee | \$3,500 | Charged monthly | P2P and Investors | AMC |
| 3 | Fund administration fee | \$3,500 | Charged monthly | P2P and Investors | AMC |
| 4 | Fund audit fee | \$20,000 | Charged annually | P2P | AMC |
| 5 | Offshore director fee | \$20,000 | Charged annually | P2P | AMC |
| 6 | Performance fee | 20% on exceeded amount | Charged annually | Investors | AMC |
| | Total | \$22,833 | | | |

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Usage of any media is allowed as long as legal requirements for content and personal data usage are followed.

MIND THE CONTENT REQUIREMENTS

- The Money Lender name/ company should be clearly communicated
- Annual percentage rate should be clearly shown
- Money Lender License number should be clearly shown.

MIND THE PERSONAL DATA REQUIREMENTS

Special attention is needed when doing direct marketing where the Unsolicited Electronic Messages Ordinance applied. The sender must provide clear and accurate sender information in the message, unsubscribe facility and an unsubscribe facility statement

Apart from the above, all sorts of marketing communications, promotions or campaigns should strictly follow Personal Data (Privacy) Ordinance when involving any customers or applicants personal data.

LEGAL REGULATION DOCUMENTS

- Money Lenders Ordinance CAP 163
- Personal Data (Privacy) Ordinance
- Unsolicited Electronic Messages Ordinance

The HK regulation is very lenient as far as MLs advertising activities are concerned

MONEY LENDERS VS BANKS

Moneylenders' key products are instalment loans (secured and unsecured). They operate in banks' territory

BUDGETS WARS

Instalment loan market niche is the battle arena for banks and moneylenders. The market is dominated by big banks which leads to high acquisition costs

HIGH WEB CHANNEL COSTS

The cost of approx. \$100-\$120 per app observed in the market is well above average for similar business in any other known APAC markets. This pushes MLs to offer big-ticket loans to justify such costs

Major players use standard marketing messages:

- Low interest rate
- Fast turnaround
- Flexible terms
- Easy approval
- Big loan amount

