

Business Plan of PDL business in China

prepared by APAC team



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Investment Summary

Investment summary

Chinese Money Lending Market is **one of the most promising in Asia** due to a number of factors

- 1 Huge population**
 - over 1.37Bn with average monthly income of \$730 for the employed part, high figure when compared to other Asian markets
- 2 Well-developed infrastructure for online business model:**
 - bank account penetration at 79%, smartphone penetration at 58%,
 - remote contract signing possible
 - interest rate cap regulation is not tight
- 3 Majority of formal FS players (banks, finance companies) focus on products for upper- and middle-class customer segments**

usually with large ticket size and often secured), so a significant portion of population is not covered by formal financial services, especially in Tier 2-4 cities (with total population of 595 mln.)
- 4 Regulatory environment allows us to operate in this market with relatively low capital requirements and via a variety of legal setup options**
- 5 There are several (5-10) competitors who use the same "pure online" business model but only one company claims to provide loans within 1 hour ("CashBus").**

Average Time-to-money (TTM) for other online moneylenders is 1-3 working days

Investment summary

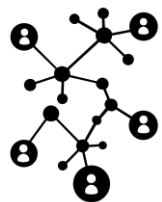
We believe positive results can be achieved fast since:



Risk mitigation via cooperation with several “Big Data” online risk services providers is available for efficient risk management



Pure online business model will allow to scale up operations quickly



Even though FB and Google are unavailable in China, there are several similar local marketing resources (WeChat, Baidu, etc.) which allow efficient on-line marketing

Chinese lending market is one of the most promising in Asia due to a large portion of population unpenetrated by formal financial services and undersupply of easily accessed funding

Investment summary

Investments, thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Portfolio investments	4 114	7 160	3 941	36	0	15 252
OPEX and CAPEX investments	3 075	3 422	0	0	0	6 497
Total Micromoney investments	7 190	10 582	3 941	36	0	21 749

Volume indicators	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Number of loans issued, thsd	71	371	714	1 096	1 195	3 447
Amount disbursed, thsd USD	11 613	53 022	97 001	145 070	152 229	458 935
Net portfolio (EoY), thsd USD	3 246	9 304	16 507	21 824	22 148	22 148

P&L, thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue	2 905	18 603	37 831	60 346	67 452	187 137
Provisions	-2 630	-11 254	-18 742	-25 387	-27 293	-85 307
Variable costs	-1 838	-7 762	-11 640	-16 304	-17 175	-54 719
Marketing acquisition costs	-641	-2 354	-3 627	-4 658	-4 526	-15 806
Salary (variable part)	-604	-2 568	-3 717	-5 090	-5 523	-17 502
Other variable costs	-426	-1 774	-2 128	-3 099	-3 260	-10 687
VAT	-166	-1 066	-2 168	-3 458	-3 865	-10 724
Fixed costs	-1 607	-3 203	-3 202	-3 307	-3 268	-14 586
Salary (fixed part)	-895	-2 036	-2 036	-2 036	-2 036	-9 039
Other G&A expenses	-712	-1 167	-1 166	-1 271	-1 232	-5 548
One-off expenses	-211	0	0	0	0	-211
Net profit before taxes	-3 381	-3 616	4 247	15 348	19 717	32 314
Terminal value						96 103
ROE (annualized)						59%
ROAA (yearly)	-208%	-58%	33%	63%	67%	29%

- Break-even period – 24 months; Self-capitalization period – 35 months; Payback period – 61 months
- Total investments from Micromoney – \$21,7M; Unoptimized Yr5 corporate tax – \$4,9 M

Market Overview

General market information

Parameter	Myanmar
Geography	9,6 mln sq.km. territory, borders 14 countries
Population (bn)	1.37
Urban/Rural population	55%/45%
Official language	Mandarin, Cantonese
Average monthly income	4,7K RMB (\$730) for employed part of the population
GDP Per Capita (Nominal)	56,7K RMB (\$8,8K)
Employment	58,3% of the population, including 29,5% in agriculture, 30% in industry, 40,6% in services sector
Internet penetration*	52.2%
Mobile penetration	92%
Smartphone penetration	58%
Bank account penetration	79%
Online banking penetration	65.7%
Bank Card penetration	79%
Credit card penetration (2015)	38%

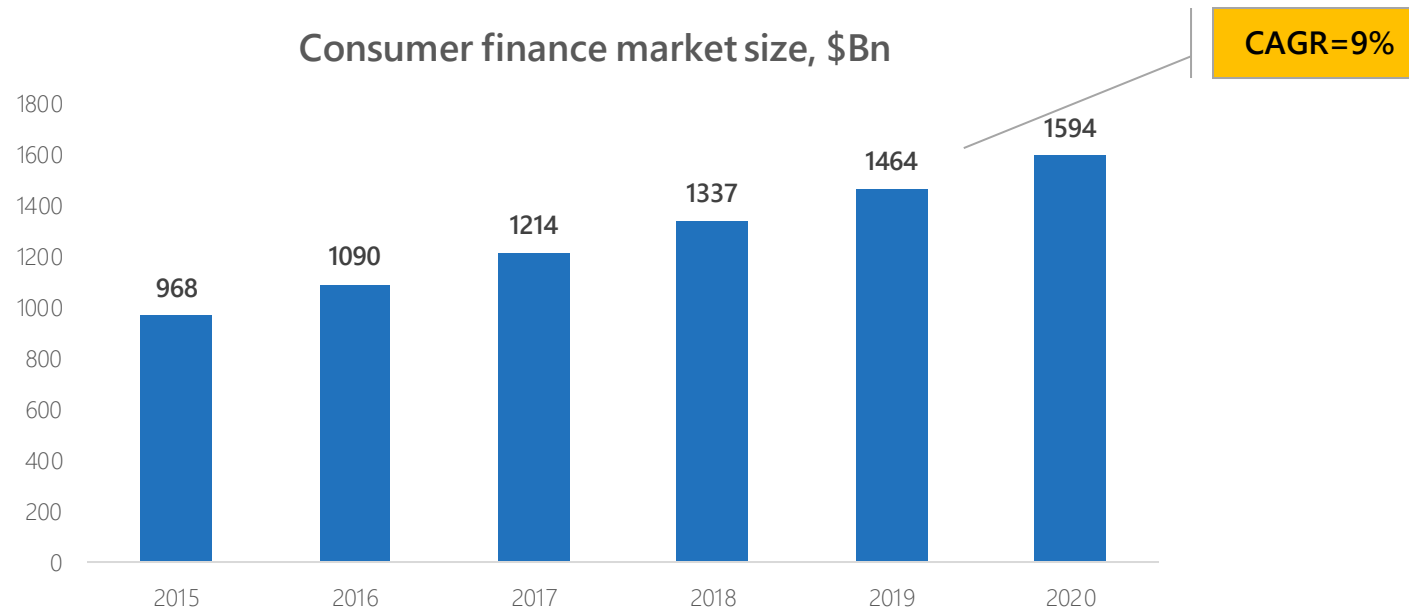


Because of high internet, smartphone and bank account penetration, Chinese market is perfectly fit for the “pure online” business model

Data sources: Accenture, Deloitte, CIA World Facebook, World Bank, Inquirer.net, InternetWorldStats.com, “On Device Research”, McKinsey, & iMoney, Euro Monitor Consumer Loan Lending, [http://www.stats.gov.cn\(2014\)](http://www.stats.gov.cn(2014))

* Hereinafter 2016 data

Market Size Estimation



- Unsecured consumer finance market size is estimated to reach \$1,6 Tn by 2020
- PDL share of the market is estimated at 0,5-1% of the total market
- Current sales assumptions lead to 0,25-0,5% market share by 2020

	Year 1	Year 2	Year 3	Year 4	Year 5
Net credit portfolio, \$M	3,2	9,3	16,5	21,8	22,1
#loans sold, K	71	371	714	1,096	1,195

| Legal Setup

"Standard" licensing options

Parameter	Bank	Consumer Finance Company (CFC)	Micro Lending Company (MLC)
Purpose	Full-range banking activity for retail and corporate banking	Personal lending activity	Personal lending and SME activity
Regulator	China Banking Regulatory Commission (CBRC)	China Banking Regulatory Commission (CBRC)	Financial offices in provinces
Official min paid capital requirements	\$150M	\$46M	\$15-30M
Max foreign capital share	100%	100%	No restrictions for foreign capital, but several local shareholders may be required (depends on specific province)
Possibility to sell retail credit products	Yes, all products	Yes, except credit cards	Yes, except credit cards
Possibility to collect retail deposits	Yes	No	No
Number of active licenses	832 (EOY'14)	15 (EOY'16)	8 965 (EOY'15)
Recommendation	Not recommended due to large minimal capital requirement and difficulty in obtaining the license	Not recommended due to difficulty in obtaining the license at present time (this type of license type was introduced into the market relatively recently)	Possible option to consider, but due to long processing time and capital requirements can be considered to be used at a later stage in the project

Neither of the "standard" licensing options can be recommended for entering China, so for quick start we need to consider non-standard options. The MLC option can be considered for use when the business case in China is proven, further business growth is required and high license cost is justified

Other licensing options

Parameter	Insurance company	P2P	Lending using "Trust Company"	Pawnshop
Purpose	Insurance business, consumer lending via LGFV*	Bringing together private investors & borrowers	Consumer finance using sponsor's licence	Collateralized cash lending activity
Regulator	China Insurance Regulatory Commission (CIRC)	Not Regulated (Financial offices in provinces according to the draft of p2p regulation)	China Banking Regulatory Commission (CBRC)	Commerce departments and public security bureaus in provinces
Minimum paid-in capital	\$31,5M	Not regulated (\$4,5M within 5 yrs. according to the draft of the regulation)	\$150K – minimal investment amount, some minimal charter capital of the company may be required	\$0,5M
Max foreign capital share	100% non-life, 50% life	100% in WFOE and indirect control of the local entity	100% in WFOE and indirect control of the local entity	No regulations for foreign owned pawnshops implies that PS can not be foreign-owned
Possibility to sell retail credit products	Yes (via LGFV)	Yes, except credit cards	Yes, except credit cards	Yes, only loans with collateral
Possibility to collect retail deposits	No	Collecting investment from individual investors is not prohibited, but has some informal restrictions for new platforms	No	No
# Active licenses	116 (2014)	2570+ (2015)	>30** (2015)	~500-5000
Recommendation	Not recommended because requires partnership with local government and relatively high capital requirements	Feasible, with serious limitations on advertising, single investor scheme requires HNWI local investor	Feasible, but requires passing Trust company compliance	Not feasible due to strict interest cap regulation, and our inability to keep pledged asset with the borrower

* Local Government Financial Vehicle

** Currently we've identified 2 companies providing "licensing sponsorship" – "FOTIC" (30 clients) and CITIC (1 client). Both companies are founded by Chinese banks

Licensing strategy



Phase 1 (up to ~6 months)

P2P: single investor

- Start with p2p with single/several (nominee) investors. Loan disbursement will be done from the investor's bank account
- Main purpose – create local team and test business processes (especially decision making process, customer experience, collection procedures, pilot marketing campaigns, etc.)
- There are several serious limitation imposed by this scheme onto marketing and repayment partners
- However, p2p could still be a viable option in the case we run into problems with establishing cooperation with the Trust company



Phase 2 (up to 1-2 years)

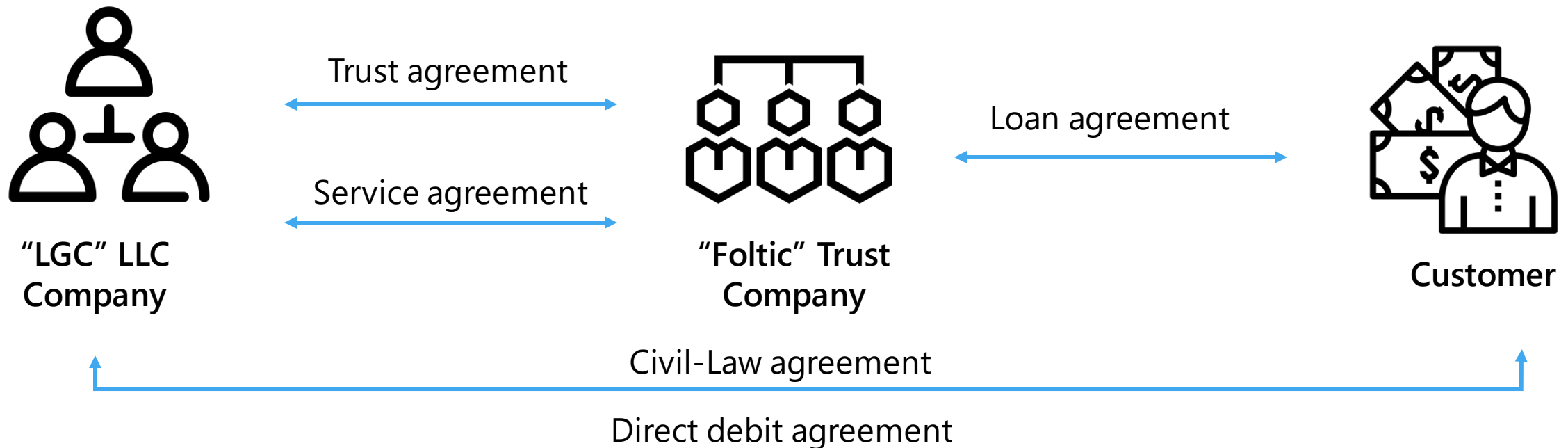
Lending via trust company

- Cooperation with a Trust company is an official way to issue loans, essentially, this is credit institution license outsourcing
- Working with a Trust will allow us to gain access to leading Chinese Internet resources (Baidu, WeChat, etc.), cooperation with whom is necessary to run large-scale advertising campaigns

We propose to start with p2p option and in parallel work on partnering with a local Trust company
At a later stage, when the business case is proven, we may consider getting an MLC license

Trust setup

- Definition of the Trust company in China – company, holding a special permission, allowing granting loans both to individuals and legal entities and “leasing the license” (via trust asset management agreement), which is a unique feature of the Chinese financial market
- In our case “LGC” (our company) will acquire potential customer, will conduct credit decisioning and send successful applicants to Trust for issuing the loan. In order to obtain a loan, the customer will need to conclude a 3-party agreement with Trust and LGC.
- Contractual relations scheme:

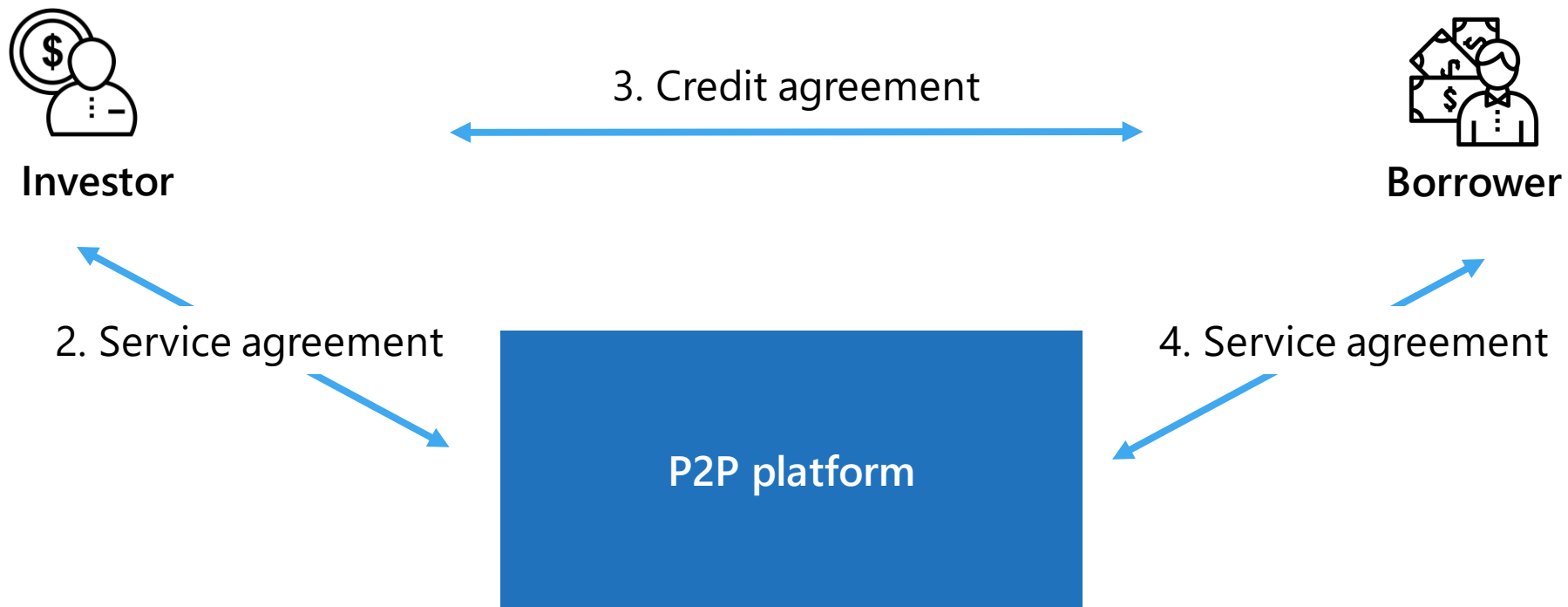


Advantages: ability to officially issue loans on Trust balance (secured by our deposit placed at Trust), official access to credit bureaus, receiving support in negotiations with authorities, networking, etc. Also at a later stage – possibility of fundraising from the Trust company.

Risks: absolute dependence on the chosen Trust partner in terms of licensing and product development possibilities, relatively expensive fees for Trust services (1% of turnover)

P2P setup








- Our company will provide customer acquisition services to (nominee) investors and borrowers and will charge service fee from borrowers for that. Loan disbursement will be done from (nominee) investor's personal account to customer's account. The other existing p2p companies, for example such as "CashBus", "Shoujidai" also use the same scheme
- Contractual relations:



Advantages: no need to obtain license, easy to start operations

Risks: nominee investor related risks, critical after reaching considerable sales volume, strict control from the authorities due to recent crash of several large local p2p companies, advertising restrictions (all the major internet resources require presenting credit institution licence as an obligatory condition)

Key regulatory points

	Issue	P2P	Trust
	Disbursement & Repayment	Interbank transfer only.	Processed by the Trust company in cooperation with local Payment system, direct debit service is available
	Interest cap	24% per annum, covers only interest rate	
	KYC	No need in case of using customers' existing bank accounts	
	Big Data access	Telco data, e-commerce data ("JD", "Taobao"), antifraud statistic	Credit bureau, Telco data, e-commerce data ("JD", "Taobao"), antifraud statistic
	Remote contract signing	Available. Digital signature is allowed by law, there is a market practice of using numeric codes distributed via SMS as a digital signature, no need to obtain any official certification for digital signature	
	Direct debit	Available. Direct debit is allowed in China and could be used for the purpose of repayment. Certified digital signature provider is needed to get access to direct debit service	
	Other specific regulations	Foreign investment limitations (see next slides) Internet content provided (ICP) license is needed to any company which engaged in internet information service activities in China (see next slides)	

Foreign investment limitations

Types of legal entities available in the market

- a. WFOE (Wholly Foreign Owned Enterprise) – legal entity in China with foreign shareholders
- b. LLC (Limited Liability Company) – legal entity in China with local shareholders

Basic limitations for the foreign capital investments

- a. It is prohibited for WFOE to use its registered capital to purchase securities (e.g. Trust products) (unless WFOE has explicit permission in its scope of operations in its license). Every time WFOE converts USD to RMB, bank requests a set of documents stating intended purpose of usage for the converted amount. Only profit from operations in China could be transferred to Trust without special permissions
- b. Same limitations are in place for loans. We investigated guarantee-loan schemes, but all banks found this schemes not doable because of Forex control.
- c. This mean that it is practically impossible to use WFOE to fund portfolio in China, the only solution is to use LLC for portfolio funding, because of lack of similar limitations for locally-owned entities

Cross-border capital transfer limitations

- a. It is prohibited to transfer money in RMB from overseas to personal bank accounts
- b. Annual limit for foreign currency exchange is equivalent of \$50K for both PRC citizens and foreigners

Because of foreign investment limitations, we won't be able to transfer money to the Trust company for the purpose of portfolio funding from WFOE, but only from the locally-owned entity

Portfolio funding setup

Possible Solution	Comments
Get amount in RMB from PRC individual, give him equivalent amount in USD in offshore	Difficult to find such a local person
Use services of special money transfer companies (essentially performing similar activities to p.1 but on a larger scale)	Common market practice for China
Capital injection in USD to WFOE and transfer of the injected capital to LLC via service agreement between LLC and WFOE	Expensive as 25-31% taxes will arise, so this can be considered after LLC builds up its cost base
Funds transfer in RMB/USD to local person bank account in China	Difficult to process large amount as annual limit for this kind of operations is \$50K for a given individual
Get loan in China which is secured by guarantee deposit/securities in offshore	Unformal relationship with bank is necessary. "Home credit" used this scheme previously but was prosecuted for the reason of violating forex rules

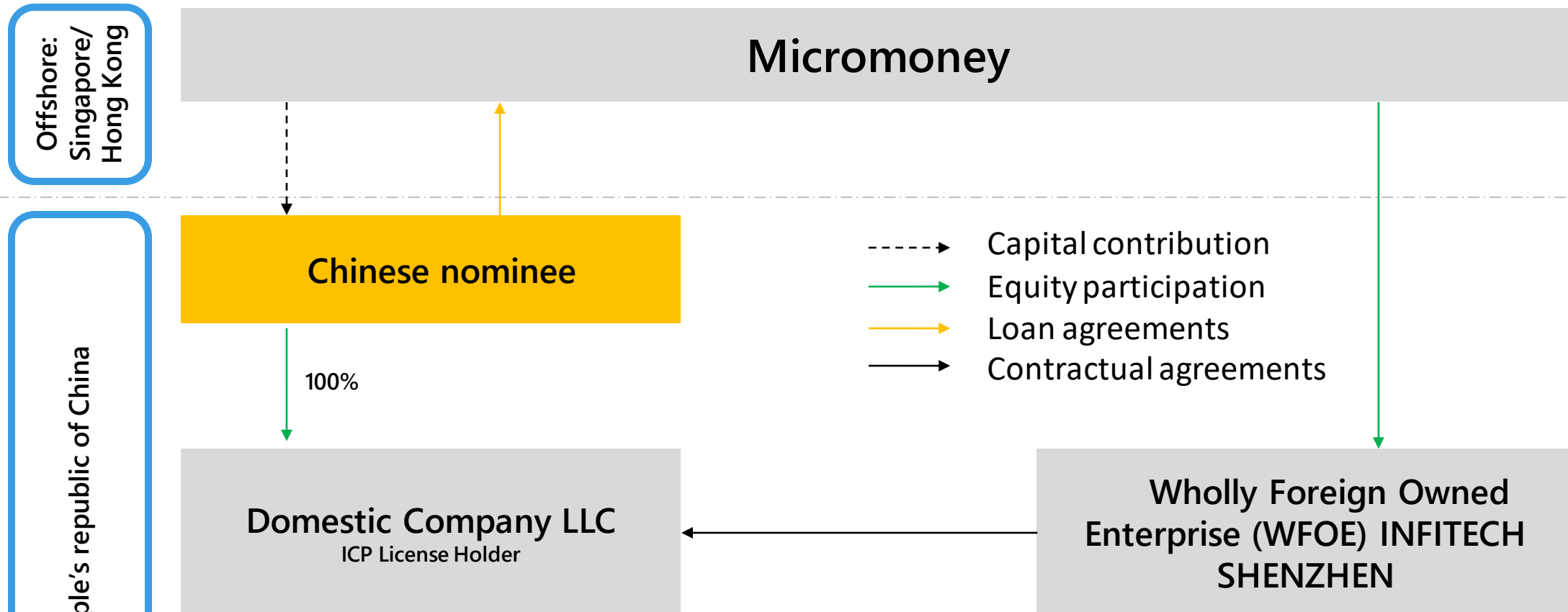
We suggest to use option #2 at the very beginning and switch to option #3 later (when LLC builds up cost base to reduce income tax).

Variable interest entities (VIE)

- VIE is a common solution used in China for foreign investment in restricted areas. Large international companies like "Amazon", "Evernote", "Alibaba" use this setup
- We use VIE structure to circumvent 2 restrictions: operating in the Internet space and control of investment for foreign companies
- In the VIE approach, functions will be distributed between 2 companies in the following way:

LLC (local company)	WFOE (foreign company)
License holder (ICP license), web-site, trademark and domain owner	Marketing, decision making, CRM and other IT solutions holder
Officials representative	Employer for Chinese staff
Actual lender in the trust scheme, portfolio holder in the trust scheme, service provider for the trust company	Marketing, decision making, customer support, collection, etc. services to LLC
Our legal representative to borrowers and investors in the p2p scheme	Marketing, decision making, customer support, collection, etc. services to LLC
Taking interest rate and commissions from borrowers/investors/trust company	Extracting all extra income from LLC via service and consulting agreements and repatriating it abroad

Legal Setup



Fund transfers: for funding operational expenses - to registered capital of WFOE from Micromoney, to PRC individual bank account from support SG companies, then to LLC's registered account

Product and business process

Product parameters for competing P2P platforms

Parameter	"CashBus"	"Shoujidai"	"Huala Huala"	"Ppdai"
Product type	PDL	PDL	PDL (and IL)	IL 3-24 months
Loan amount	500-1K RMB (\$77-158)	300-700, 1K-5K RMB (\$46-108, 155-774)	1000-10K RMB (\$155-1550)	100-100K RMB (\$15-15 200)
Loan tenor	7, 14 days	7-15 days, 7-30 days	21, 28 days (3 months for IL)	IL 3-24 months
Interest rate	0,029% per day (10,5% per annum)	0,03% per day (10,95% per annum)	0,03% per day (10,95% per annum)	Defined individually
Fees	Application fee 18-500 RMB (\$3-77)	Bank acc verification, ID verification, etc.fees – in total 0,3%-0,03% per day	Defined individually	Defined individually
	Account management fee 6-500 RMB (\$1-77)			
Effective interest rate	0,7% per day	0,3-1% per day	0,4% per day	0,11-0,22% per day
Overdue interest rate, % per day	1% per day for first 7 days 2% per day from day 8	0,5% per day till DPD15, 0,75% per day after	0,5% per day till DPD15, 1% per day after	Not specified
Late payment fee (one-time)		10 RMB (\$1,5)	10 RMB (\$1,5)	Not specified
Prolongation fee	20 RMB (\$3,1)	-	-	-

Companies mentioned here are major China PDL players, almost all other "traditional" p2p platforms offer installment loans only

Client requirements for competing P2P platforms

Parameter	"CashBus"	"Shoujidai"	"Huala Huala"	"Ppdai"
Basic borrower's requirement	Providing access to cellphone and "Alipay" statistics	Self-supplied employment information, ID scan upload, access to Alipay statistics, CUP bank card statistics	Providing allowance to cellphone stats; Working information; ID verification; CUP bank card statistics	<ul style="list-style-type: none"> ID card pictures, ID verification, Working information, cellphone statistic
Credit contract signing	Remote	Remote	Remote	Remote
Marketed Time-to-money (TTM)	30 min.*	-	n/a	1 hour*
Actual TTM	3 days*	3 days*	n/a	3 days*

Pure online business model is already used in China by PDL businesses
 Even though some competitors market "1 hour" TTM, actual TTM time is about 3 days. That means that the "true" emergency cash providers are not there yet and we will occupy that niche

* Results of the mystery shopping survey conducted.

Competitor case study: "Cash Bus"



Description of Business	<ul style="list-style-type: none">• HQ based in Shanghai, operates nation-wide• Launched sales in Dec'14, as of mid-'15 have disbursed ~50K loans<ul style="list-style-type: none">• Before Aug'15 processed 2K apps and disbursed 200 loans daily• In Feb'16 increased operational staff 3-5x
Product	500-1K RMB (\$79-157) cash loan for 7-14 days
EIR	0.71% per day
Advertising	Mostly through "WeChat" (local analogue of FB & mobile messenger) blog
Business process description	<ul style="list-style-type: none">• Applicant adds company's account as a friend in "WeChat"• Applicant fills in loan app form (providing consent to access cellphone/"Alipay" statistics)• Applicant passes phone verification• From approval to loan disbursement – 1 hour (stated), 1 hour (mystery shopping)• Money transfer speed – online (on working days)
Main achievements	<ul style="list-style-type: none">• Opened new market segment accepting PDL with EIR>0,7% per day• Granted 50K loans during first 9 months• Developed internal application in "WeChat", mobile application, social-lifestyle scoring using cellphone and "Alipay" (large local payment system) statistics

In the summer of 2015 "CashBus" processed over 2K apps daily, claiming almost zero marketing expense. AR was reported at 5%, losses estimated at ~10% (DPD60+), even though they do not have access to credit bureaus

Competitor case study: "Shoujidai"



Description of Business	<ul style="list-style-type: none">• HQ based in Shanghai, operates nation-wide• Launched sales in Oct'13
Product	300-5K RMB (\$46-774) for 7-30 days
EIR	0,3% per day
Advertising	online marketing, client referrals
Business process description	<ul style="list-style-type: none">• Applicant downloads mobile app• Applicant registers her phone number• Applicant fills in loan app form• Decisioning includes obligatory authorization for big data access, phone verification• Money transfer speed – online (on working days)
Main achievements	<ul style="list-style-type: none">• Pioneer in the Mobile Internet P2P area• The first lending company in China with "mobile app" business model• Integrated to large number of Big Data suppliers• Repeat loan can be granted within 2 min after application

Raised \$10M A-round in Mar'15. This, together with their non-aggressive pricing policy raises concern on their true focus: aggressive growth at the expense of profitability

Competitor case study: "Huala Huala"



Description of Business	<ul style="list-style-type: none">• HQ based in Chengdu, Sichuan, issues loans in cooperating with trust company ("FOTIC")• Launched sales in Oct'13• 300K registered users
Product	1K-5K RMB (\$155-774) cash loan for 21-28 days
EIR	0,4% per day
Advertising	"WeChat", "Weibo"
Business process description	<ul style="list-style-type: none">• Applicant downloads Mobile app• Applicant registers his phone number• Applicant fills-in loan app form, including taking selfie with ID• Decisioning includes pulling data from "JD", "Taobao", telco operator• Money transfer speed – online (on working days)
Main achievements	<ul style="list-style-type: none">• Ranks No. 1 in Microloan Mobile App

Competitor case study: "Ppdai"



Description of Business	<ul style="list-style-type: none">• HQ based in Shanghai• Launched sales in 2007• Business model unusual for China – “classic p2p”, when investors carry risks
Product	Installment loan with amount from 100 to 100 000 RMB (\$15-15,000), term 3 to 24 months
EIR	calculated separately for each borrower depending on his credit score (40-80% annually)
Advertising	online marketing, client referrals
Application process	<ul style="list-style-type: none">• Customer downloads mobile app• registers with the phone number• fills in application form• gives big data access authorization• accepts approved loan parameters• gets loan after platform identifies investors
Business process description	<ul style="list-style-type: none">• From applying to obtaining credit decision – 60 min• From approval to loan disbursement – 3 working days• Money transfer speed – online (on a work week, not working nights and weekends)
Main achievements	First and the most famous pure p2p platform, not bearing any credit risk

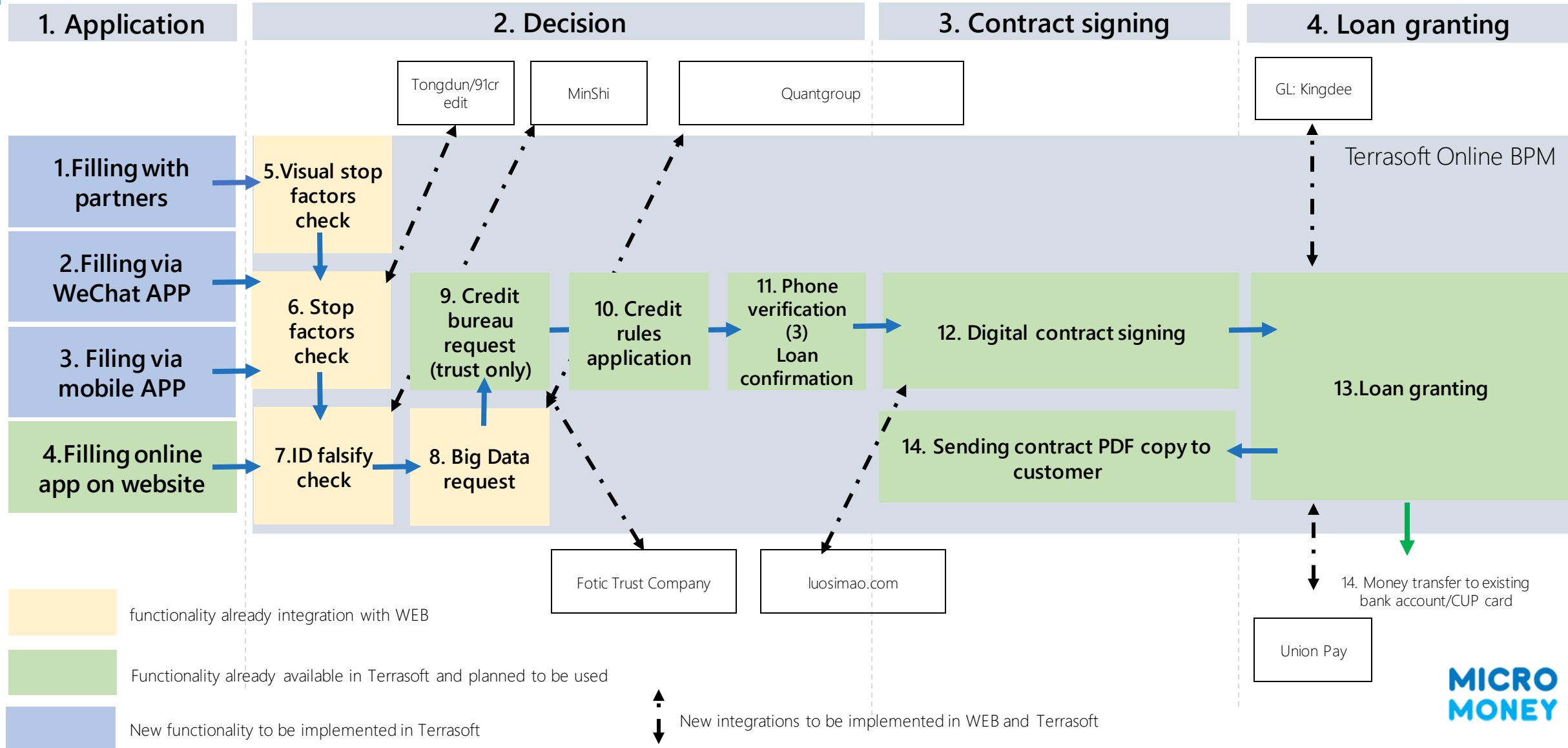
Ppdai case proves that the Chinese trust online p2p platforms and are ready to invest with them (because of 3-5x higher interest rate compared to the traditional bank deposits)

Our Product parameters

Parameter	Value
Product type	PDL
Loan amount	500-2K RMB (\$77-310)
Loan tenor	7, 15, 21, 30 days
Interest rate	0,05% per day (18,25% per annum)
Service fee (charged as a one-time fee for the whole LT)	0,95% per day
Effective interest rate	1% per day
Overdue interest rate	1.5%
Late payment fee (one-time fee)	100 RMB (\$15)
Prolongation fee	0%
Special features	LPF Grace period (GP) – 3 calendar days

We will launch in China with our standard PDL product

First Sale Business Process



Digital Sales

China digital market overview

Parameter	P2P	Trust
Advertising restrictions related to legal setup	Advertising on all major Internet marketing platforms ("Baidu", "Tencent", etc.) is hindered by the fact that the majors require credit institution license (common practice of the captive p2p's); SEO possibilities are limited	No restrictions
Marketing landscape	<ul style="list-style-type: none">• China is the biggest online market in terms of number of Internet and mobile users. Most popular local social network ("WeChat") has over 500M daily active users• China has local analogues for all most popular global services ("WeChat" for "FB", "Baidu" for "Google", etc.)• Major international internet marketing platforms are unavailable in China because of the "Great Chinese firewall"• Offline advertisement is very expensive for small and medium companies and is usually not used by the competitors	
Available tools	<ul style="list-style-type: none">• Content marketing strategy (paid promotion posts and advertorials)• CPC advertisement on small platforms (Momo)	"Wechat", "Baidu", "QQ", "SoGou", "360", etc (all big internet platforms)

China online market is very well developed in the terms of penetration of mobile and online services and different advertising formats. Despite the absence of global players like "Google" or "FB", our digital sales experience in other markets can be replicated in China, since there are local substitutes. Our marketing strategy will vary depending on the legal setup being used at the moment

China digital marketing majors

Local Analogue

International



"WeChat" is the most popular Chinese social network with over 650M daily active users (over 500M in China proper)



"Google" is banned in China, local substitute is "Baidu"



There are other players with relatively high user count:

"QQ" (analog of ICQ, 829M accounts),

"Weibo" (analog of Twitter, 220M accounts)

"360Haosou" – second popular search service

"Sogou" – third popular search service



China digital market players is quite similar to other markets. While global players (Google, Facebook, Twitter, Instagram, etc.) are not present because of local policy, there are local substitutes pretty much for every service. Social media marketing is one of the most important promotion tools. We will use this tool from the get-go to optimize cost of acquisition in the long run. In order to cooperate with large local resources we need to obtain (or "rent") credit institution license

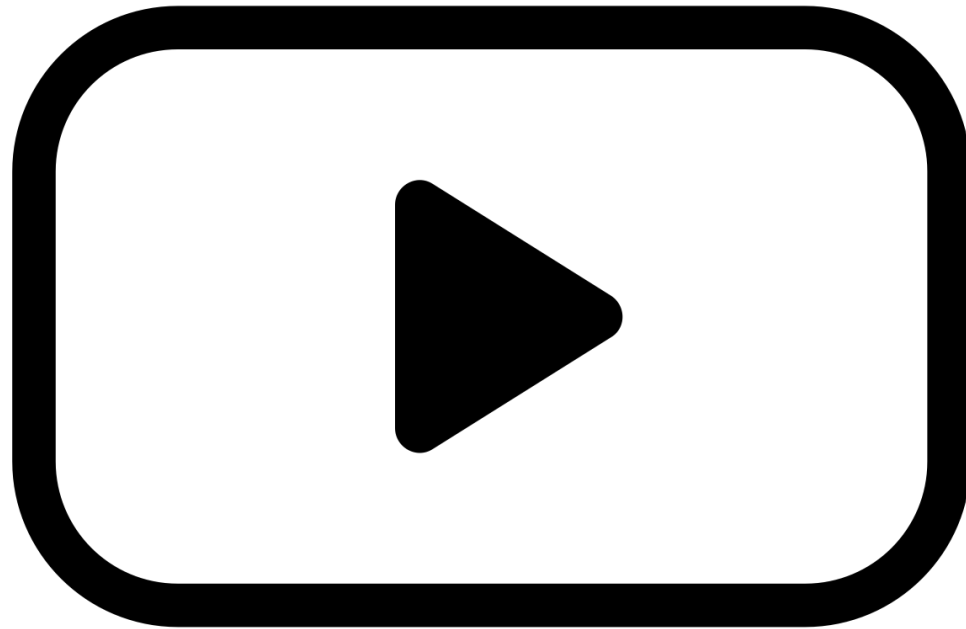
Marketing platforms overview: “WeChat”

- WeChat is the most popular social network (over 500 mln daily active users in China). This is a social network with the following set of functions:
 - Chats (like WhatsApp) between users – basic functionality
 - Moments – analog of news line on Facebook, where users share their messages
 - Official account – analog of official pages on Facebook or groups in VK. WeChat adds some advertisement content to the official accounts articles, this advertisement can be purchased
 - Internal applications and companies official accounts – customers can date, order taxi or even apply for a loan via WeChat
- Customers spend most of their time reading the Moments (like in Facebook), reading news from Official Accounts and chatting with friends
- WeChat provides online advertisement service with CPC-based price policy to the corporate clients
- Advertisement is placed at the bottom of Official Accounts articles (not in the news line like on Facebook)

▲ Only Verified WeChat Official Account can advertise on WeChat



“WeChat” overview: How does it work?



"WeChat" overview: public account

The screenshot shows a mobile app interface for a loan service. At the top, there's a status bar with '中国移动' (China Mobile), '12:51', and '88%' battery. Below it, a navigation bar has '< Back', '十万火急借款' (Emergency Loan), and a menu icon. The main content area has four steps: '选择金额' (Select Amount), '验证手机' (Verify Phone), '验证身份' (Verify Identity), and '发放借款' (Disburse Loan). The '选择金额' step is active, showing '请选择借款金额' (Please select loan amount) with buttons for '500 元' and '1000 元'. Below that, '请选择借款时长' (Please select loan term) has buttons for '7 天' and '14 天'. There's a section for '选择一张免息券' (Select a no-interest coupon) with a dropdown arrow. At the bottom, it shows '快速信审费: 18 元' (Fast credit review fee: 18 yuan), '息费: 1 元' (Interest fee: 1 yuan), '账户管理费: 6 元' (Account management fee: 6 yuan), and '免息券: 0 元' (No-interest coupon: 0 yuan). The total '到期应还: 525 元' (Amount due at maturity: 525 yuan) is displayed in red. A large green button at the bottom says '下一步' (Next step).

Account type and functionality	Unverified subscription account	Verified subscription account	Unverified service account	Verified service account
Messages displayed in chats with push notification (4/month)	✗	✗	✓	✓
Messages displayed in subscription folder (1/day)	✓	✓	✗	✗
Direct communication with followers	✓	✓	✓	✓
Customized interactive menu	✓	✓	✓	✓
Application, advertisement	✗	✗	✗	✓

It's a common practice when companies establish official accounts in "WeChat" to promote their services or monetize customer base by providing "WeChat" permission to place advertisement (on a profit-sharing basis). There are 4 types of official accounts. To do advertisement campaigns and receive applications from "WeChat", we need to register a verified service account (already done)

Search platforms advertisement formats

“Baidu”



“SoGou”



“360 Haosou”



China search platforms have advertisement formats and price policy very close to those of Google

Content marketing: case study

In order to get preliminary market information, we conducted test marketing campaign with the help of a local marketing agency; campaign duration was 1 month (05.08.2016 – 05.09.2016)

Campaign start date	Type of activity	Numbers of websites	GEO	Web site example	Summary budget
5 August	Advertorials*	22	Nation wide	http://info.service.hc360.com	\$ 3 000 (50% preparation 50% marketing)
	Posts**	13		http://q.163.com/zhcaij	

* Advertorial – advertisement giving information about a product in the style of an editorial or objective journalistic article

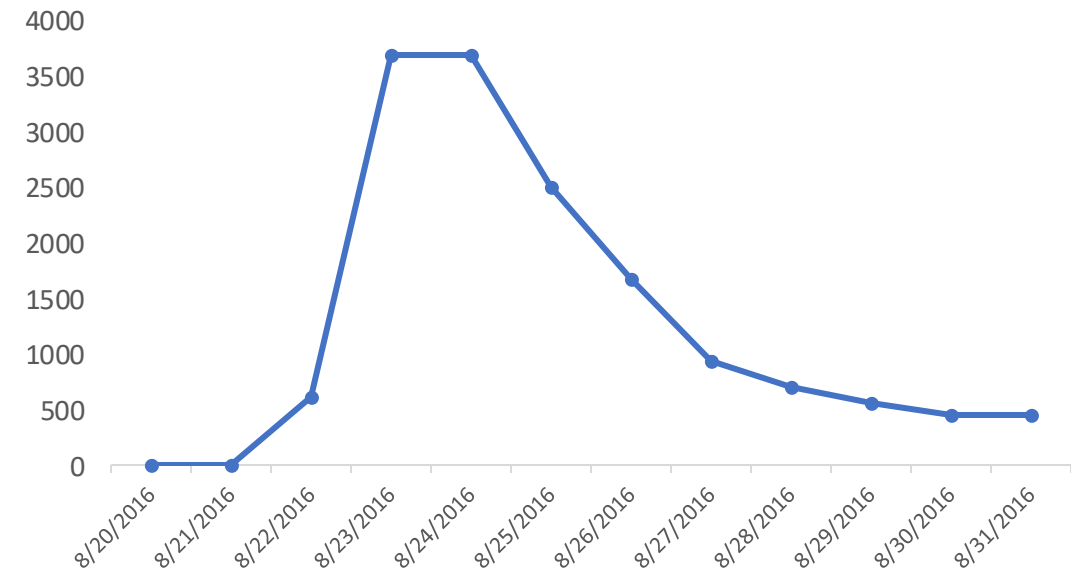
** Post – short promo post about our product and company (restriction 5000 letters)

Content marketing: case study

Campaign results

Parameter	Fact	CR %
Visits (clicks)	58 178	
Short apps	42 482	73%
LongApps (completed web application)	17 117	40%
Successful apps (filters passed)	11 291	65%
Geo filters passed	565	5%
Loan disbursed	21	3,7% (0,18% from successful apps)

Applications received per day



Our test demonstrated that content marketing is **one of the viable channels** in China digital space **with low acquisition cost** (in this test estimated to be around \$6/loan if geo filters are removed (leading to 60% area coverage)

Sales funnel projections*

	Baidu	SoGou, 360Haosou	WeChat	Content marketing
Visits (clicks)	\$0.6	\$0.45	\$0.25	\$0.1**
Long app (completed web apps)	10%	8%	5%	5%
Autochecks	90%	90%	90%	60%
Cell phone check passed	80%	80%	80%	80%
Antifraud check passed	60%	60%	60%	50%
ID falsify check passed	76%	76%	76%	76%
PV passed/loan disbursed	80%	80%	80%	80%
Channel acquisition cost	\$22.84	\$21.42	\$19.04	\$13.71

At the p2p stage, we are going to use content marketing (advertorials and posts). After signing agreement with the Trust company, we will add traditional digital sales channels and advertisement tools based on CPC pricing model. We expect acquisition cost decrease from \$20 per loan in 2016 to \$15 in 2021 due to advancement of our digital sales expertise and increased customer awareness of our brand

- Projections are based on the information provided by the local marketing agency plus our own test (see previous slide)
- ** CPC estimate for the content marketing is assumed to be higher than what we saw in the test environment

Sales Plan

Short term sales plan

	Month 1*	Month 2	Month 3	Month 4
Number of new clients per month	50	100	300	600

Long term sales plan

	Year 1	Year 2	Year 3	Year 4	Year 5
Total number of loans disbursed per year	71K	371K	714K	1,096K	1,195K

* Currently month 1 is Sep'16

Risk management

Risk Management Strategy

Our risk management strategy in China will be based on the following points:

- Decision making process will be based on data from 3-d party antifraud system and other customer's data (like cellphone statistic) to verify customer's behavior and his ability to pay
- Fraud detection to prevent professional fraud attacks will be based on domestic ID recognition service and cooperation with black list providers
- Strong collection process: intensive and aggressive contacts with 'bad' borrowers and their frequent contacts, using direct debit (after start cooperation with Fotic) and cooperating with collection agencies to improve our internal processes. Expert's opinion: our recovery rate should be around 75% (from 0+ due), but in financial model we put more conservative assumptions

We will define 2 stages of developing risk management process:

1. Early stage – technical volumes (1-2 months). Most manually checks, analyzing of real customer's profile, development BRD for automatization of decision making process.
2. Intermediate stage (2-12 months). Step-by-step data sources implementation in our automatic decision making module. Developing and implementing score cards for decision making and collection. Improving verification and collection process.

Risk Management Tools Overview

Anti-fraud tools



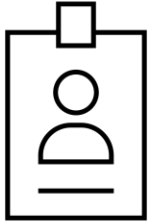
- P2P platforms and MFO do not have access to official credit bureau (PBOC), Tongdun is substitute which provides data about:
 - delinquency in p2p platforms and MFIs.
 - multyapplying to p2p platforms and MFIs.
 - information from courts, black lists in e-commerce platforms.
- Tongdun is the biggest Anti-fraud data provider in China, it contains over 3 000 000 records, estimated hit rate:
 - >98% at the beginning stage due to multyapplying (current statistic).
 - 55-60% at the mature stage (information from Tongdun).
- Cost per request 0,16 USD (45 000 USD – annual cap fee for unlimited access).
- #1 data provider for current decision making strategy.

Cell phone statistics



- This data could be downloaded automatically during application filling process, authorization process passing is mandatory.
 - Customer's phone history: counterparty#, time, duration.
 - Customer's SMS history: counterparty#, time.
 - Customer's GPRS flow.
- Cost per request – 0,4-1 USD (depends on volume).
- We will use this data to verify urgent contacts number, analyze customer's behavior and relationship with other money lending companies.

Risk Management Tools Overview



ID falsify check/recognition service

- Any Chinese individual has ID as main document and must renew it every 5 years
- There are service providers who have access to state ID database and could extract ID holder's photo by providing his ID number, cost per request – 0,3 USD
- Those providers could compare photo on ID with photo in state database and compare customer's photo with photo in database. Such service decreases ID falsify fraud almost to zero
- We will compare effectiveness of this service versus manual data checking

Step 1 – customer makes photo of his ID from APP



Step 2 – customer makes selfie with ID in the front



Risk Management Tools Overview

Direct Debit



Direct Debit **is allowed** in China and the standard market practice for repayment, cost per success transaction is 0,3 USD

To use this service we should **sign a digital agreement with customer and use special provider** (market practice – asking allowance for direct debit during the application process)
This service will be used in repayment and collection process

In April 2016 direct debit providers **tightened requirements for partners**: if partner use digital signature for contract signing certified digital signature provider is mandatory



There is only 1 credit bureau in China – PBOC Credit Bureau, it contains over 400 million records (~50% urbanized Chinese citizen)

Only Banks, Insurance companies, Trust companies and Consumer Lending companies **have legal access to PBOC credit bureau legally** (MFI and p2p platforms have only shadowy access to credit bureau with next day response and non-stable access)

PBOC credit bureau does not have data about p2p and MFI loans, but **there is data about credit cards, mortgage and bank's loans**

Chinese citizen can request data from PBOC bureau **by himself**, authorization process takes 24 hours. We can use access to credit bureau if we will cooperate with trust company

Therefore, we estimate quite low hit rate for PBOC credit bureau due to lack of information about p2p and MFI loans

Application Process (target process)

Stage	Procedure	Content, pilot stage, apr (fact)	Content, early stage, apr (forecast)	Content, mature stage, apr (forecast)	CPC-based traffic, apr (forecast)	\$
Autochecks from the Credit policy (Geo, Age, Social status, etc.)	Customer fills in his personal data, our system automatically decides to do "soft decline" because of stop factors or do requests to 3d party data suppliers	5%	20%	60%	90%	0
Cell Phone statistic check	Authorization in customer's private cabinet via his personal password and SMS, downloading and analyzing cell phone statistic	80%	80%	80%	80%	0,68
Antifraud check	Our IT system automatically does request to Toungdung (and other anti-fraud systems in future), if customer rejected by antifraud rules, system shows him "soft decline" message and stops doing requests to other 3d party systems	10%	25%	50%	60%	0,15
ID falsify check	Customer makes his ID photo, our system provides this photo to 3d party provided	95%	95%	95%	95%	0,15
ID recognition	Customer makes selfie photo with his ID in front, we compare his face and photo from ID database	60%	60%	80%	80%	0,15
Verification	Interview with customer (and urgent contacts if necessary)	80%	80%	80%	80%	0
Total		0.18%	1.82%	14.59%	26%	

- Planned AR will vary from 1,8% at early stage to 14,5% at mature stage. The cost of the third party services for credit decisioning will also vary from \$1,6 to \$0,6 appropriately.
- AR for autochecks and antifraud rules will increase due to opening our service in new provinces and brand awareness improvement. ID data autorecognition functionality will increase CR.

Post-Loan Collection Strategy

Collection Strategy Based on Account Age and Days (sample for 30 days loan)

Collection		Days after Due Date																												
Account Age	Tools & Actions	1	2	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
M0	SMS reminder																													
M1	SMS reminder																													
	phone calls																													
M	legal dunning letter																													
	Site Visit (outsourced)																													

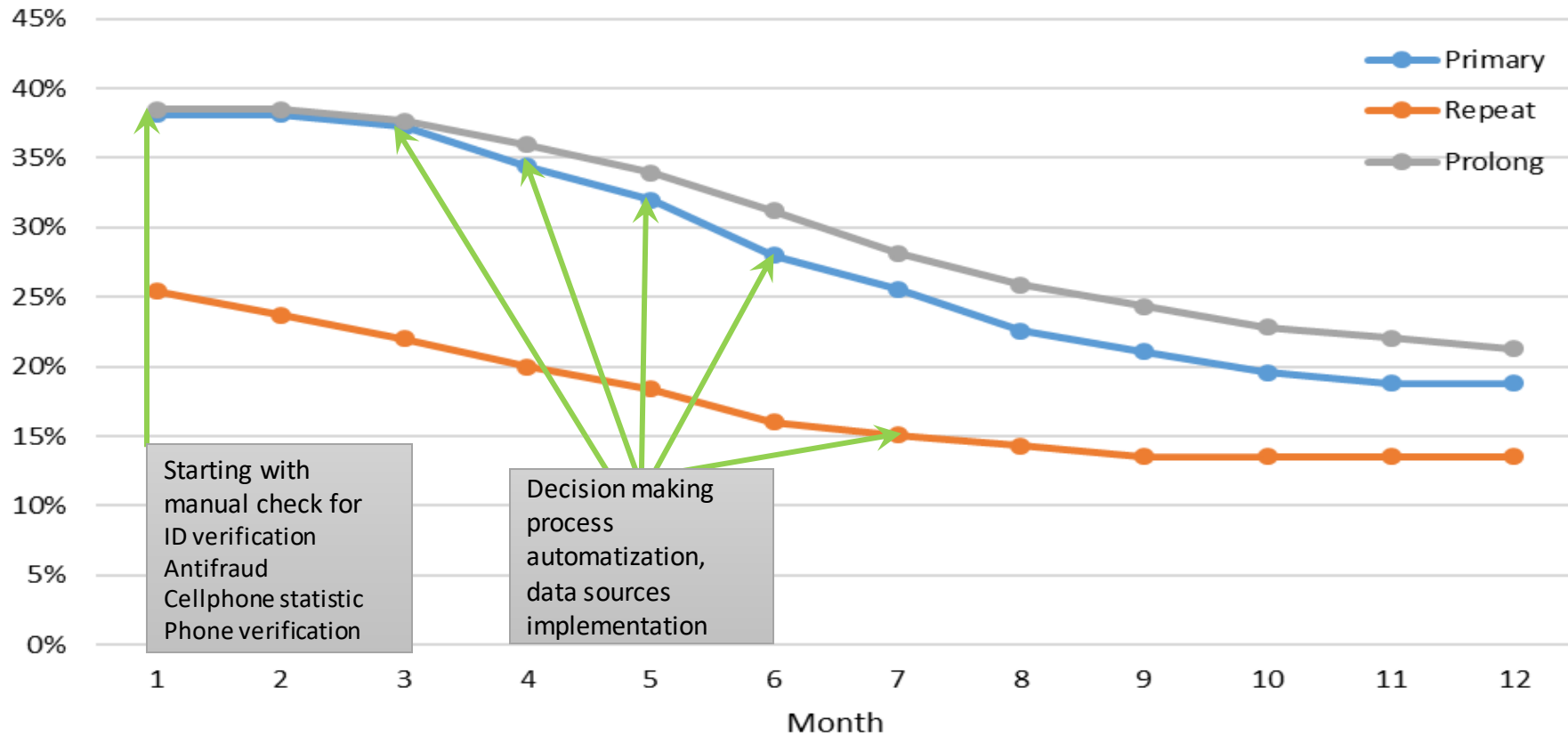
 Actions

- First call – at the half tenor of loan to remind about due date and prolongation option
- 1-3 days before due day we will remind borrower about payment (depend on weekend)
- In the case of overdue contact to customer each day till dpd 30
- If customer cannot afford full repayment we will propose him prolongation
- We will use direct debit service to increase collection rates after establishing cooperation with the Trust company
- To do site visits we will use only outsource collection agencies

• *Note: The risk rank is based on the score bands of collection models.

Risk Costs Forecast

Final losses evaluation 1-12 months



We expect new loans losses to be at 30~40% at the onset, gradually decreasing to 20% at EOY1 and then to 19% at EOY2, while repeats starting at 25% and stabilizing at 14% within the same timeframe

| IT

IT scope of work

New functionality	The essence
ID verification	Verification ID by selfie photo of customer with his ID card before his face. (Minshi)
Warehouse for Big Data	Warehouse for Big Data (Alipay, Taobao, JD, Cellphone, College, Travel, Credit Bureau, etc)
Integration with Big Data suppliers	Obtaining access to customers Big Data via SMS-authorization, extracting, parsing and collecting this Big Data ([Youfen or Taiyue], [Juxinli, QuantGroup or ppdai], Fotic)
Digital contract signing	Signing a digital contract with 6-digit SMS, integration with CFCA
Web portal for individuals Investors&Borrowers development	Web portal with online applications for both credit and deposit products, personal accounts for Borrowers and Investors with possibility to get related services (Phase 2).
Online Disbursement and Repayment	Online disbursement and repayment via payment company (Yeepay)
WeChat public account	WeChat internal application with front-end functionality: filing the application form, authorization for Big Data access, contract signing (WeChat)

IT integration partners

Integration partner	Type	Comments
"Kingdee"	GL system supplier	First stage – integration with excel files export/import Agreement is available
"Amazon"	Data center for CRM	Agreement is available
"Amazon"	Call-center service provider	Agreement is available
"luosimao.com"	SMS-provider	Integration via API, API description and agreement are available
"KFT Pay", "CFCA"	Repayment, Digital signature provider	Integration via API, API description and agreement are available
"MinShi"	Online customer's data validation (ID/Facial recognition + ID info verification)	Integration via API, API description and agreement are available
"Tongdun"	Black lists supplier	Integration via API, API description and agreement are available
"Quantgroup"	Online customer's data validation (Cell phone, Taobao, JD.com, College Degree, Travel(Railway, Lodging & Airlines) statistic)	Integration via API, API description and agreement are available
"FOTIC" Trust company	Disbursement, credit bureau access	First stage – integration via text files sending, API integration will be developed in second stage, agreement is available

Finance

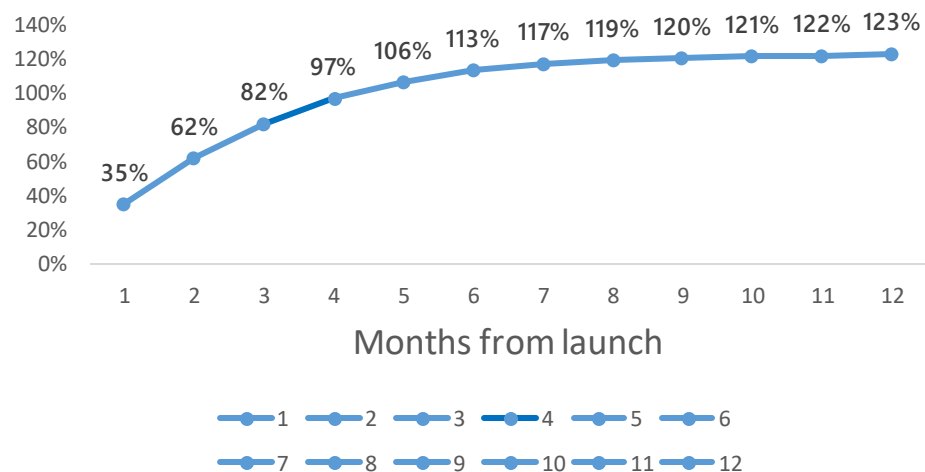
Financial model assumptions

Loan type	Avg term, days	Avg ticket, USD	Losses, %
New	25	200	14.1%
Repeat	25	250	10.6%
Prolongation new	30	200	25.0%
Prolongation repeat	30	250	25.0%
Repeat sales per new loans			123%
Prolongations per all loans			79%

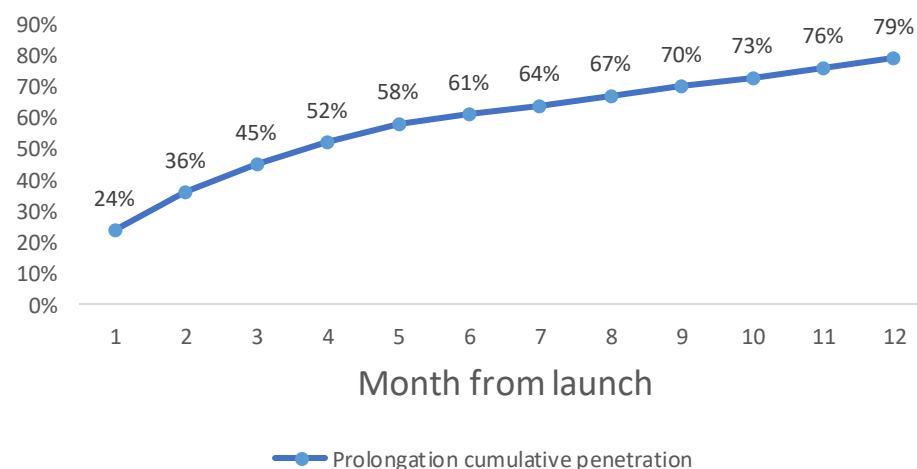
Year of project	1	2	3	4	5
MAC, USD per loan	20	20	18	16	15

Product parameters	Value
Normal interest rate, per day	1.00%
Late penalty interest rate, per day	1.50%
Late payment fee, USD	15

Repeat sales curve



Prolongation sales curve



Investment summary

Investments, thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Portfolio investments	4 114	7 160	3 941	36	0	15 252
OPEX and CAPEX investments	3 075	3 422	0	0	0	6 497
Total Micromoney investments	7 190	10 582	3 941	36	0	21 749

Volume indicators	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Number of loans issued, thsd	71	371	714	1 096	1 195	3 447
Amount disbursed, thsd USD	11 613	53 022	97 001	145 070	152 229	458 935
Net portfolio (EoY), thsd USD	3 246	9 304	16 507	21 824	22 148	22 148

P&L, thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Revenue	2 905	18 603	37 831	60 346	67 452	187 137
Provisions	-2 630	-11 254	-18 742	-25 387	-27 293	-85 307
Variable costs	-1 838	-7 762	-11 640	-16 304	-17 175	-54 719
Marketing acquisition costs	-641	-2 354	-3 627	-4 658	-4 526	-15 806
Salary (variable part)	-604	-2 568	-3 717	-5 090	-5 523	-17 502
Other variable costs	-426	-1 774	-2 128	-3 099	-3 260	-10 687
VAT	-166	-1 066	-2 168	-3 458	-3 865	-10 724
Fixed costs	-1 607	-3 203	-3 202	-3 307	-3 268	-14 586
Salary (fixed part)	-895	-2 036	-2 036	-2 036	-2 036	-9 039
Other G&A expenses	-712	-1 167	-1 166	-1 271	-1 232	-5 548
One-off expenses	-211	0	0	0	0	-211
Net profit before taxes	-3 381	-3 616	4 247	15 348	19 717	32 314
Terminal value						96 103
ROE (annualized)						59%
ROAA (yearly)	-208%	-58%	33%	63%	67%	29%

- Break-even period – 24 months; Self-capitalization period – 35 months; Payback period – 61 months
- Total investments from Micromoney – \$21,7M; Unoptimized Yr5 corporate tax – \$4,9 M

Balance Sheet, EOY

thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5
Assets	3 809	10 775	18 962	25 173	25 545
Liquid assets	487	1 396	2 380	3 274	3 322
Loans to individuals (net of provisions)	3 246	9 304	16 507	21 824	22 148
Total loans	5 877	23 188	49 134	79 837	107 454
Risk provisions - PDL	-2 630	-13 884	-32 626	-58 013	-85 307
Other assets	75	75	75	75	75
Shareholders' equity	3 809	10 775	18 962	25 173	25 545
Contributed equity	7 190	17 772	21 713	21 749	21 749
Retained earnings	-3 381	-6 997	-2 751	9 245	24 032
Dividends paid	0	0	0	-5 820	-20 236
Equity+Liabilities	3 809	10 775	18 962	25 173	25 545

P&L Statement

thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Interest Income	2 905	18 603	37 831	60 346	67 452	187 137
Primary sales	1 634	8 435	16 175	24 915	26 715	77 874
Repeat Sales	1 271	10 168	21 656	35 431	40 738	109 263
Risk provisions	-2 630	-11 254	-18 742	-25 387	-27 293	-85 307
Primary sales	-1 710	-5 741	-9 007	-11 626	-12 057	-40 140
Repeat Sales	-921	-5 513	-9 735	-13 760	-15 237	-45 166
Variable costs*	-1 838	-7 762	-11 640	-16 304	-17 175	-54 719
Marketing acquisition costs	-641	-2 354	-3 627	-4 658	-4 526	-15 806
Salary (variable part)	-604	-2 568	-3 717	-5 090	-5 523	-17 502
Other variable costs	-426	-1 774	-2 128	-3 099	-3 260	-10 687
VAT	-166	-1 066	-2 168	-3 458	-3 865	-10 724
Operating profit (before fixed costs)	-1 397	653	9 617	22 113	26 850	57 835
Fixed costs*	-1 607	-3 203	-3 202	-3 307	-3 268	-14 586
Salary (fixed part)	-895	-2 036	-2 036	-2 036	-2 036	-9 039
Other G&A expenses	-712	-1 167	-1 166	-1 271	-1 232	-5 548
One-off expenses	-211	0	0	0	0	-211
Profit before Taxes**	-3 381	-3 616	4 247	15 348	19 717	32 314

* See slide 59-60 for details

** Estimated amount of profit tax for 5th year is \$4.9 mln

Cash flow statement

thsd USD	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Loans issued	-11 613	-53 022	-97 001	-145 070	-152 229	-458 935
Principals received	5 736	35 711	71 056	114 366	124 612	351 481
Interest received	2 905	18 603	37 831	60 346	67 452	187 137
Loan fees received	0	0	0	0	0	0
Fines & penalties received	0	0	0	0	0	0
Total CF from business activities:	-2 972	1 291	11 886	29 642	39 835	79 683
Commissions to agents & payment systems	-148	-686	-1 261	-1 894	-1 991	-5 979
POS costs	-75	0	0	0	0	-75
People costs	-1 499	-4 604	-5 753	-7 126	-7 559	-26 540
Marketing & Acquisition costs	-649	-2 354	-3 627	-4 658	-4 526	-15 814
Support costs	-249	-883	-478	-638	-637	-2 886
Office costs	-417	-1 060	-1 266	-1 548	-1 575	-5 866
IT costs	-384	-202	-179	-179	-179	-1 122
Professional services	-99	-74	-74	-74	-74	-397
Other income (expenses)	-43	-36	-36	-36	-36	-187
Profit tax	0	0	0	-3 353	-4 929	-8 282
VAT paid	-166	-1 066	-2 168	-3 458	-3 865	-10 724
Working Capital required	0	0	0	0	0	0
Total CF from operating expenses:	-3 731	-10 965	-14 842	-22 964	-25 371	-77 874
Total CF from operating activities:	-6 703	-9 673	-2 957	6 678	14 464	1 809
Financing received	7 190	10 582	3 941	36	0	21 749
Financing returned	0	0	0	-5 820	-14 415	-20 236
Interest expense	0	0	0	0	0	0
Total CF from financing activities:	7 190	10 582	3 941	-5 784	-14 415	1 513
CAPEX	0	0	0	0	0	0
Total CF for the period:	487	909	984	894	49	3 322
Cash balance beginning:	0	487	1 396	2 380	3 274	3 274
Cash balance ending:	487	1 396	2 380	3 274	3 322	3 322

Headcount and Personnel budget

Group/Position	Gross costs of employment, USD	Headcount						Monthly cost of employment, USD					
		At present	EOY 1	EOY 2	EOY 3	EOY 4	EOY 5	At present	EOY 1	EOY 2	EOY 3	EOY 4	EOY 5
Total staff (fixed+variable)		10	102	254	377	442	448	51 943	212 652	451 463	540 913	610 457	617 524
Total fixed staff		7	16	26	26	26	26	48 312	100 160	156 605	156 605	156 605	156 605
Mangement and direct reports		2	4	6	6	6	6	13 393	18 772	37 982	37 982	37 982	37 982
Operations department		0	1	1	1	1	1	0	13 687	13 687	13 687	13 687	13 687
Risk department		1	2	5	5	5	5	8 187	21 873	36 730	36 730	36 730	36 730
Financial department		1	4	5	5	5	5	13 687	22 996	26 519	26 519	26 519	26 519
Digital marketing department		1	2	3	3	3	3	3 000	9 393	12 786	12 786	12 786	12 786
IT department		1	1	1	1	1	1	4 523	4 523	4 523	4 523	4 523	4 523
Legal department		0	1	2	2	2	2	0	3 393	15 079	15 079	15 079	15 079
HR department		1	1	3	3	3	3	5 523	5 523	9 300	9 300	9 300	9 300
Total variable staff		3	86	228	351	416	422	3 631	112 492	294 858	384 307	453 852	460 918
Operations department		2	39	96	133	132	134	2 420	52 457	125 646	147 542	145 619	148 570
Verificator Teamleader	2 262		1	3	3	2	2	0	2 262	6 787	5 769	3 846	3 846
Verificator	1 210	1	14	31	39	30	30	1 210	16 942	37 515	40 117	30 859	30 859
Telesale operators Supervisor	2 262		1	1	1	1	1	0	2 262	2 262	1 923	1 923	1 923
Telesale operators Teamleader	2 262		1	2	3	3	3	0	2 262	4 525	5 769	5 769	5 769
Telesale operators	1 210		10	28	36	31	31	0	12 102	33 885	37 031	31 888	31 888
Customer support Supervisor	2 262		1	1	1	1	1	0	2 262	2 262	1 923	1 923	1 923
Customer support Teamleader	2 262		1	2	4	4	5	0	2 262	4 525	7 692	7 692	9 615
Customer support	1 210	1	10	28	46	60	61	1 210	12 102	33 885	47 318	61 719	62 747
Risk department		1	47	132	218	284	288	1 210	60 035	169 212	236 765	308 233	312 348
Telecollector Teamleader	2 262		3	9	14	18	18	0	6 787	20 361	26 922	34 614	34 614
Telecollector	1 210	1	44	123	204	266	270	1 210	53 247	148 851	209 843	273 619	277 734

Expenses detailed

Variable costs, thsd. USD						
Expenses category	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Marketing acquisition costs	-641	-2 354	-3 627	-4 658	-4 526	-15 806
Salary (variable part)	-604	-2 568	-3 717	-5 090	-5 523	-17 502
Other variable costs	-426	-1 774	-2 128	-3 099	-3 260	-10 687
Telecommunications - acquisition	-17	-71	-96	-95	-99	-378
Outbound SMS - acquisition	-7	-32	-59	-88	-92	-278
Credit decisioning	-217	-800	-363	-499	-507	-2 387
Payment system fees	-148	-686	-1 261	-1 894	-1 991	-5 979
Telecommunications - support	-34	-174	-328	-490	-535	-1 561
Outbound SMS - support	-2	-12	-22	-33	-36	-104
VAT	-166	-1 066	-2 168	-3 458	-3 865	-10 724
Total	-1 838	-7 762	-11 640	-16 304	-17 175	-54 719

Fixed costs, thsd. USD						
Expenses category	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Salary (fixed part)	-895	-2 036	-2 036	-2 036	-2 036	-9 039
Other G&A expenses	-712	-1 167	-1 166	-1 271	-1 232	-5 548
Rent/office expenses	-309	-720	-746	-867	-845	-3 487
IT expenses	-285	-337	-309	-293	-277	-1 501
Miscellaneous	-117	-110	-110	-110	-110	-559
Total	-1 607	-3 203	-3 202	-3 307	-3 268	-14 586

One-off costs detailed

Expenses category	Total, thsd USD
Marketing expenses	-8
Marketing guide adaptation	-3
Trademark registration	-3
Marketing materials development	-2
HR expenses	-25
Recruiting	-25
IT expenses	-178
Web sites	-7
Mobile sites&app	-30
Call center implementation	-12
Collection system implementation	-19
Scoring system implementation	-30
CRM development	-80
Total	-211

Project Plan

Project Plan

Activity	Planning timing	Comments
Registration of legal entities	Mar 2016	Done
Renting office	May 2016	Done
Creating team	Apr 2016	Done
Website development	Jul 2016	Done
Implementing IT solution ("Terrasoft")	Sep 2016	UAT (development has been completed, implementation in scheduled to be finished by 30.09.2016)
Concluding cooperation agreement with Trust company	Nov 2016	In progress (LOI agreement is signed, internal report about our company profile is compiled, compliance check procedure in progress)
Launch sales in cooperation with Trust company	Dec 2016	New

| Appendix

List of proposed money-transfer companies

Offshore:
Singapore/
Hong Kong

Micromoney

Money Transfer Company

Chinese nominee (Li Shuo)

Other PPC

Domestic Company LLC

- Money transfer (USD)
- Money transfer (RMB)
- Contractual agreements

1. Queen Capital Finance (<http://www.queencapitalfinance.com/about>) – HK money lending company which provides money transferring service as well. Charges 100 USD per transaction as commission fee, exchange rate is close to official (range <1.5%). We have relationship with shareholder who assisted us with obtaining money lending license in Hong Kong.
2. Gold Mate Group (<http://www.goldmategroup.com>) – Australian money transferring company. Exchange rates are defined on transaction date, internal compliance audit passing is necessary

Such scheme is legal in Hong Kong or Australia, but is treating as illegal in China. Practically this is only one way to do cross-boarding transactions in restricted areas.

List of banks we contacted about capital injection

Bank name	Comments
"China Merchants Bank"	Recommended by "Fotic" as the bank who served "Home Credit" with similar scheme. Our request of capital transfer was rejected without any comments (Ander Rodionov, our Chinese business consuler was involved to this negotiations). Our legal Adviser Roger Hsieh informed us that "Home Credit" was punished for this activity.
"China Constriction Bank" (CCB)	Recommended by Andrey Rodionov as a bank with big experience in cooperation with foreign companies. Our request was rejected without any comments. (Andery Rodionov was involved to this negotiations).
ABC bank of China	Recommended by Li Shuo because of relationship with management. Our request was rejected with explanation of international department manager: purpose of usage for loans are being regulated as purpose of usage for registered capital for WFOE. It is prohibited to use this money for investment purpose. (Oleg Larin was involved to this negotiations).

About “Fotic” trust company*

1. Founded on September 30, 1987, China Foreign Economy and Trade Trust Co., Ltd. (hereinafter referred to as FOTIC) is a subsidiary of Sinochem Group and engages in the trust business.
2. The shareholders of FOTIC are Sinochem Corporation (holds 96.22% of the shares) and Sinochem Finance Co., Ltd. (holds 3.78% of the shares), respectively. Sinochem has been on the list of the Fortune Global 500 for 24 times, ranking 107th in 2014. Sinochem is a state-owned company.
3. Fotic builds five major business segments: financial cooperation, securities, private investment and financing, wealth management and proprietary business.
4. In 2013 Fotic operating with trust asset size of approximate RMB320 bil (\$48 bil)
5. Fotic obtained lending license (to provide loans to PRC individuals) and started cooperation with consumer finance companies in 2007 (with Home Credit), now Fotic is providing similar service to 30+ companies.
6. Fotic has all necessary infrastructure (disbursement/repayment, access to credit bureau, license) to companies who want to establish money-lending business in China

(*) <http://en.fotic.com.cn/tabid/262/Default.aspx>, <http://en.fotic.com.cn/tabid/275/Default.aspx>

WeChat advertisement: user story 1, moments

WeChat places advertisement in the official account's articles footer. Customers could find this advertisement by different ways



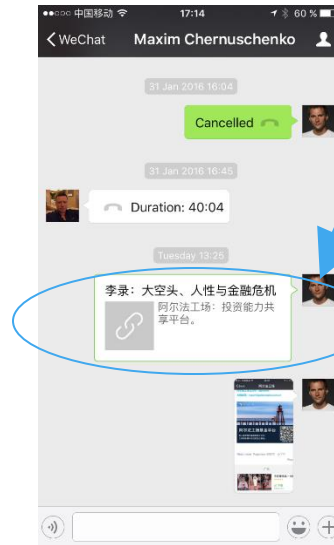
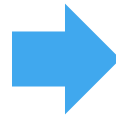
Moments – is analog for news line in Facebook. Chinese customers like to read articles from moments. Some articles are shared news from different official accounts. If customer read article from official accounts, WeChat adds an advertisement banner to the footer of the article.

WeChat advertisement: user story 2, chats

WeChat places advertisement in the official account's articles footer. Customers could find this advertisement by different ways

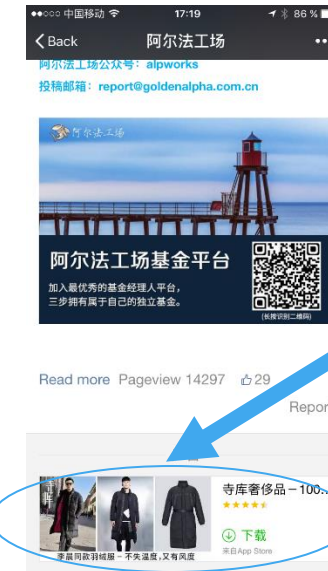
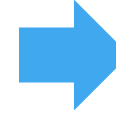


Chats



Chat with friend

Link to article



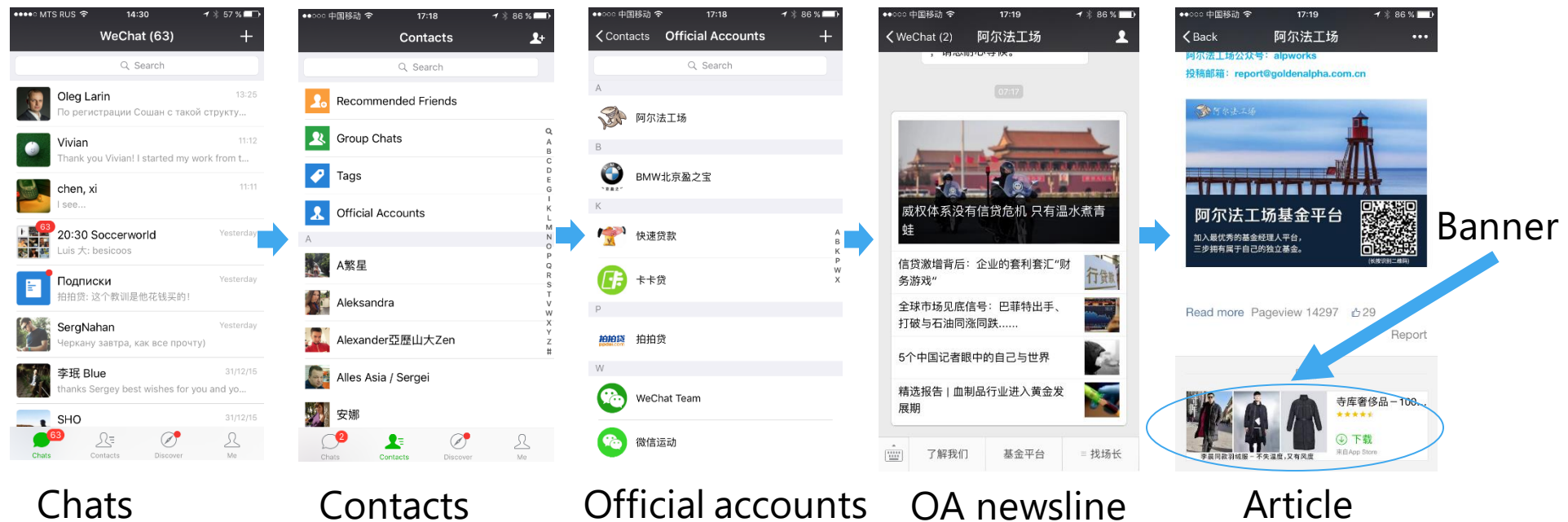
Article

Banner

Customer sends to his friend link to the article via private chat. Customer's friend open article and find advertisement in the footer.

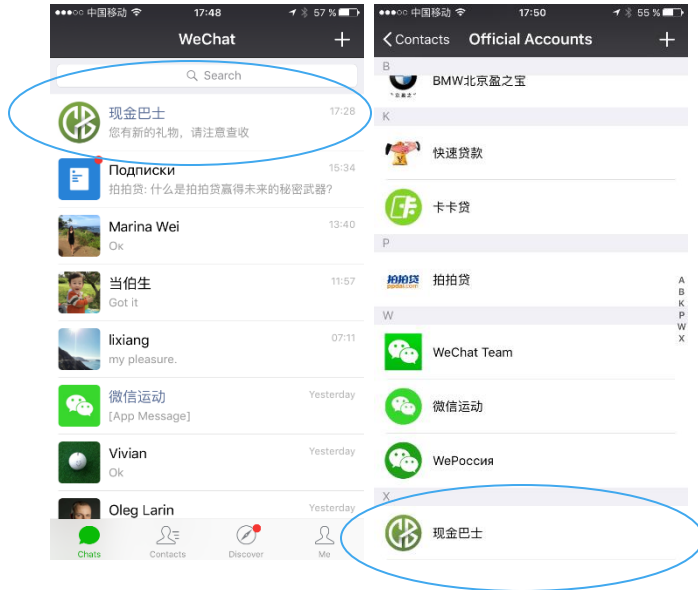
WeChat advertisement: user story 3, subsc.

WeChat places advertisement in the official account's articles footer. Customers could find this advertisement by different ways



Customer explores his subscriptions, open official account, open and read the article and find advertisement in the footer.

Applying via WeChat



Chats or Official accounts list



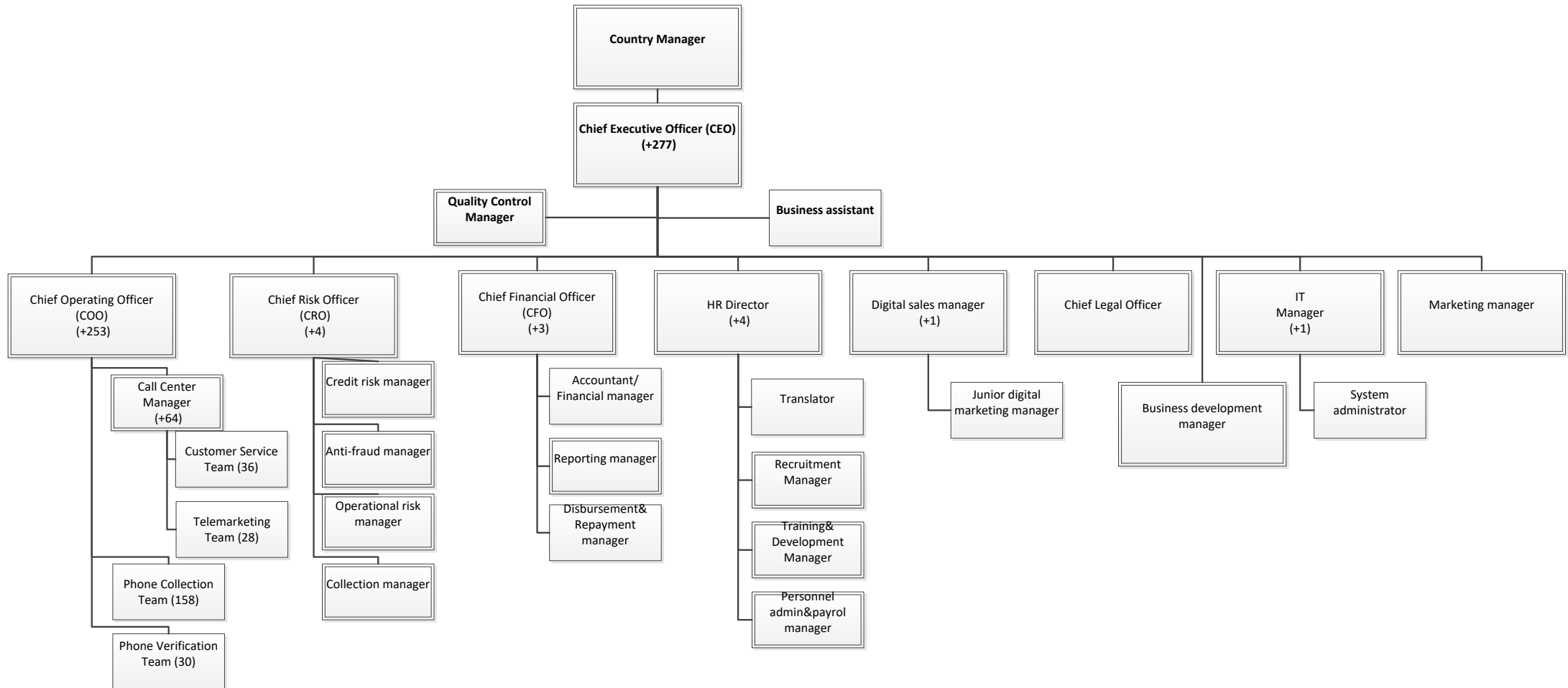
Interactive menu



Application form

Customers could apply for a loan via WeChat internal application. Customer need only to click 'follow' to add your application in his store. After customer followed official account owned could send him messages.

Target orgchart as of EOY2018



- We can have relative few amount of managers due to sharing resources of RH
- We will relocate call center to suburban area of Shenzhen, this could help us to save around 40% of rent cost and 15% of salary cost from year 3
- Organization chart for years 2019-2021 will be developed in 2018, however we do not expect growing of managers, only number of staff will grow according number of operations

Headcount and Personnel budget

Group/Position	Gross costs of employment, USD	Headcount						Monthly cost of employment, USD					
		At present	EOY 1	EOY 2	EOY 3	EOY 4	EOY 5	At present	EOY 1	EOY 2	EOY 3	EOY 4	EOY 5
Total staff (fixed+variable)		10	102	254	377	442	448	51 943	212 652	451 463	540 913	610 457	617 524
Total fixed staff		7	16	26	26	26	26	48 312	100 160	156 605	156 605	156 605	156 605
Mangement and direct reports		2	4	6	6	6	6	13 393	18 772	37 982	37 982	37 982	37 982
Country Manager	10 000	1	1	1	1	1	1	10 000	10 000	10 000	10 000	10 000	10 000
CEO	15 687		0	1	1	1	1	0	0	15 687	15 687	15 687	15 687
Business assistant	3 393	1	1	1	1	1	1	3 393	3 393	3 393	3 393	3 393	3 393
Quality control manager	3 643		1	1	1	1	1	0	3 643	3 643	3 643	3 643	3 643
Business development manager	3 523		0	1	1	1	1	0	0	3 523	3 523	3 523	3 523
Translator/office assistant	1 736		1	1	1	1	1	0	1 736	1 736	1 736	1 736	1 736
Operations department		0	1	1	1	1	1	0	13 687	13 687	13 687	13 687	13 687
Chief Operational Officer	13 687		1	1	1	1	1	0	13 687	13 687	13 687	13 687	13 687
Risk department		1	2	5	5	5	5	8 187	21 873	36 730	36 730	36 730	36 730
Chief Risk Officer	13 687		1	1	1	1	1	0	13 687	13 687	13 687	13 687	13 687
Credit Strategy Manager	8 187	1	1	1	1	1	1	8 187	8 187	8 187	8 187	8 187	8 187
Risk manager	4 585		0	1	1	1	1	0	0	4 585	4 585	4 585	4 585
Anti fraud manager	5 687		0	1	1	1	1	0	0	5 687	5 687	5 687	5 687
Operational risk manager	4 585		0	1	1	1	1	0	0	4 585	4 585	4 585	4 585
Financial department		1	4	5	5	5	5	13 687	22 996	26 519	26 519	26 519	26 519
Chief financial officer	13 687	1	1	1	1	1	1	13 687	13 687	13 687	13 687	13 687	13 687
Accountant/financial manager	3 523		1	1	1	1	1	0	3 523	3 523	3 523	3 523	3 523
Reporting manager	4 050		1	1	1	1	1	0	4 050	4 050	4 050	4 050	4 050
Finance Specialist	1 736		1	1	1	1	1	0	1 736	1 736	1 736	1 736	1 736
Disbursement/repayment manager	3 523		0	1	1	1	1	0	0	3 523	3 523	3 523	3 523
Digital marketing department		1	2	3	3	3	3	3 000	9 393	12 786	12 786	12 786	12 786
Digital marketing manager	6 393		1	1	1	1	1	0	6 393	6 393	6 393	6 393	6 393
Junior digital marketing manager	3 000	1	1	1	1	1	1	3 000	3 000	3 000	3 000	3 000	3 000
Marketing manager	3 393		0	1	1	1	1	0	0	3 393	3 393	3 393	3 393
IT department		1	1	1	1	1	1	4 523	4 523	4 523	4 523	4 523	4 523
IT Manager	4 523	1	1	1	1	1	1	4 523	4 523	4 523	4 523	4 523	4 523
Legal department		0	1	2	2	2	2	0	3 393	15 079	15 079	15 079	15 079
Chief Legal Officer	11 687		0	1	1	1	1	0	0	11 687	11 687	11 687	11 687
Legal manager	3 393		1	1	1	1	1	0	3 393	3 393	3 393	3 393	3 393
HR department		1	1	3	3	3	3	5 523	5 523	9 300	9 300	9 300	9 300
HR Director	5 523	1	1	1	1	1	1	5 523	5 523	5 523	5 523	5 523	5 523
Recruiter	1 888		0	1	1	1	1	0	0	1 888	1 888	1 888	1 888
Personal admin&payroll specialist	1 888		0	1	1	1	1	0	0	1 888	1 888	1 888	1 888
Total variable staff		3	86	228	351	416	422	3 631	112 492	294 858	384 307	453 852	460 918
Operations department		2	39	96	133	132	134	2 420	52 457	125 646	147 542	145 619	148 570
Verificator Teamleader	2 262		1	3	3	2	2	0	2 262	6 787	5 769	3 846	3 846
Verificator	1 210	1	14	31	39	30	30	1 210	16 942	37 515	40 117	30 859	30 859
Telesale operators Supervisor	2 262		1	1	1	1	1	0	2 262	2 262	1 923	1 923	1 923
Telesale operators Teamleader	2 262		1	2	3	3	3	0	2 262	4 525	5 769	5 769	5 769
Telesale operators	1 210		10	28	36	31	31	0	12 102	33 885	37 031	31 888	31 888
Customer support Supervisor	2 262		1	1	1	1	1	0	2 262	2 262	1 923	1 923	1 923
Customer support Teamleader	2 262		1	2	4	4	5	0	2 262	4 525	7 692	7 692	9 615
Customer support	1 210	1	10	28	46	60	61	1 210	12 102	33 885	47 318	61 719	62 747
Risk department		1	47	132	218	284	288	1 210	60 035	169 212	236 765	308 233	312 348
Telecollector Teamleader	2 262		3	9	14	18	18	0	6 787	20 361	26 922	34 614	34 614
Telecollector	1 210	1	44	123	204	266	270	1 210	53 247	148 851	209 843	273 619	277 734

[illegible]