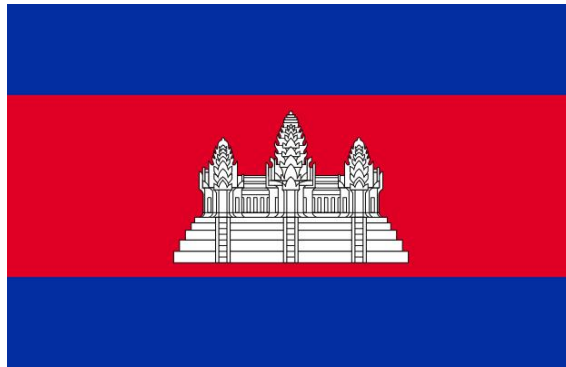


Business Case Cambodia



July 2016



1. Investment Summary

Investment Summary



Main characteristics consumer finance market of Cambodia:

- 1) Stable economic growth - around 7% yearly in last 4 years , low unemployment rate – 0.4%
 - 2) Liberal consumer finance regulation :
 - a) No interest cap by banking law (liberalization interest rate law Prakas #B7-09-213 by Central Bank Cambodia)
 - b) **With local expertise in place, we should be able to start business in August.**
 - 3) 25% employee out of 8,6 million labor force have credit history in Credit Bureau of Cambodia. There is a government target to increase **number of employees** with credit history to 42% by 2020.
 - 4) One of the highest levels of telecom development: mobile penetration – 155%, smartphone penetration – 39% out of mobile penetration.
 - 5) 3 biggest cell operators in Cambodia have own payment systems. **Every mobile phone user has more than one mobile wallet.**
 - 6) Undeveloped consumer banking industry:
 - a) Bank account penetration is 13%
 - b) credit cards penetration is 3% (Customer have to make deposit - 150% of credit limit required)
- Key success factors in the market:
- 1) No interest cap
 - 2) 150% mobile wallet penetration
 - 3) Smartphone penetration **60% (growth of 15% per year)**

We believe that Cambodia market has a lot of opportunities in nearest 2-3 years. We can be one of the first players who will provide fast and easy loans.

Investment summary



Investment summary thsd USD	Timeline					
	Year 1	Year 2	Year 3	Year 4	Year 5*	Total
investments	205	1 184	662	268	0	2 318
Total investments	205	1 184	662	268	0	2 318
Number of loans issued (thsd)	5,6	36	72	144	288	546
Amount disbursed	540	3 423	7 684	13 871	19 182	44 700
Net portfolio (EoY)	135	663	1 424	2 425	3 078	3 078
Revenue	738	1 508	3 581	6 812	10 104	22 743
Net profit after taxes	-120	-696	609	1 553	2 990	10 739
ROE (yearly)	-7%	-16%	11%	25%	49%	50%
ROAA (yearly)	-13%	-28%	14%	23%	32%	37%

Break-even period – 18 months.

Payback period – 51 months.

Maximum investments from – \$2,3M.



2. Market Overview

General Market Information



parameters	2014	2016	Growing, %
Population Cambodia	15.4 mln	15.7 mln	1.6%
Population Phnom Penh	1.51 mln	1.59 mln	5.2%
Cambodia labor force	8.45 mln (2013)	8.62 mln (2014)	2%
Unemployment rate	0.4%	0.4%	0
GDP per capita	1096 usd *	1240 usd	13%
Salaries rate Cambodia	152 usd	190 usd	+ 25%
Salaries rate Phnom Penh	190 usd	250 usd	+ 31%
Urban population	21%	23%	+ 9 %
Mobile penetration** (including smartphones)	126%	155%	+ 29 %
Smartphone penetration** (out of mob. penetration)	29%	39,5%	+ 36 %
Facebook penetration Facebook accounts	16% 2,5 mln people	22% 3,4 mln people	+ 37,5 %
Bank account penetration	N/A	13%	
E-wallets penetration	<1 000 000	> 6 000 000	+ 600%



Capital of Cambodia – Phnom Penh,
Official languages – Khmer

Ethnic groups –
90% Khmers, 5% Vietnamese,
1% Chinese, 1% other

- 1) Average income in Cambodia close to Vietnam and keeps increasing
- 2) E-wallet penetration is one of the highest in Asia. since in 2016 mob operator SMART launched own payment system for 6 mln subscribers. Market share of SMART more than 60%.
- 3) Stable GDP growth (around 7% yearly). Unemployment rate is one of the lowest in Asia.

* source of information - <https://knoema.com/sijweyg/gdp-per-capita-ranking-2015-data-and-charts>

** source of information – <https://www.techinasia.com/talk/digital-southeast-asia-q4-2015>

Consumer Finance Industry Landscape



Consumer lending in Cambodia is performed by Banks, MFIs, NGOs Rural Credit Operators and Pawnshops . At the same time, there are still a lot of unlicensed money lenders.

Cambodian Banking system was established in 1979. **Government** allowed international investors involved 100% of their capital on the bank financial institution. Most of banks concentrate on SME segment. At this moment in country working 36 banks, include 8 international.

MFI can be two types: **deposit taken or credit only. Now there are 6 deposit taken MFIs and 64 credit in Cambodia, with** more than 2000 branches. Total MFIs loan portfolio **is 3.4 bln. usd and 2 mln** borrowers. Deposit portfolio is 1.45 bln. usd.

Historically this MFIs use as money laundering schemes. Cambodia is the third most at-risk country to money laundering (2014)*

In beginning of 2016 paid up capital for MFIs was seriously revised from 62 000 usd to up 1.5 mln.

MFI provide loans in Cambodia with collator or guarantors. Lending process still difficult for clients. Approval process: from 2 days to 2 weeks.

One more subject of consumer lending market is Rural Credit Operator working as NGO. Government wants to control this grey area of market and decide to push them to register as MFI. In end of 2015 National Bank of Cambodia received more than 400 applications for registration. Government cannot conduct so much comprehensive inspections, that's why NBC approved only 44. NGOs still providing loans, but impossible to create a new one.

Until 2009 there no requirements for pawnshops to have a license. In 2009 government introduced licensing process for pawnshops. In last 5 years more than 300 pawnshops received the license, but more 1000 still operating without license.

Consumer lending market regulated by National Bank of Cambodia and Ministry of Economic and Finance which regulate pawnshops activity. (annex: Governing bodies in Cambodia)

1. Banks are focused on SME lending, long and complicated process of borrowing money from the banks for individuals.
2. Consumer lending is represented by NGOs, MFIs, cooperatives, pawnshops and unofficial money lenders
3. **We can we can realize our business model like pawnshop.**

* <https://www.cambodiadaily.com/archives/cambodia-vulnerable-to-money-laundering-67363/>

Licensing Options



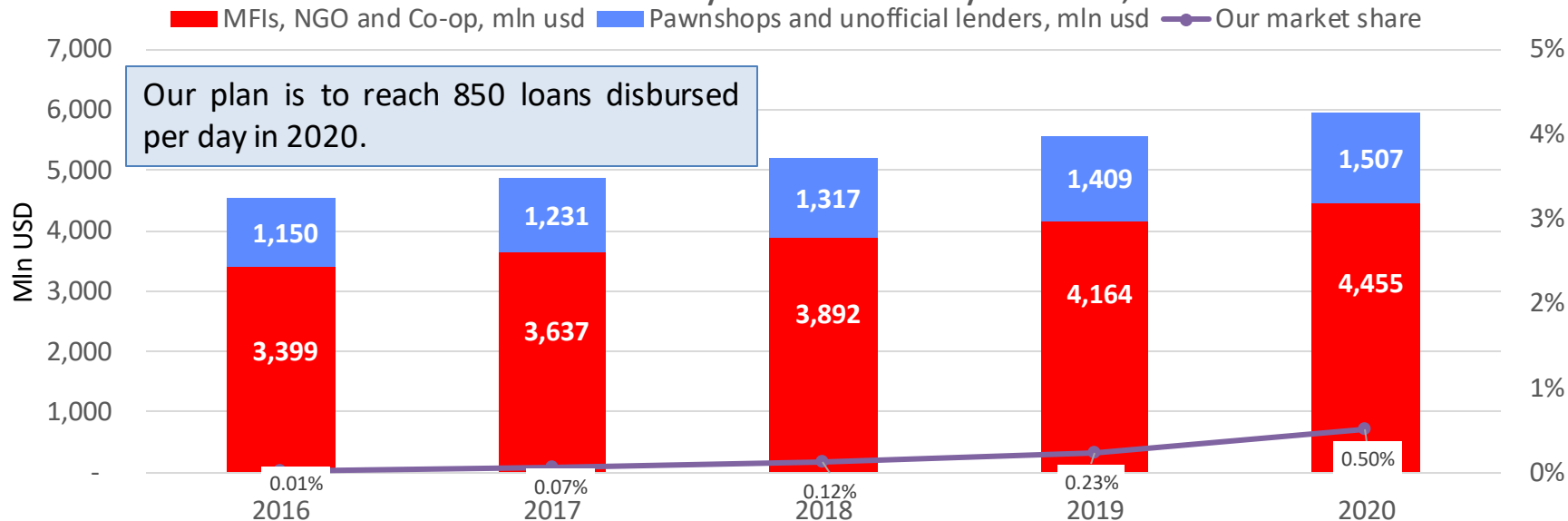
Parameters	Commercial Bank		MFI	NGO (Rural credit operator)	Credit co-operative	Pawnshops	P2P
Main purpose	Full-range banking services for retail and corporate clients		Lending activity	Lending activity in rural area	Lending activity strictly in rural area	Lending services with collateral (we are not forced to take collateral)	Crowd lending Crowd funding
Minimum paid-up capitalization	\$70 mln		\$1.5 mln	\$62 500	\$15 000	\$30 000	Not regulated
Max foreign capital share	100%		100%	0% - local NGO 100% - foreign NGO	0%	49%	100%
Products	Loans, Deposits Credit cards		Deposits Loans	Loans	Loans	Collateral's loans	Not regulated
Interest cap	No restrictions		No restrictions	No restrictions	No restrictions	No restrictions	No restrictions
Regulator	National Bank of Cambodia (NBC)			Ministry of foreign affairs (foreign NGO) Central Bank (Rural Credit operator)	No government regulator yet. Now only self-regulatory	Ministry of Economic and Finance	No regulator.
Term for getting license	2 years	6 months NBC not issuing any new licenses		Not providing (since 08.2015)	No license	40 working days	No license
Number of licenses	36	70		~ 400	60	~ 300 >1000 unofficial	

Optimal choice in licensing options is Pawnshop + P2P

Market Size Estimation



Estimated Sales of Moneylenders & Grey Market, Our Share



	2016	2017	2018	2019	2020
Our disbursement volumes, mln. USD	0,5	3,2	6,48	12,9	29,9
Our Number of loans (thousand) disbursed per year	5,6	36	72	144	288

Main assumptions:

- Yearly market size growth – 7%
- Our market share in 2020 is expected to be ~0,5% of MFI loans and Money Lenders.



3. Legal Setup

Critical Business Model parameters

Key regulatory points of PAWNSHOP and P2P



#	Sphere of regulation	Pawnshop	P2P
1	New licenses issuance by regulator	Licensing process taking 40 working days. Foreign company can not have more than 49% of pawnshop company.	Not regulated
2	Allowed credit products	Loans with collateral. As collateral can be any document, not specified - copy or original. One of our proposal: to take copy of "National ID" as collateral.	any
3	APR/EIR interest cap	There is no interest cap for financial institutions. (Prakas No. B7-09-213P on the Liberalization of Interest Rate by Central Bank) In court we can not charge more than 27% per annum. (Prakas No. 128 MOJ.P/11 on Determination of Interest Rate by Ministry of Justice) Nevertheless, if the case in court, legal fees can be charge from the customer.	Not regulated. Private persons is not a financial institutions. Only court can limit interest rate. (legal opinion)
4	Advertising requirements	No restrictions	Not regulated.
6	Face-to-face customer verification	No regulation directly in law	Not regulated.
7	Remote contract signing	No regulation directly in law	Not regulated.
8	Debt collection	There is no legislation	Not regulated.
9	The funding of the loan portfolio	Could be financed through loans directly from parent company in Singapore.	Directly by peers

We entered Cambodia market using Pawnshop license – as a simplest licensing option in terms of obtaining the license. Also we will use LGC company as p2p platform to attract funds (big gap between bank deposit and loan interest rate)

Regulator:

- Ministry of Economic and Finance

Document regulating Moneylending:

- PRAKAS On Licensing Pawn Business, #028 SHV PRK . 12 Jan 2010

Mandatory documents for Pawnshop:

- The Pawnshop License

Regulation practice:

- Regulation of Pawnshop is not strict comparing to MFI one, which is regulated by National Banc of Cambodia. Which reflects in a relatively low required capital (30 000 usd) and easy procedure to get license.
- Company must extend license one time per year. Ministry of Economic and Finance officials can make review of pawnshop activity (check pawnshops documentation, and collateral keeping).
- Foreign company can not have more than 49% of pawnshop company.
- No restrictions on funding. Could be financed through loans directly from parent company in Singapore.

We entered Cambodia market using Pawnshop license – as a simplest licensing option in terms of obtaining the license. Also we will use LGC company as p2p platform.

P2P development phases



We plan to develop P2P platform using the following phases:

Phase 1.
PAWNSHOP – we
are the lender and
investor (Q3'2016)

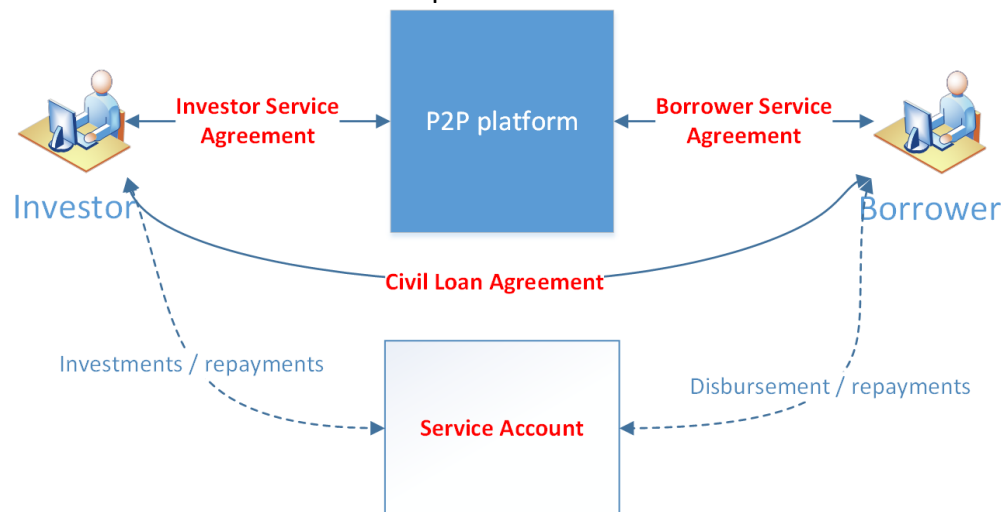
- Start with set up pawnshop as moneylender
- Starting to build Web-portal with p2p platform
- Platform will obtain its profit through charging Investor with a set of fees, basing on service agreement.

Phase 2.
PAWNSHOP + P2P –
multiple individual
investors (Q4'2016)

- After finishing development of the Web-portal for individual investors we will start acquiring independent individual investors from the market to raise funding.
- At this phase we also plan to present a “deposit-guarantee” mechanism and a separate “Investor” product.

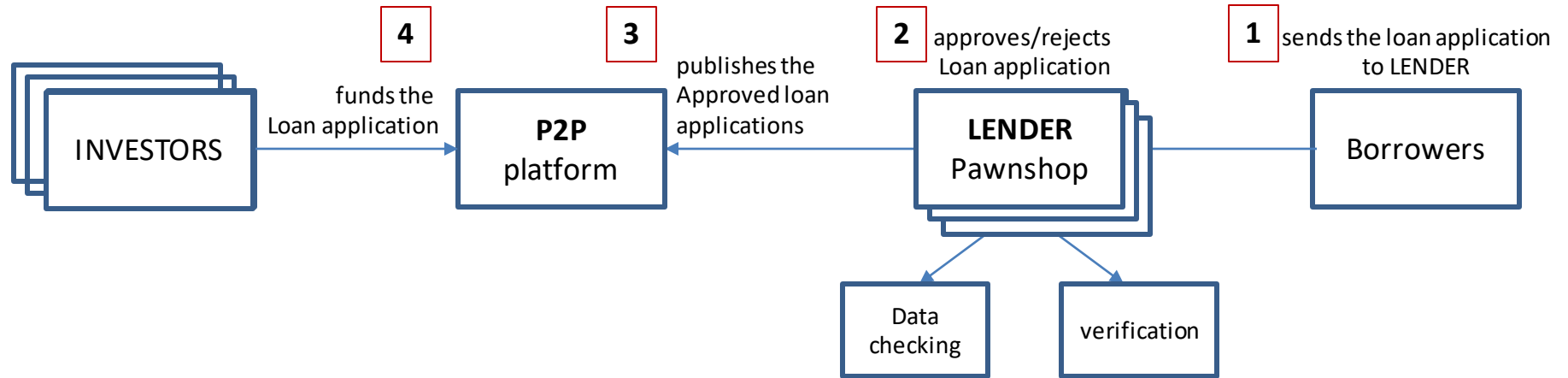
Phase 3. PS+P2P –
individual and
institutional
investors (in 2017)

- After the service grows we plan to provide institutional investors possibility to invest in our service.
- At this phase we plan to present new credit products (for example, installment loans) as we will receive respective funding from institutional investors.



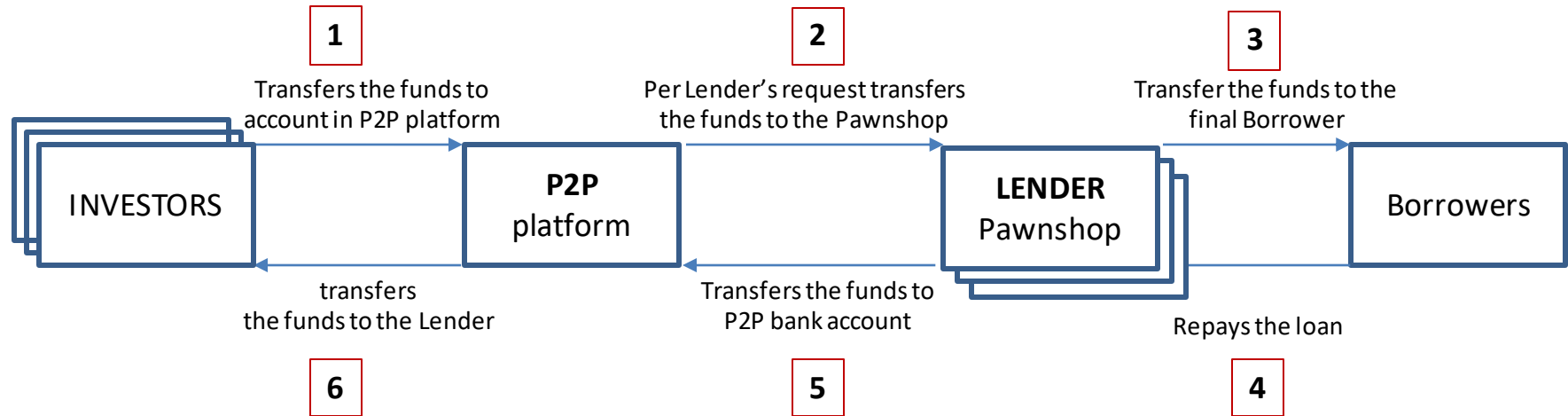


Business Process

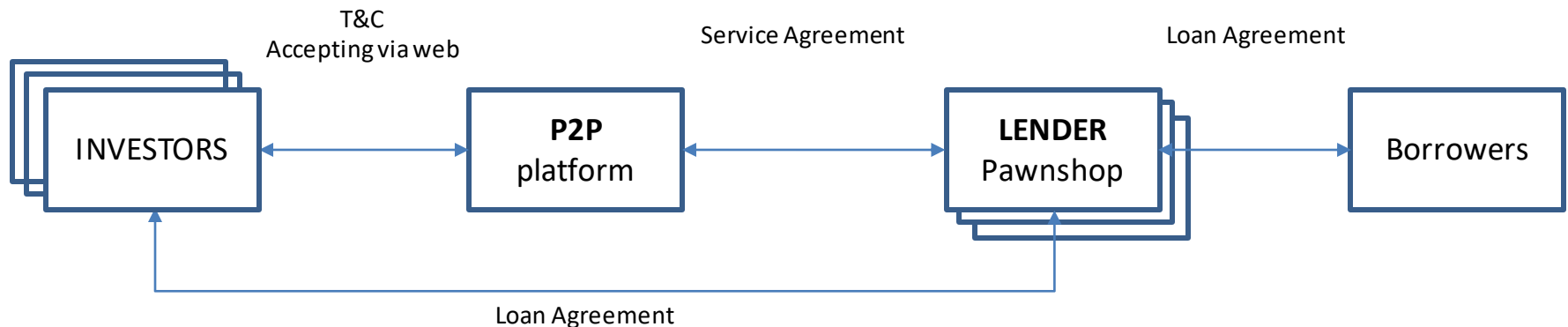




Cash flow



Contractual Obligations





4. Product & Marketing

Consumer Lending Landscape



Type	Product types	Annualized EIR	Loan Amount	Tenure	Verification	Time-to-Money	Target Customers
Bank	Secured loans Business loan Individual loan Credit Cards	Up to 24%	Up to \$3000	Up to 25 years	ID Salary proof Address proof Collateral or guarantor or guarantee letter	Up to 10 days	Official employees and entrepreneurs, who can provide guarantor or collateral
MFI	Secured loans Business loan Individual loan Credit Cards	From 18% up to 48%	\$50 – \$500	Up to 60 months	ID Salary proof Address proof collateral or guarantor or guarantee letter	From 2 days up to 2 week (based on loan amount)	Official employees and entrepreneurs, who can provide guarantor or collateral.
Pawnshop	Collator loans	Up to 120%	\$10 - \$300	Up to 4 months	ID, Collateral	1 hour	All types of clients who can provide collateral
Unofficial lender	Individual loans	From 240% - 720%	\$30 – \$100	From 1 week up to 1 month	ID, address proof, recommendation from other client	1 hour – 1 day	Customers without official work or clients who need emergency money and can't provide collateral

Our Target audience is customers who need emergency loan and don't want provide collateral. Our main competitors are unofficial lenders and pawnshops.

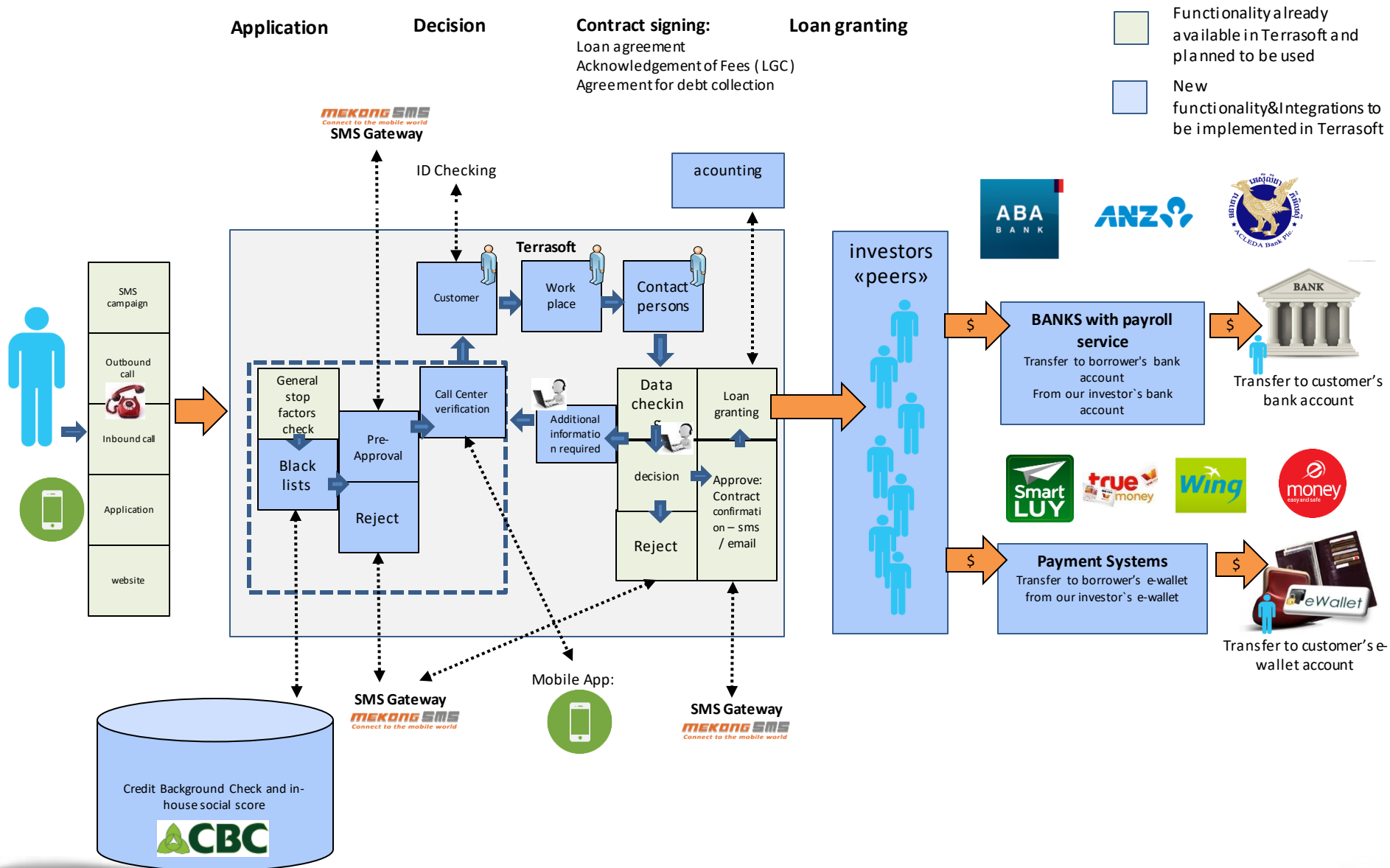
Our Strategy



#	Parameter	Pawnshop	LoanSharks	Our Offer
1	Loan amount range	\$10 - \$300	\$30 – \$100	\$30 – \$150
2	Average loan size	\$90	\$60	\$90
3	Average tenor	3 months	1 month	27 days
5	Collateral	Needed	No need	No need
6	Effective IR rate per year	18%-120%	240%-720%	365%
7	Late fee	No data	No data	2% per day
8	Prolongation fee	No	No	No
9	Time to money	1 hour	1 hour – 1 day	1 hour
10	Loan disbursal	Cash in pawnshop office	Cash in hand	Payment systems
11	Verification	ID	ID, Recommendation by existing client	ID, Employment, address, Credit Bureau check, Phone verification
12	Business model	Offline	Offline	Online to offline

Our strategy – we will focus on fast loan delivery and comfortable repayment process (remote via payment system), we not required collator

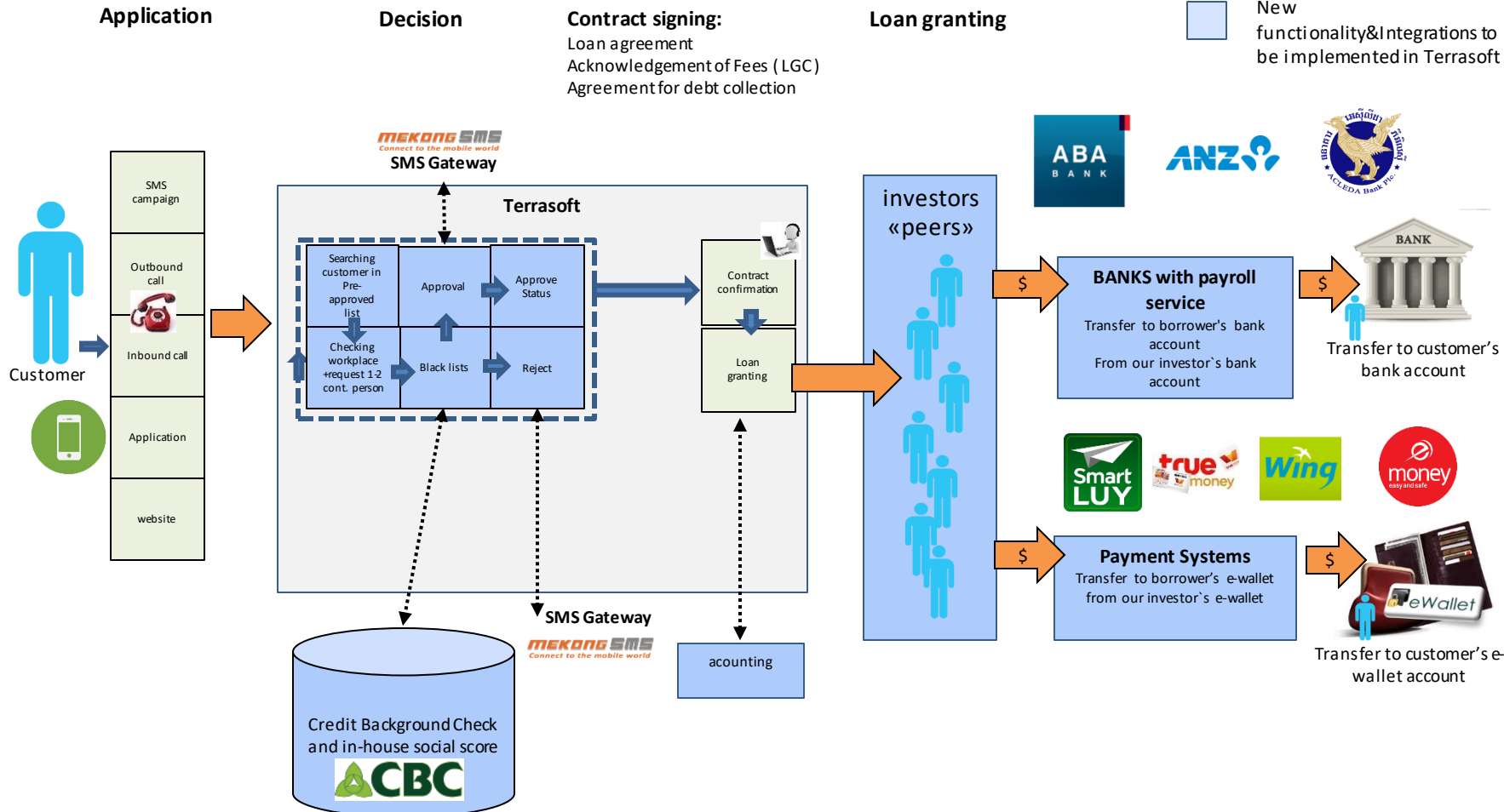
Initial Sales Business Process (O2O)



Repeat Sales Business Process & Online



- Functionality already available in Terrasoft and planned to be used
- New functionality & Integrations to be implemented in Terrasoft



Short term sales plan

	July-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Number of loans disbursed per month	300	1000	1500	2000	2500	3000

Long term sales plan

Parameter	EOY 1 2016	EOY 2 2017	EOY 3 2018	EOY 4 2019	EOY 5 2020
Number of loans disbursed per month	1500	3000	6000	12000	24000
Number of New loans disbursed per month	600	1000	2000	4000	9000
Online advertising	80%	75%	67%	65%	60%
Recommendations / Referrals	7%	9%	13%	14%	15%
Repeat sales	10%	13%	16%	17%	21%
Sms	3%	3%	4%	4%	4%

Key business parameters



#	Parameter	Value
1	Business model	Online to Offline
2	Customers acquisition channels	Online to Offline
3	Application channels	Online to Offline
4	Decisioning steps	<ol style="list-style-type: none">1. SMS-verification on website.2. Phone Verification (including cross check): Workplace, Manager, family contact persons, home address3. Selective customer's employer verification from open sources.4. Selective Data checking (personal info and documents photos).5. Selective check in Credit Bureau "CBC".6. Final verification through payment system
5	Loan disbursement channels	Payment partner – Wing, e-money, TrueMoney, SmartLuy
6	Loan repayment channels	Payment partner – Wing, e-money, TrueMoney, SmartLuy

Project Plan



Activity	Planning end date	Comments
Business plan submission and approval	30/06/2016	
Hiring CEO	15/07/2016	We already have the candidate.
Licensing	15/07/2016	We plan to apply in the beginning of July
Renting offices	15/07/2016	We plan to rent office in the beginning of July
Creating team	15/07/2016	We planning to hire people by future CEO side
IT settings, product settings	15/09/2016	We understand all our partners for integration
Official documents	31/07/2016	We will use law advisor company for preparing all documents
Start sales	15/10/2016	

Activity	July-16	Aug-16	Sept-16	Oct-16
Licensing (40 working days)				
Online lead generation (website, facebook)				
Offline lead generation (agents \ cross selling)				
Renting office , Creating team				
IT Development, product settings				
Official documents for customers and regulator				
Start pilot operations with "excel":		✓		
Start fully automated processes with BPM CRM:				✓

We are planning to launch pilot activity in JULY and fully start all operations in OCTOBER.



KING

Prime Minister

Ministry of Economic and Finance

Central bank of Cambodia

PAWNSHOPS

MFIs

BANKS

NGO\Rural
credit operator