Smart Nation, Silicon Valley Technology, and Asia Growth Strategy

Professor David Lee
Visiting Fulbright Scholar, Stanford University
Professor, Singapore Management University
Founder, Ferrell Asset Management

Dec 1, 2015
Organised by APARC and SCID
at Encina Hall, Stanford
Technology, especially Silicon Technology, has been playing an increasingly important role in the world economy and causing disruption in every industry. If we are at the tipping point of a technological revolution, where will this lead us and how should we move forward? This seminar will look at the policy strategy perspective from a company, an industry and a country.

Prof Lee will present a winning strategy that several technology companies have adopted with lower business costs with millions of sticky customers. With an initial social objective, these companies have the common LASIC characteristics of low margin and barrier of entry, asset light, scalable, innovative and are operating in a low compliance regime.

At the industry level, the Chinese financial sector was disrupted in compressed time a couple of years ago. Chinese banking industry has responded with a counter strategy after losing 25% of bank deposits to Yu’E Bao of Alipay. A new industry strategy, led by e-ICBC, has taken shape.

At the country level, Singapore is an asset sharing economy with over 90% of the population owning their own home. It has recently adopted an inclusive smart nation strategy to grow the GNP after focusing on growing the GDP since independence 50 years ago. Prof Lee will share his vision that adopting impact investing may be the winning strategy for business, industry and nation going forward with ASEAN being the most sought-after region for growth.
Questions

- What is so interesting about Silicon Valley Technology?
- What is Asia Growth Strategy?
  - Company
  - Industry
  - Country
- Smart Nation
FinTech Examples: Not Just About Technology

Personal Finance
- wealthfront
- Credit Karma
- PERSONAL CAPITAL
- robinhood
- motif INVESTING
- SIGFIG
- FutureAdvisor

Crowdfunding
- AngelList
- Funders Club
- CircleUp

Lending
- PROSPER
- Oportun
- Upstart
- LendUp
- earnest
- betterfinance
- SoFi

Payments
- Affirm
- stripe
- Square
- wepay
- PayNearMe
- Bill.com
- AVISO
- cardSPRING
- Zuora

Digital Currency
- BitFury
- coinbase
- Bitnet
<table>
<thead>
<tr>
<th>Year founded</th>
<th>2008</th>
<th>Latest funding round</th>
<th>Series D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder(s)</td>
<td>Adam Nash</td>
<td>Location</td>
<td>203 Forest Avenue, Palo Alto, CA 94301</td>
</tr>
<tr>
<td>Funding rounds</td>
<td>5</td>
<td>Phone</td>
<td>650-249-4258</td>
</tr>
<tr>
<td>Total funds raised</td>
<td>$129.5m</td>
<td>Email</td>
<td>-</td>
</tr>
<tr>
<td>Sales info</td>
<td>Mangages $2b in assets (2015) &amp; $500m (2014); Most of Wealthfront’s clients are in their 20’s and 30’s, and their account with Wealthfront is most often their first investment account ever</td>
<td></td>
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</tr>
<tr>
<td>Round</td>
<td>Angel</td>
<td>Series A</td>
<td>Series B</td>
</tr>
<tr>
<td>Date</td>
<td>16-Dec-2008</td>
<td>15-Dec-2009</td>
<td>20-Mar-2013</td>
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<tr>
<td>Funds raised</td>
<td>$3m</td>
<td>$7.5m</td>
<td>$20m</td>
</tr>
<tr>
<td>Investor(s)</td>
<td>Andy Rachleff; Ben Horowitz; Bruce Dunlevie; Doug Mackenzie; Jeff Jordan; Kevin Compton; Marc Andreessen; DAG Ventures (Lead)</td>
<td>Greylock Partners (Lead); Partners: Andy Johns and Reid Hoffman; Index Ventures (Lead) Partner: Mike Volpi; The Social+Capital Partnership (Lead) Partner: Chamath Palihipitiya; Adam D'Angelo; Andy Dunn; Cipora Herman; Duff, Ackerman and Goodrich; Hunter Walk; Matt Mullenweg; Michael Schroepfer; Peter Pham; Satya Patel; Science;</td>
<td>Index Ventures (Lead) Partner: Mike Volpi; Ribbit Capital (Lead); Ali Pincus; Alison Rosenthal; Benchmark Partner: Andy Rachleff; DAG Ventures; Greylock Partners Partner: Andy Johns; Kevin Rose; Marissa Mayer; Mark Pincus; Paul Kedrosky; SK Ventures; The Social+Capital Partnership; Timothy Ferriss;</td>
</tr>
</tbody>
</table>
Wealthfront Inc. is a privately owned investment manager. The firm primarily provides its services to individuals. It also caters to high net worth individuals, charitable organizations, and corporations. The firm invests in the public equity and fixed income markets across the globe. It also invests in mutual funds and exchange traded funds. For the fixed income portion of its portfolio, the firm invests in diversified portfolio of investments including corporate bonds, government bonds, municipal bonds, emerging market bonds, and treasury inflation-protected securities. It also invests in real estate and natural resources. The firm benchmarks the performance of its portfolio against the S&P 500 Index. It conducts in-house research to make its investments. The firm was formerly known as kaChing Group Inc.

The company uses its own set of complex algorithms and software to make financial advisory decisions for clients looking to save up for their future. Alongside managing more than $2 billion in client assets, Wealthfront also says that it has saved its clients a total of $10 million in fees they would have been charged with a traditional advisor.

Wealthfront claims to remove all commissions/account maintenance fees, by charging 0.25% of AUM. The first $10,000 is managed for free.

2013, Wealthfront introduced "direct indexing", a tax-loss harvesting platform that purchases the individual securities of an investment portfolio.

First company in Silicon Valley to reach $1b in AUM (reached this value in 2.5 years)

Other Features:

- Earn free management of an additional $5,000 when you refer a friend
- Automated portfolio rebalancing
- Choose your risk level
- Single Stock Diversification Program
- Daily tax-loss harvesting
- Customized portfolio
- Automated deposits
Ecosystem and Culture

- Fintech as an example
- Hedgelabs

**Ecosystem**
- Critical Mass
- PhDs, Software Developers, Technology Experts, Angel Investors
- Education Institutions, VCs, Consultants, Tech Giants, Accelerators and other complementary service providers

**Culture**
- “Failure as a badge of honour”
- “Crazy ideas are rewarded”
- Passion entails suffering
- Sharing of ideas, knowledge, business models, contacts, network
What About Asia?
First, you need to understand the meaning of Dian Fu
颠覆
Yu'E Bao
ZhaoCai Bao
Mayi Dake
YuLe Bao

David Lee: The Game of Dian Fu
Let us start with HanYu PinYin


- The official phonetic system for transcribing the Mandarin pronunciations of Chinese characters into the Latin alphabet in China and Singapore.

- The Hanyu Pinyin system was developed in the 1950s based on earlier forms of romanization. It was published by the Chinese government in 1958 and revised several times.

- The International Organization for Standardization (ISO) adopted pinyin as an international standard in 1982.

- Singapore also adopted Hanyu Pinyin in the 80’s.

- The system was adopted as the official standard in Taiwan in 2009, where it is used for romanization alone rather than for educational and computer input purposes.
What is Dian Fu

Ancient writing

To turn it upside down

David Lee: The Game of Dian Fu
Dian Fu
Disrupt;
overturn;
subvert;
overthrow
Crocodile in the Yantze River: The Alibaba Story

http://www.crocodileintheyangtze.com/buynow.html

50mins:52mins

From Start-up to the World’s Largest IPO Ever That Raised USD25b.
Dian Fu No 1
Xin San Ban~新三板
New Third Board
or
NEEQ
The Rise of China GDP: Only Half Way There!

Source: Angus Maddison, University of Groningen, OECD, data post 1980 based on IMF data (GDP adjusted for purchasing power parity). Other countries account for ~35% of global GDP.

Around 1820, China accounted for 33% of world GDP.

There is still more room to go with 5% pa (or more) growth than other developed countries!
The Rise of the China Stock Market: It has grown 10x to RMB 37.4t from 2002!

2613 companies in 2014 with a market cap of RMB37.24t or USD5.8t!

Source: The Real Value of China’s Stock Market by Fangzhou Lu, SSE and SZSE
Market Capitalisation of the World's Top Stock Exchanges
(As at end Jun 2015)

In 2015, it increased more than 65% to USD9.6t excluding HK!

But still a long way to catch up with NYSE and NASDAQ!

Sources: WFE and Bloomberg
What is NEEQ or Xin San Ban ~新三板

Xin San Ban
~新三板
National Equities Exchange and Quotations!

Main Board (1200+)

SME Board (400+)

Second Board (700+)

NEEQ (2811, estimate to be 4000+, by the end of the year)

Regional Equity Market

Large blue chip enterprises

Medium size companies with steady growth

Technology companies with rapid growth

Innovative startup firms

Other SMEs

SSE, SZSE

SZSE

SZSE

OTC

OTC

David Lee: The Game of Dian Fu
Exponential Growth Over the Last Two Years

Numbers of Listed firms on NEEQ, 2006 - 2015

Source: http://mp.weixin.qq.com/s?__biz=MjM5NjUxNDgzMw==&mid=205267509&idx=2&sn=d6efe71bc0a0b33ea8eb258355ded3&scene=5#rd
There is A Rush to Privatise Chinese Companies Listed on NASDAQ For “A” Share Listing

<table>
<thead>
<tr>
<th>序号</th>
<th>名称</th>
<th>行业</th>
<th>股票代码</th>
<th>目前/退市前市值（单位：亿美元）</th>
<th>私有化发出时间</th>
<th>完成时间</th>
<th>状态</th>
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<td>1</td>
<td>陌陌</td>
<td>科技</td>
<td>MOMO.0</td>
<td>32.15</td>
<td>2015.6.23</td>
<td>---</td>
<td>进行中</td>
</tr>
<tr>
<td>2</td>
<td>中星微电子</td>
<td>科技</td>
<td>VIMC.0</td>
<td>3.38</td>
<td>2015.6.22</td>
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<tr>
<td>3</td>
<td>中国信息技术有限公司</td>
<td>科技</td>
<td>CNIT.0</td>
<td>1.28</td>
<td>2015.6.22</td>
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<td>进行中</td>
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<tr>
<td>4</td>
<td>航美传媒</td>
<td>运营商</td>
<td>AMCN.0</td>
<td>3</td>
<td>2015.6.19</td>
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<td>5</td>
<td>奇虎360</td>
<td>科技</td>
<td>QIHU.N</td>
<td>87.16</td>
<td>2015.6.17</td>
<td>---</td>
<td>进行中</td>
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<td>6</td>
<td>创梦天地</td>
<td>科技</td>
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<td>7</td>
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<td>7.98</td>
<td>2015.6.12</td>
<td>---</td>
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<tr>
<td>8</td>
<td>如家</td>
<td>消费服务</td>
<td>HMIN.0</td>
<td>15.29</td>
<td>2015.6.11</td>
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<td>9</td>
<td>世纪互联</td>
<td>科技</td>
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<td>2015.6.10</td>
<td>---</td>
<td>进行中</td>
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<td>10</td>
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<td>科技</td>
<td>RENN.N</td>
<td>14.62</td>
<td>2015.6.10</td>
<td>---</td>
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<td>11</td>
<td>易居中国</td>
<td>金融</td>
<td>EJ.N</td>
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<td>---</td>
<td>进行中</td>
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<tr>
<td>12</td>
<td>晶澳太阳能</td>
<td>能源</td>
<td>JASO.0</td>
<td>3.9</td>
<td>2015.6.5</td>
<td>---</td>
<td>进行中</td>
</tr>
</tbody>
</table>

More than a hundred NASDAQ companies are in the process of delisting for listing in A share market!
Privatisation + Listing = Unwinding VIE Structure
颠覆
Variable Interest Entity (VIE) Structure:

- **SPV** = Special Purpose Vehicle
- **WFOE** = Wholly Foreign Owned Enterprise

Diagram shows the relationship between PRC founders, foreign investors, SPV (Cayman) (listed co), SPV (HK), domestic operating company, and WFOE. Contractual arrangements are indicated between each step in the hierarchy.
A Clever Financial Engineering For Baidu, Alibaba, Tencent and Sina (BATs)

<table>
<thead>
<tr>
<th>Company</th>
<th>Listed Location</th>
<th>Listed Date</th>
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</thead>
<tbody>
<tr>
<td>Sina</td>
<td>America</td>
<td>2000/4/13</td>
</tr>
<tr>
<td>Tencent</td>
<td>Hong Kong</td>
<td>2004/6/16</td>
</tr>
<tr>
<td>Baidu</td>
<td>America</td>
<td>2005/8/5</td>
</tr>
<tr>
<td>Alibaba</td>
<td>America</td>
<td>2014/9/19</td>
</tr>
</tbody>
</table>

VIE was how the BATs flew out of China!

- The VIE structure is also commonly referred to as the Sina-model structure, since it was first used by Sina in 2000
BATs Can Now Return to China As They Are

- Circumvent regulation of China Securities Regulatory Commission for company listing and shorten the IPO process in foreign countries.

- VIE structure plays an important role in allowing foreign shareholders participation in some Chinese industries in China, e.g., Internet industry.

- The most recent announcement is that VIE structure can be listed in China!
Dian Fu No 3

Zou Chu Qu~走出去
Chu Hai~出海

“Out to the Sea”

In Preparation of Investment Abroad
Cosco
- First company to embark on a backdoor listing with foreign assets (ships) in Singapore in 1993

China Everbright
- Second company

China Travel International Investment Hong Kong Ltd
- Listed in HK in 1992 with 10-15 back door listings

Tsingtao Brewery H shares
- HKSE July 1993 first batch of 9 approved companies
- Late 1994, another 22 companies were approved
Listed Companies Are Investing Offshore: Chu Hai~出海

- Third week of Aug 2015 alone, 10 listed companies announced M&As of companies based outside China
- 2015Q2 overseas M&A activities increased by 60% to USD32.55b, 128 deals, mainly in TMT, Real estate and Finance
- 顺荣三七(002555.SZ): Acquired 81.25% of Japanese games company SNK for USD63.5mil
- 苏宁环球 (000718.SZ): Acquired 20.17% of Korea’s REDROVER for RMB242m
- 紫金矿业 (601899.SH): Acquired 100% of Australia’s Phoenix Gold Limited for RMB200m
- 德奥通航 (002260.SZ), 富邦股份 (300387.SZ), 江河创建、巴安水务、歌尔声学、赣锋锂业
Dian Fu No 4
Rise of the China VC/PE (Private Equity)
Rise of the China PE

Investable Amount has crossed USD147bil half year 2015 with 7.2% growth!

Source: Qingke Data

David Lee: The Game of Dian Fu
Rise of the China PE – Internet Tops the List!

TOP 5 HOTTEST INVESTED INDUSTRIES OF PE, 2015H1

- Internet, 2,921, 18%
- IT, 1,828, 11%
- Radio, television and digital media, 2,362, 14%
- Biotechnology, 1,489, 9%
- Others, 4,934, 30%

Finance, 2,873.35, 18%

RANKING OF THE PE INVESTED INDUSTRIES, 2015H1

- 互联网: 2921.46
- 金融: 2873.35
- 广播电视及数字电视: 2362.10
- IT: 1827.98
- 生物技术/医疗健康: 1488.77
- 电子及光电设备: 1149.88
- 电信及增值业务: 763.83
- 农/林/牧/渔: 511.30
- 能源及矿产: 395.05
- 娱乐传媒: 343.44
- 物流: 319.64
- 食品&饮料: 282.02
- 房地产: 195.10
- 汽车: 138.87
- 建筑/工程: 123.03
- 教育与培训: 119.00
- 机械制造: 117.56
- 清洁技术: 105.06
- 连锁及零售: 58.38
- 化工原料及加工: 55.60
- 纺织及服装: 5.39
- 半导体: 5.28
NEEQ Is the Catalyst for VC/PE

Currently, there are more than 2811 enterprises listed in the NEEQ, which includes not only high-tech enterprises, but also investment agencies such as Jiu Ding Investment (九鼎投资) and Silicon Valley Paradise (硅谷天堂).

NEEQ is set up to support the government objectives of capital market development and reform, to support innovation, to upgrade the industry and to encourage corporate restructuring.

New NEEQ funds were set up. NEEQ is a new source of funding for star-ups, an alternate source for new investment, and an exit route for PE/VE.
<table>
<thead>
<tr>
<th>Ranking</th>
<th>English name</th>
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<tbody>
<tr>
<td>1</td>
<td>CDH investment fund management company</td>
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<tr>
<td>2</td>
<td>Hillhouse Capital Management</td>
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<td>3</td>
<td>Tiger Global Management</td>
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<td>4</td>
<td>Tencent Collaboration Fund</td>
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<td>5</td>
<td>Shanghai Yunfeng investment management co., LTD</td>
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<td>6</td>
<td>Fosun International</td>
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<tr>
<td>7</td>
<td>Citic industrial investment fund management co., LTD</td>
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<tr>
<td>8</td>
<td>Kunwu Jiuding investment management co., LTD</td>
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<td>9</td>
<td>Boyu Capital Advisory</td>
</tr>
<tr>
<td>10</td>
<td>DST</td>
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</table>

David Lee: The Game of Dian Fu  
Source: http://pe.pedaily.cn/201412/20141204374638.shtml
### Top 10 VC Firms in China

<table>
<thead>
<tr>
<th>Ranking</th>
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<th>English name</th>
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<tr>
<td>1</td>
<td>IDG Capital</td>
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<tr>
<td>2</td>
<td>Sequoia Capital China</td>
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<tr>
<td>3</td>
<td>Shenzhen Innovation Investment Group Co., LTD</td>
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<tr>
<td>4</td>
<td>Jiangsu Venture Capital Co., LTD</td>
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<tr>
<td>5</td>
<td>Delta Capital Markets Ltd.</td>
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<tr>
<td>6</td>
<td>Dachen Venture Investment Co., LTD</td>
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<tr>
<td>7</td>
<td>SAIF Partners</td>
<td></td>
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<tr>
<td>8</td>
<td>Qiming Venture Partners (Shanghai)</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Cowin Capital</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>GSR Ventures</td>
<td></td>
</tr>
</tbody>
</table>

Source: [http://pe.pedaily.cn/201412/20141204374638.shtml](http://pe.pedaily.cn/201412/20141204374638.shtml)
From self governing, separation ownership from shareholding, shareholding restructuring experiment, restructuring of shareholding and strategy, to deepening the restructuring of SOEs.

In a mid July Report, S&P estimated USD14.2t Chinese Corporate Debt at end 2013. On 17th July, Economist estimated that the number was possibly 25% less.

Deducting Local Government Financial Vehicles (LGFVs), the number is closer to USD11.4t.
M&A of SOEs

**M&A amounted to USD35b**

There were 481 cases in 2014

SCB estimated that China’s overall debt increased from 150% of GDP in 2008 to 245% of GDP at USD22.8t in 2014.

Source:
http://mp.weixin.qq.com/s?__biz=MzI1MTAxNDE0Ng==&mid=211919834&idx=1&sn=87b8dfd794da30c48a6f24e58eb53448&scene=2&from=timeline&isappinstalled=0#rd
SOEs’ Output is 2/5 of GDP and 1/5 Employment

VC/PE Investment amounted to USD8.9b

62 cases in 2014

Local Governments are allowed to issue market-directed debt instruments on top of state-directed debt swap to lower borrowing cost. There are more promotions of Public-Private-Partnerships (PPPs).
Dian Fu No 5
Rise of the China P2P
P2P is the Fastest Growing Sector in Finance

- **US**: P2P market is dominated by 2 large players, Lending club and Prosper, which accounts for 96% of the total market.
  - The revenue sources of Lending Club are transaction fees (1-6%), servicing fees (1% of the repayment) and management fees (0.7%-1.25% of the assets under management).

- **China**: the growth of the P2P platforms has present an exponential pattern since PaiPaiDai 拍拍贷 was introduced in 2007.
  - 2028 P2P platforms: 683.5 billion RMB loans with 208.7 billion RMB outstanding during the first half of 2015.
  - The average annualized interest rate is 14.8% and average lending period is 6.74 months.
  - Over the past 5 years, more and more platforms face solvency issues, the number of such companies is 419 in the first half of 2015, 7.5 times as that of the same period of 2014.
Comparison of P2P in China, UK and US

China P2P market is still 5 times larger than the US at over USD32b!

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<tr>
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<td>China</td>
<td>$304.69</td>
<td>$1,510.94</td>
<td>$4,193.75</td>
<td>$14,493.75</td>
<td>$31,446.88</td>
<td>$38,621.88</td>
<td>$54,417.19</td>
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<tr>
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<td>$2,400.00</td>
<td>$6,600.00</td>
<td></td>
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<tr>
<td>UK</td>
<td>$441.20</td>
<td>$1,151.44</td>
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</tbody>
</table>


Research Cases of P2P Lending, 2014, (P2P小额信贷典型模式案例研究报告), Page 5
China Consumer Credit Has Room to Grow!

Non-Mortgage Consumer Credit as Percentage of GDP

This may have increased but still a long way to go!

China Saving Rates are still very high and P2P has a long way to go! BUT.....

Source: CreditEase 2014 report
Approaching 1 mil Lenders: Problematic Platforms on the Rise

Some problematic platforms are for equity margin financing with many investors involved!

More than 700 platforms have “Serious” Problems!

Source: http://shuju.wangdaizhijia.com/industry-type-2-6-2015.html
Created Massive Employment Opportunities!

The Number of Workers in CreditEase

- **Current number of the largest 5 year-old P2P HengChang 恒昌 employees:** 47,000


David Lee: The Game of Dian Fu
Explosive Growth in the Last 5 years

野草丛生，野蛮生长
Let a thousand flowers bloom!

宜信
CreditEase
2006

红岭创投
2009.03

你我贷
2011.06

投哪网
touna.cn
2011.09

PP money
2012.12

开鑫贷
gkxd.com
2013.08

积木盒子
2013.10

宜人贷
2006

拍拍贷
ppdai.com
2007.06

微贷网
weidai.com.cn
2011.07

陆金所
lufax.com
2012.05

金海贷
2013.03

鑫合汇
2013.12

理财范
licaifan.com
2014.07

David Lee: The Game of Dian Fu
Many FinTech start-ups in China

Supply chain finance & P2P

Since last year, the payments infrastructure and landscape were relatively established, resulting in many platforms for example, O2O platforms, e-commerce platforms, cars, real estates and large scale logistic supply chain systems etc. to embrace the use of P2P financing. Moreover, the risk management capabilities and financing facilities provided by logistic supply chain and e-commerce businesses successfully merges with the P2P business landscape to further strengthen this supply chain finance.

Apart from Alibaba and Jingdong platforms and the resulting goods sold there, property, automobiles, commodities and industrial goods have generally and recently favoured P2P financing due to the presence of the naturally large market outreach and secure financing capabilities of P2P financing.

<table>
<thead>
<tr>
<th>P2P平台或产品</th>
<th>招财宝</th>
<th>京宝贝</th>
<th>新浪微财富</th>
<th>融信</th>
<th>云证网</th>
<th>积木盒子</th>
<th>中瑞财富</th>
<th>金联储</th>
<th>陆金所</th>
<th>广州e贷</th>
<th>房金所</th>
<th>银湖网</th>
<th>投哪网</th>
</tr>
</thead>
<tbody>
<tr>
<td>对接资产端</td>
<td>阿里</td>
<td>京东</td>
<td>金银猫、票据宝</td>
<td>eBay</td>
<td>海车无忧</td>
<td>大搜车</td>
<td>瑞茂通</td>
<td>金银岛</td>
<td>绿地、世茂</td>
<td>方圆地产、美林基金</td>
<td>新浪易居</td>
<td>熊猫烟花</td>
<td>跨国采购中心</td>
</tr>
<tr>
<td>服务领域</td>
<td>阿里电商平台 供应商</td>
<td>京东电商平台 供应链</td>
<td>供应链 金融</td>
<td>eBay电商平台 供应链</td>
<td>“海车宝”，二手车经...</td>
<td>大宗商品供应链</td>
<td>大宗商品供应链</td>
<td>房地产首付款</td>
<td>房地产首付款</td>
<td>房地产首付款</td>
<td>房地产首付款</td>
<td>熊猫烟花供应链企业融资</td>
<td>供应链 金融</td>
</tr>
</tbody>
</table>

Source: 2015 China Internet Finance Report

David Lee: The Game of Dian Fu
3 P2P Categories: Original, State/Bank, Internet

- **P2P start-up platforms/original P2P platforms**
  Passed 2000 in China.

- **Bank or state-owned P2P Platforms**
  P2P financing fills the gaps of bank financing (Limited bank outreach due to geographical conditions and no financial services for SMEs)
  Once policies on P2P financing are refined, it is likely that the P2P banking industry would rapidly take off. Although traditional banks have the advantage of lower associated risk as well as the quality of the assets that they hold, they lack experience in the internet business.

- **Internet P2P Financing Companies**
  Internet companies entering the P2P industries in two ways: Building the P2P platform by themselves and acquiring an original P2P platform business.

Source:
http://mp.weixin.qq.com/s?__biz=MjM5NDMwOTY2OQ==&mid=207371584&idx=3&sn=721d951c4932dc1ad83e633d9af9f3ee&scene=5#rd
P2P Supervisors: Finally Guidance was issued in Mid July!

- The People’s Bank of China taking charge of Internet payment business
- China Banking Regulatory Commission taking charge of P2P lending, Internet Trust and Internet consumer finance business
- China Securities Regulatory Commission taking charge of equity crowd funding business
- China Insurance Regulatory Commission taking charge of Internet insurance business

Source: http://www.wib.wang/zixun/20150419/2376.html
DiChan Bao~地产宝
Real Estate Treasure
REITS is knocking the door of China
C-REITs

- HK: 越秀 (Dec 2005), 春泉 (May 2014)
- Spore: Capital Land 凯德、Ascendas 腾飞、Mapletree 丰树、Forterra 富达来
- Dec 2008 Finance Regulation 32
- Mar 2013 Regulation on Real Asset Securitisation
- Jan 2014 Approval of CITIC QiHang Real Estate Management Company
- REITs? – no tax advantage, around 5-6% yield
China:

- **Tianjin Real Estate Bond** 天津“债权版”(Aug 2012)
- **CITIC QiHang** (Jan 2014, RMB52.1b, 70% AAA min 5mil investment class A 5.5-7%, 30% unrated min 30mil class B 12-42%, max 200 investors)
- **PengHua** (June 2015, RMB3b, IPO, Hybrid)
- **Wanda** (June 2015, RMB5b, Crowdfunding, pre-REITs)

Wanda’s Crowdfunding of RMB5b Within 3 days! The Retail Portion Was Completed in 1.5 Hours.
Dian Fu No 7

Chuang Ye Jia Su Qi~
创业加速器

Accelerator:

Rise of the China FinTech Start ups
Internet and cellphone are changing the consumers’ habit

Source: Companies are eBay, Amazon, Alibaba, JD.com, and Rakuten. Per publicly available company data, Morgan Stanley Research.

David Lee: The Game of Dian Fu
Unlike Silicon Valley, Corporates like BAT are driving FinTech Innovation via a holistic approach.
阿里巴巴通过蚂蚁金服布局互联网金融，基本覆盖了金融“存、贷、汇”三大板块，是阿里巴巴“平台+金融+数据”的架构和规划中的重中之重。
腾讯的互联网金融发端于财付通，后续推出的微信支付、手机QQ支付、腾讯征信和理财通等，未来不排除腾讯整合集团的互联网金融业务。
在BAT三巨头中，百度在互联网金融领域略显落后。百度虽然相继推出“百发”、“百赚”和百度钱包，但是相比阿里和腾讯，百度在互联网金融上的拓展始终不尽如意。

<table>
<thead>
<tr>
<th>战略切入点</th>
<th>百度</th>
<th>阿里巴巴</th>
<th>腾讯</th>
</tr>
</thead>
<tbody>
<tr>
<td>基于搜索平台</td>
<td>基于交易平台</td>
<td>基于社交关系链</td>
<td></td>
</tr>
<tr>
<td>发展阶段</td>
<td>开始涉足互联网金融</td>
<td>互联网金融和传统金融全方位尝试</td>
<td>更多基于现有业务探索金融方向</td>
</tr>
<tr>
<td>主要面向对象</td>
<td>金融客户、小微企业、公众网民</td>
<td>小微企业、公众网民</td>
<td>公众网民</td>
</tr>
<tr>
<td>现有业务布局</td>
<td>百发、百赚、百度钱包</td>
<td>基本覆盖了存贷汇三大板块</td>
<td>业务较多，但是尚未有序整合</td>
</tr>
<tr>
<td>核心优势</td>
<td>搜索、大数据和云计算技术</td>
<td>最大的电商交易平台</td>
<td>强势的社交关系链</td>
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</tbody>
</table>

Source: 2015中国互联网金融报告
## Alibaba’s Strategy – Acquisition & Investment

<table>
<thead>
<tr>
<th>Time</th>
<th>Firm Name</th>
<th>Name</th>
<th>Amount (US$ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-08</td>
<td>中国雅虎</td>
<td>Yahoo China</td>
<td>NA</td>
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<tr>
<td>2006-10</td>
<td>口碑网</td>
<td>KouBei</td>
<td>600</td>
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<tr>
<td>2008-05</td>
<td>phpwind</td>
<td>phpwind</td>
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<td>2009-09</td>
<td>万网</td>
<td>WanWang</td>
<td>540</td>
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<td>2010-03</td>
<td>星辰急便</td>
<td>Stars Express</td>
<td>4.6</td>
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<tr>
<td>2010-06</td>
<td>Vendio</td>
<td>Vendio</td>
<td>NA</td>
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<tr>
<td>2010-08</td>
<td>易图通</td>
<td>EMG</td>
<td>35</td>
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<tr>
<td>2010-08</td>
<td>Auctiva</td>
<td>Auctiva</td>
<td>NA</td>
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<tr>
<td>2010-10</td>
<td>搜狗</td>
<td>Sogou</td>
<td>15</td>
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<tr>
<td>2010-11</td>
<td>一达通</td>
<td>OneTouch</td>
<td>NA</td>
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<td>2011-05</td>
<td>CNZZ</td>
<td>CNZZ</td>
<td>NA</td>
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<tr>
<td>2011-07</td>
<td>美团</td>
<td>MeiTuan</td>
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<td>2012-11</td>
<td>丁丁网</td>
<td>ddmap</td>
<td>NA</td>
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<tr>
<td>2013-03</td>
<td>虾米网</td>
<td>XiaMi</td>
<td>NA</td>
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<td>2013-04</td>
<td>新浪微博</td>
<td>Sina Corp</td>
<td>568</td>
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<tr>
<td>2013-05</td>
<td>高德</td>
<td>AutoNavi</td>
<td>234</td>
</tr>
<tr>
<td>2013-03</td>
<td>友盟网</td>
<td>Umeng</td>
<td>80</td>
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<td>2013-07</td>
<td>穷游网</td>
<td>Qyer</td>
<td>NA</td>
</tr>
<tr>
<td>2013-08</td>
<td>UC优视</td>
<td>UC</td>
<td>NA</td>
</tr>
<tr>
<td>2013-09</td>
<td>酷盘</td>
<td>Kanbox</td>
<td>NA</td>
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<td>2013-10</td>
<td>天弘基金</td>
<td>Tianhong Asset Management Co</td>
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<td>2013-10</td>
<td>ShopRunner</td>
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<td>NA</td>
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<td>2013-12</td>
<td>日日顺物流</td>
<td>RRS</td>
<td>233</td>
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<td>2014-01</td>
<td>中信21世纪</td>
<td>CITIC 21CN</td>
<td>207</td>
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<td>2014-02</td>
<td>TutorGroup</td>
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<td>NA</td>
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<td>2014-03</td>
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<td>ChinaVision Media Group</td>
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<td>2014-03</td>
<td>TangoMe Inc.</td>
<td>TangoMe Inc.</td>
<td>215</td>
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<tr>
<td>2014-03</td>
<td>银泰商业集团</td>
<td>Intime Retail Group</td>
<td>692</td>
</tr>
</tbody>
</table>
## Alibaba’s Strategy – Acquisition & Investment

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<thead>
<tr>
<th>Time</th>
<th>Firm Name</th>
<th>Name</th>
<th>Amount (US$ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-03</td>
<td>魅族</td>
<td>Meizu</td>
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<tr>
<td>2014-04</td>
<td>恒生电子</td>
<td>Hundsun Technologies Inc.</td>
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<tr>
<td>2014-04</td>
<td>华数传媒</td>
<td>Wasu Media Holding</td>
<td>1050</td>
</tr>
<tr>
<td>2014-04</td>
<td>优酷土豆</td>
<td>Youku</td>
<td>1080</td>
</tr>
<tr>
<td>2014-05</td>
<td>阿斯兰</td>
<td>ASLAN</td>
<td>NA</td>
</tr>
<tr>
<td>2014-05</td>
<td>新加坡邮政</td>
<td>Singapore Post Ltd.</td>
<td>223</td>
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<tr>
<td>2014-06</td>
<td>恒大</td>
<td>Evergrande</td>
<td>187</td>
</tr>
<tr>
<td>2014-09</td>
<td>石基信息</td>
<td>Shiji Information Technology Co</td>
<td>439</td>
</tr>
<tr>
<td>2014</td>
<td>快的</td>
<td>Kuaidi</td>
<td>NA</td>
</tr>
<tr>
<td>2014</td>
<td>陌陌</td>
<td>Momo</td>
<td>NA</td>
</tr>
<tr>
<td>2014</td>
<td>茵曼</td>
<td>Inman</td>
<td>NA</td>
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<tr>
<td>2015-03</td>
<td>光线传媒</td>
<td>Enlight Media Group</td>
<td>375</td>
</tr>
<tr>
<td>2015-06</td>
<td>上海文化广播影视公司</td>
<td>SMG</td>
<td>187</td>
</tr>
<tr>
<td>2015-07</td>
<td>魅力惠</td>
<td>Mei.com</td>
<td>100</td>
</tr>
<tr>
<td>2015-08</td>
<td>苏宁云商</td>
<td>Suning Appliance Co</td>
<td>4.4</td>
</tr>
</tbody>
</table>
Many FinTech startups in China

Incubators/Accelerators

ZhongGuanCun~中关村
ShenZhen~深圳
HangZhou Dream Town

David Lee: The Game of Dian Fu
Incubators – over 1600 as at June 2015

- Total number of incubators reach over 1600 in 2015.06
- The number of national-level incubators is over 600

**Resource:** 投资中国研究院《孵化器2014年度报告》
There are 12 national-level incubators located in Shenzhen.
Dian Fu No 8
Zhong Chou~众筹
Crowdfunding
Crowdfunding: Debt, Equity, Reward and Donation Based

1. **Debt-based**
   - In this type of crowdfunding, the company raising money does not sell shares, but instead borrows money from the crowd. The individual lending the money receives the company’s legally binding commitment to repay the loan at certain time intervals and at a certain interest rate.

2. **Equity-based**
   - Members of the crowd become part-owners of the company that is raising funds. The crowd realizes a return of its investment and, assuming the company performs well, receives a share of the profits in the form of a dividend or distribution.

3. **Reward-based**
   - Individuals forming the crowd give money to a business in exchange for a “reward,” typically the product or service that the particular company produces or provides.

4. **Donation-based**
   - The crowd give money or some other resources because they want to support the cause.
Another Catalyst for Start-ups!

Crowdfunding

Debt

Equity

Reward

Donation

David Lee: The Game of Dian Fu
AngelCrunch is the Archangel for Equity!

Equity-based crowd-funding

In 2014, AngelCrunch 天使汇 dominated the equity crowdfunding market with 2,607 deals amounting to RMB 769mil.

<table>
<thead>
<tr>
<th>Source: 2015中国互联网金融报告</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th>AngelCrunch</th>
<th>YuanShiHui</th>
<th>DaJiaTou</th>
<th>TienShiKe</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Deals</td>
<td>2,607</td>
<td>281</td>
<td>185</td>
<td>18</td>
<td>3,091</td>
</tr>
<tr>
<td>Total Amount RMB10k</td>
<td>76,900.00</td>
<td>19,404.00</td>
<td>3,933.00</td>
<td>2,875.00</td>
<td>103,112.00</td>
</tr>
<tr>
<td>Number of Investors</td>
<td>2000</td>
<td>1,526</td>
<td>932</td>
<td>556</td>
<td>5,014</td>
</tr>
</tbody>
</table>

David Lee: The Game of Dian Fu
Crowdfunding: Equity is Still the Favourite

- Equity-based crowdfunding (98): 46%
- Reward-based crowdfunding (67): 32%
- Hybrid-based crowdfunding (42): 20%
- Donation-based crowdfunding (4): 2%


- Total amount of crowdfunding platforms reach 211 until 2015.06
## Crowdfunding—Beijing Leads Both by Numbers and Capital Raised

- **Raise over 4.6 billion RMB during the first half year of 2015.**

### Table: Area, No of Platforms, Amount Raised

<table>
<thead>
<tr>
<th>Area</th>
<th>No of Platforms</th>
<th>Amount Raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>27%</td>
<td>35%</td>
</tr>
<tr>
<td>Guangdong</td>
<td>23%</td>
<td>28%</td>
</tr>
<tr>
<td>Shanghai</td>
<td>17%</td>
<td>13%</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>7%</td>
<td>13%</td>
</tr>
<tr>
<td>Others</td>
<td>26%</td>
<td>11%</td>
</tr>
</tbody>
</table>

*David Lee: The Game of Dian Fu*
## Crowdfunding – The Giants Are Joining the Game

<table>
<thead>
<tr>
<th>Company/Group</th>
<th>Name</th>
<th>Type</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alibaba</td>
<td>Taobao Crowdfunding</td>
<td>Reward-based crowd-funding</td>
<td>2013</td>
</tr>
<tr>
<td></td>
<td>(淘宝众筹)</td>
<td>Donate-based crowd-funding</td>
<td></td>
</tr>
<tr>
<td>Ant Dake (蚂蚁达客)</td>
<td></td>
<td>Equity-based crowd-funding</td>
<td>2015.6</td>
</tr>
<tr>
<td>Jingdong</td>
<td>Jingdong Crowdfunding</td>
<td>Reward-based crowd-funding</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>(京东众筹)</td>
<td>Donate-based crowd-funding</td>
<td></td>
</tr>
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<td></td>
<td></td>
<td>Lending-based crowd-funding</td>
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<td>Dongjia (东家)</td>
<td></td>
<td>Equity-based crowd-funding</td>
<td>2015.3</td>
</tr>
<tr>
<td>Ping An Insurance (Group)</td>
<td>Qianhai Crowdfunding</td>
<td>Equity-based crowd-funding</td>
<td>2015.4</td>
</tr>
<tr>
<td></td>
<td>(前海众筹)</td>
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<td>Suning</td>
<td>Suning Crowdfunding</td>
<td>Donate-based crowd-funding</td>
<td>2015.4</td>
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<tr>
<td></td>
<td>(苏宁众筹)</td>
<td>Reward-based crowd-funding</td>
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<td>Baidu</td>
<td>Baidu Crowdfunding</td>
<td>N/A</td>
<td>Forthcoming</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

David Lee: The Game of Dian Fu
Jacky Chan

Dragon Blade

天将雄师

https://www.youtube.com/watch?v=TVvpzS8LD78
Example—Debt-based Crowdfunding

Yu Le Bao ~娱乐宝

Dragon Blade

天将雄师

David Lee: The Game of Dian Fu
Example—Equity-based Crowdfunding

- Raise over 4.6 billion RMB during the first half year of 2015.
- The first Crowdfunding film in China in 2014.
- It has reached 120 million RMB at the box office within 24 days.
Example—Equity-based Crowdfunding

The highest grossing animated film in China to date.

• Prior to 4th August, “Monkey King: Hero is Back” has reached 800 million RMB at the box office within 24 days.

• 89 investors invested a total of 7.8 million and expected to get 30 million RMB of principal and interest, i.e., 400% return.
China’s Box Office to Cross USD5bil in 2015 at 15.5% Growth

Sources: http://www.the-movie-times.com/thrsdir/Yearly.cgi; http://www.pwccn.com/home/eng/pr_090615.html

According to PwC’s Global Entertainment and Media Outlook 2015-2019, China’s box office spending is projected to pass US$5bn in 2015 and to rise at a compounded annual growth rate (CAGR) of 15.5%. It is expected to reach US$8.86bn in 2019.
Example

Source: http://www.the-movie-times.com/thrsdir/Yearly.cgi
Many FinTech start-ups in China

Reward-based crowd-funding

Led by JinDong and TaoBao with 301 and 544 deals, and RMB147mi and RMB63m.

Source: 2015中国互联网金融报告
Supply chain finance & P2P – Big Market

In total, there will be $10,730 Billion of Supply chain finance (non-finance firms).

假设其中有20%具备融资需求，那么供应链融资潜在的业务规模就高达$2,146B.
2013年12月，京东的供应链金融产品“京宝贝”上线。上线当月其融资金额超过$50B，2014年1月份放贷额突破$1,587B。与银行合作一段时间之后，京东根据客户的需求，设计出了进军金融最核心的产品：供应链金融产品“京保贝”和“京小贷”。 “京宝贝”上线之后，京东开始使用自有资金放贷。其供应链金融可以在一个月内完成超过$1,587B规模的放贷，主要原因在于把握住了客户的需求。相对于传统供应链金融，“京保贝”优势明显：门槛低、效率高、客户体验好。
Current Investments are into FinTech

Main investment cases in FinTech firms, 2014

<table>
<thead>
<tr>
<th>投资机构</th>
<th>被投企业</th>
<th>投资时间</th>
<th>投资金额 (US$ M)</th>
<th>二级行业</th>
<th>投资轮次</th>
<th>投资阶段</th>
</tr>
</thead>
<tbody>
<tr>
<td>高榕资本</td>
<td>普惠金融信息服务（上海）有限公司</td>
<td>2014-12-22</td>
<td>50.00</td>
<td>P2P</td>
<td>A</td>
<td>初创期</td>
</tr>
<tr>
<td>启明创投;IDG资本;鼎晖投资（天津）;启明创投;宽带资本</td>
<td>杭州财米科技有限公司</td>
<td>2014-12-1</td>
<td>50.00</td>
<td>金融网络</td>
<td>C</td>
<td>扩张期</td>
</tr>
<tr>
<td>联想控股</td>
<td>温州翼龙贷经济信息咨询有限公司</td>
<td>2014-11-3</td>
<td>162.70</td>
<td>P2P</td>
<td>A</td>
<td>初创期</td>
</tr>
<tr>
<td>N/A</td>
<td>上海银商资讯有限公司</td>
<td>2014-11-3</td>
<td>19.93</td>
<td>第三方支付</td>
<td>B</td>
<td>N/A</td>
</tr>
<tr>
<td>经纬中国、顺为基金、银泰资本、和玉投资、祥峰集团</td>
<td>北京乐融多源信息技术有限公司</td>
<td>2014-9-5</td>
<td>37.19</td>
<td>P2P</td>
<td>A</td>
<td>初创期</td>
</tr>
<tr>
<td>昆仲资本、红杉</td>
<td>深圳市金蝶云科信息技术有限公司</td>
<td>2014-9-1</td>
<td>120.00</td>
<td>金融网络</td>
<td>C</td>
<td>扩张期</td>
</tr>
<tr>
<td>源码资本;不公开的投资者</td>
<td>中亚创新投资（北京）有限公司</td>
<td>2014-9</td>
<td>20.00</td>
<td>P2P</td>
<td>A</td>
<td>初创期</td>
</tr>
<tr>
<td>凯普华盈、红杉、华通创投、德马锡</td>
<td>北京融世纪信息技术有限公司</td>
<td>2014-7-23</td>
<td>60.00</td>
<td>金融搜索及资讯</td>
<td>C</td>
<td>初创期</td>
</tr>
<tr>
<td>N/A</td>
<td>上海雪峰金融信息服务有限公司</td>
<td>2014-7-1</td>
<td>15.50</td>
<td>P2P</td>
<td>A</td>
<td>N/A</td>
</tr>
<tr>
<td>经纬中国、宽带资本、海通开元</td>
<td>先创创利（北京）科技有限公司</td>
<td>2014-6-30</td>
<td>32.50</td>
<td>金融网络</td>
<td>B</td>
<td>扩张期</td>
</tr>
<tr>
<td>若水合投</td>
<td>不良资产（厦门）资产管理有限公司</td>
<td>2014-6-26</td>
<td>16.25</td>
<td>P2P</td>
<td>A</td>
<td>初创期</td>
</tr>
<tr>
<td>联想创投</td>
<td>银联商务有限公司</td>
<td>2014-6-11</td>
<td>55.49</td>
<td>第三方支付</td>
<td>E</td>
<td>成熟期</td>
</tr>
<tr>
<td>N/A</td>
<td>杭州锐拓科技有限公司</td>
<td>2014-6-1</td>
<td>16.37</td>
<td>P2P</td>
<td>A</td>
<td>初创期</td>
</tr>
<tr>
<td>鼎晖创投;IDG资本;启明创投</td>
<td>杭州财米科技有限公司</td>
<td>2014-2-28</td>
<td>19.00</td>
<td>金融网络</td>
<td>B</td>
<td>扩张期</td>
</tr>
<tr>
<td>N/A</td>
<td>杭州财米科技有限公司</td>
<td>2014-2-1</td>
<td>150.00</td>
<td>金融网络</td>
<td>A</td>
<td>初期期</td>
</tr>
<tr>
<td>不公开的投资者</td>
<td>北京锐方银通科技有限公司</td>
<td>2014-1-23</td>
<td>16.37</td>
<td>第三方支付</td>
<td>B</td>
<td>初创期</td>
</tr>
<tr>
<td>N/A</td>
<td>人人贷商务顾问（北京）有限公司</td>
<td>2014-1-1</td>
<td>130.00</td>
<td>其他</td>
<td>B</td>
<td>扩张期</td>
</tr>
</tbody>
</table>
The Game of Dian Fu is in Digital Wallet

<table>
<thead>
<tr>
<th>Digital Wallet</th>
<th>User Amount</th>
<th>Resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>WeChat &amp; QQ Wallet</td>
<td>Over 100 million</td>
<td>The forth quarter 2014 result</td>
</tr>
<tr>
<td>Alipay Wallet</td>
<td>270 million</td>
<td>The first quarter 2015 result</td>
</tr>
</tbody>
</table>
Dian Fu No 9

RenMinBi~人民币

People’s Currency
Vice President of Zimbabwe proposed to China to have the Yuan as a legal tender during July 2015 visit to China!
Mandarin will be second language in South Africa and not without resistance!
Internationalization of RMB in Africa

- From 2000 to 2012, Sino-African trade accounted for the proportion of China's total foreign trade, increased to 5.13% from 2.23%.

- From the perspective of Africa, Sino-African trade accounted for Africa’s total foreign trade rose from 3.82% to 16.13% during the same period.

Source: 《中国与非洲的经贸合作(2013)》白皮书
ASEAN or Dong Meng 东盟
Will be the real catch for China!

Trade Volume Comparison (Billion RMB)

China-ASEAN  China-Africa

2010  292.9  126.9
2011  362.6  166.3
2012  400.9  198.4
2013  443.6  200
2014  480.4  221.8


David Lee: The Game of Dian Fu
Internationalization of RMB in the world

David Lee: The Game of Dian Fu
One Belt, One Road

- Yi Dai Yi Lu ~ 一带一路
- Video
对外贸易方面，2015年第1季度中国与“一带一路”沿线国家双边贸易额2360亿美元，占全国进出口总额26%。其中，中国对沿线国家出口增长10%，占出口总额28%，大幅领先于4.9%的整体出口增速。

利用外资方面，“一带一路”沿线国家对华投资增长迅速。1季度“一带一路”沿线国家在华设立外商投资企业457家，同比增长18.4%。蒙古、俄罗斯及中亚国家对华实际投资金额整体增长超过一倍；中东欧、西亚北非地区国家对华实际投资金额增长超过四倍。其中，对广东省投资项目50个，同比增长6.4%；对福建省投资项目22个，同比增长100%。

对外投资方面，1季度中国对“一带一路”沿线国家实现非金融类直接投资25.6亿美元，占同期对外直接投资总额的9.9%。位居前三位的地区分别为新加坡、印尼和老挝。
USD 40B Silk Road Infrastructure Fund

- The US$40bn Silk Road Infrastructure Fund is to provide funding to carry out infrastructure, resources, industrial cooperation, financial cooperation and other projects related to YDYL (One Belt One Road).

- The company that manages the fund, The Silk Road Fund Co. Ltd, is backed by China’s foreign exchange reserves, China Investment Corp, Export-Import Bank of China, and China Development Bank. The fund started operation in February 2015 with US$10bn in capital, which was 65% contributed by China’s SAFE (State Administration of Foreign Exchange), which manages China’s Foreign Reserve. The fund is chaired by Jin Qi, the assistant governor of PBOC.

- Jin Qi, the chief executive of the Silk Road Fund, said in March 2015 that the fund will invest in projects with reasonable mid- and long-term returns, and it is not an aid agency that does not consider returns. She added that the Silk Road Fund will not be the sole financer of projects; rather it will seek to cooperate with other financial institutions when investing in projects in the future. Governance Structure will likely be modelled after Temasek.
New Development Bank

- China, Brazil, South Africa, Russia, India's infrastructure gap is huge so that need a common financial cooperation at the national financial force incompetent. BRICS Development Bank not only for the five BRICS countries, but for all developing countries. As a BRIC member countries may be given priority lending authority.
- Voting right: China 39.95%, Brazil/Russia/India: 18.10%, South Africa: 5.75%
New Development Bank

According to announcement of BRICS publish in July 15th 2015, headquarters located in Shanghai, China.
Chairman of the bank will be rotating among the five countries, a five-year term.

<table>
<thead>
<tr>
<th>Composition and power</th>
<th>Name</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Kundapur Vaman Kamath</td>
<td>Indian</td>
</tr>
<tr>
<td>Chairman of the Board of Governors</td>
<td>Anton Siluanov</td>
<td>Russian</td>
</tr>
<tr>
<td>Chairman of the Board of Directors</td>
<td>卡内罗</td>
<td>Brazilian</td>
</tr>
</tbody>
</table>

David Lee: The Game of Dian Fu
## Comparison

<table>
<thead>
<tr>
<th></th>
<th>AIIB</th>
<th>BRICS</th>
<th>ADB</th>
<th>WB</th>
<th>IMF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading country</td>
<td>China</td>
<td>N/A</td>
<td>Japan</td>
<td>America</td>
<td>America&amp;Euro</td>
</tr>
<tr>
<td>Headquarters</td>
<td>Beijing, China</td>
<td>Shanghai, China</td>
<td>Metro Manila, Philippine</td>
<td>Washington D.C., United States</td>
<td>Washington D.C., United States</td>
</tr>
<tr>
<td>Formation</td>
<td>2014</td>
<td>2015</td>
<td>1966</td>
<td>1944</td>
<td>1945</td>
</tr>
<tr>
<td>Capital</td>
<td>$100 Bn</td>
<td>$100 Bn</td>
<td>$175 Bn</td>
<td>$223 Bn</td>
<td>$238 Bn</td>
</tr>
<tr>
<td>Purpose</td>
<td>A proposed international financial institution that will focus on supporting infrastructure construction in the Asia-Pacific region.</td>
<td>To mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries.</td>
<td>A regional development bank to facilitate economic development in Asia.</td>
<td>An international financial institution that provides loans to developing countries for capital programs.</td>
<td>An international organization working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth around the world.</td>
</tr>
<tr>
<td>Member number</td>
<td>57</td>
<td>5 (Brazil, Russia, India, China, South Africa)</td>
<td>67</td>
<td>188</td>
<td>188</td>
</tr>
</tbody>
</table>
The Final showdown between Internet Banking and Internet Finance!
Size of ICBC

- The biggest bank in the world measured in asset size (USD3.3tr) and capital (USD62.5bil) as at June 2015

![Ranking by assets scale](http://www.accuity.com/useful-links/bank-rankings/Diji)
ICBC Strategy

Mr. JIANG Jianqing, Chairman of ICBC, stated, “China is the world’s largest consumer of commodities. Many Chinese corporates have become active participants in commodities trading and global capital markets.

This, along with the liberalization of China’s interest rates and exchange rates, the internationalization of China’s capital markets, the development of offshore RMB business, and the launching of the “One Belt and One Road” (the Silk Road Economic Belt and the 21st Century Maritime Silk Road) initiative, as well as the acceleration of Chinese enterprises’ overseas investment, has stimulated huge demand for global markets business.

The acquisition of Standard Bank Plc is of strategic importance as ICBC proactively responds to this demand.
Rong Yi sounds like Rong e!

Rong Yi
Rong e

EASY

To Buy

PURCHASE WITH EASE

Singlish!

David Lee: The Game of Dian Fu
<table>
<thead>
<tr>
<th>Name</th>
<th>Date of introduction</th>
<th>No. of Customers</th>
<th>Amount of Transactions</th>
<th>Remark/nature of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rong e Gou</td>
<td>Jan. 2014</td>
<td>more than 20 m</td>
<td>RMB 0.2044 t (increase 26.8 times in one year)</td>
<td>e-commence</td>
</tr>
<tr>
<td>Rong e Lian</td>
<td>Dec. 2014</td>
<td>1.3 m</td>
<td>N/A</td>
<td>Instant Message platform</td>
</tr>
<tr>
<td>Rong e Hang</td>
<td>Mar. 2015</td>
<td>N/A</td>
<td>RMB23 b</td>
<td>Direct Online Platform</td>
</tr>
</tbody>
</table>

Source: [http://m.21jingji.com/article/20150807/684a78853a4bd513569aa7e79f9a74f3.html](http://m.21jingji.com/article/20150807/684a78853a4bd513569aa7e79f9a74f3.html)

David Lee: The Game of Dian Fu
Rong e Gou ~“Rong e Gou” Vs JD 京东 ~“ Jing Dong ”

**Transaction volume**

<table>
<thead>
<tr>
<th></th>
<th>Rong E Gou</th>
<th>JD</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥</td>
<td>¥204,400</td>
<td>¥202,300</td>
</tr>
</tbody>
</table>

**Total register users**

<table>
<thead>
<tr>
<th></th>
<th>Rong E Gou</th>
<th>JD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18,000</td>
<td>105,200</td>
</tr>
</tbody>
</table>

Period: Jan 2015 – Jun 2015

The Ranking of Rong e Gou is Number 3 in 2014

### Transaction volume in 2014

<table>
<thead>
<tr>
<th></th>
<th>Rong e Gou</th>
<th>JD</th>
<th>Alibaba</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction volume (Mil RMB)</td>
<td>70,000</td>
<td>260,200</td>
<td>2,300,000</td>
</tr>
</tbody>
</table>

Sources:
- JD: [http://tech.gmw.cn/jd/2015-03/04/content_14993388.htm](http://tech.gmw.cn/jd/2015-03/04/content_14993388.htm)
Rong e Gou Has Overtaken JD in 2015H1

**Transaction volume in 2015 Q1-Q2**

<table>
<thead>
<tr>
<th></th>
<th>Rong E Gou</th>
<th>JD</th>
<th>Alibaba</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥</td>
<td>204,400</td>
<td>202,300</td>
<td>1,273,100</td>
</tr>
</tbody>
</table>

**Total register users**

<table>
<thead>
<tr>
<th></th>
<th>Rong E Gou</th>
<th>JD</th>
<th>Alibaba</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18</td>
<td>105</td>
<td>367</td>
</tr>
</tbody>
</table>

**Period: Jan 2015 – Jun 2015 (6 months)**

阿里巴巴Q2：http://www.yocajr.com/news/detail/3056
京东交易额：为两季财报公布交易额的加总：878亿+1145亿
融E购交易额：http://news.xinhuanet.com/fortune/2015-08/06/c_128100835.htm
2014nian
Three Development Models

A. Independent:
1. 农行 – 掌上银行 – 2014
2. 民生银行- Direct selling banking system
3. 包商银行- 小马bank
4. 工行E-ICBC
5. 交通银行- 好生意-O2O

B. Cooperation:
1. 北京银行联合荷兰国际集团(ING)
2. 北京银行联合腾讯(Tencent) – more than 10 billion investment
3. 中国银行联合百度(Baidu)- 兴业银行联合蚂蚁金服(Ant-Financial services)
4. 华夏银行联合微众银行- “接力贷”

C. Diversification:
平安银行联合微众银行，和邦股份，深圳光启- Logistic finance, small and micro business, Diversified financials
<table>
<thead>
<tr>
<th>Banks</th>
<th>Partner</th>
<th>Product</th>
<th>Nature of Business</th>
<th>Founded time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Bank of China</td>
<td>N/A</td>
<td>掌上银行</td>
<td>Mobile App: E-payment, E-business, E-social</td>
<td>Mar-14</td>
</tr>
<tr>
<td>China Minsheng Banking</td>
<td>N/A</td>
<td>如意宝 · 定活宝 · 民生金 etc.</td>
<td>Direct banking</td>
<td>Feb-14</td>
</tr>
<tr>
<td>Baoshang Bank</td>
<td>N/A</td>
<td>XiaoMa Bank: 千里马; 马宝宝</td>
<td>Online Wealth management product (bond and Money market fund)</td>
<td>Jun-14</td>
</tr>
<tr>
<td>ICBC</td>
<td>N/A</td>
<td>e-ICBC</td>
<td>Internet Finance Platform</td>
<td>Mar-15</td>
</tr>
<tr>
<td>Bank of Communications</td>
<td>N/A</td>
<td>好生意</td>
<td>Small and Micro Finance &quot;O2O&quot;</td>
<td>May-15</td>
</tr>
</tbody>
</table>
## Cooperation: Letting the BATs and Others In

<table>
<thead>
<tr>
<th>Banks</th>
<th>Partner</th>
<th>Product</th>
<th>Nature of Business</th>
<th>Founded time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing Bank</td>
<td>ING Group</td>
<td>N/A</td>
<td>Internet + Direct Banking (the first one)</td>
<td>Sep-13</td>
</tr>
<tr>
<td>Beijing Bank</td>
<td>Tencent</td>
<td>京医通</td>
<td>Internet + Medical, Third party payment and retail selling</td>
<td>Apr-15</td>
</tr>
<tr>
<td>Bank of China</td>
<td>Baidu</td>
<td>N/A</td>
<td>O2O, Data + risk management, clients + costs, consumer credit services</td>
<td>Jun-16</td>
</tr>
<tr>
<td>Industrial and commercial bank</td>
<td>Ant-Financial services</td>
<td>N/A</td>
<td>strategy corporation in payment, financial services, financial inclusion</td>
<td>Jun-15</td>
</tr>
<tr>
<td>Huaxia Bank</td>
<td>Webank</td>
<td>&quot;Jielidai&quot; - 接力贷</td>
<td>strategy corporation in resource sharing, credit card, wealth management, interbank business etc.</td>
<td>Feb-15</td>
</tr>
</tbody>
</table>

中银和百度：http://www.bankofchina.com/aboutboc/ab8/201506/t20150615_5170218.html

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# Diversification: Searching for the Unicorn and Disrupting Oneself!

<table>
<thead>
<tr>
<th>Banks</th>
<th>Partner</th>
<th>Product</th>
<th>Nature of Business</th>
<th>Founded time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ping An Bank</td>
<td>Webank</td>
<td>&lt;business corporation agreement&gt;</td>
<td>strategy corporation</td>
<td>May-15</td>
</tr>
<tr>
<td></td>
<td>Shopex</td>
<td>&quot;big data credit&quot; platform</td>
<td>Internet funding based on Big data</td>
<td>May-15</td>
</tr>
<tr>
<td>Ping An Bank</td>
<td>He Bang corporation</td>
<td>N/A</td>
<td>Internet + agriculture service</td>
<td>Jun-15</td>
</tr>
<tr>
<td>Ping An Bank</td>
<td>GuangQi corporation</td>
<td>光子支付</td>
<td>A new Mobile payment technology – tap to pay, don’t need card</td>
<td>Jun-15</td>
</tr>
<tr>
<td>N/A</td>
<td>橙e创业易</td>
<td></td>
<td>support star-up companies</td>
<td>Jun-15</td>
</tr>
<tr>
<td>N/A</td>
<td>橙子银行： “定活通”，“平安盈” 等</td>
<td></td>
<td>Direct banking</td>
<td>Aug-14</td>
</tr>
<tr>
<td>N/A</td>
<td>橙E网</td>
<td></td>
<td>E-commerce</td>
<td>Jun-14</td>
</tr>
</tbody>
</table>

**Sources:**
- 综合化的金融需求：http://finance.ifeng.com/a/20150508/13693211_0.shtml
- 橙E创业易：http://finance.ce.cn/rolling/201505/15/20150515_5378452.shtml

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David Lee: The Game of Dian Fu
签署互联网金融合作协议，双方将建立面向小微企业的互联网金融服务平台。第一步将展开基于大数据的互联网金融服务。

和邦股份宣布与平安银行成都分行就互联网+现代农业电子商务项目结成全面、紧密、深入的战略合作伙伴关系。

和邦股份

“光子支付”

联合深圳光启推出新型移动支付方式。“光子支付”。

光启
Banks E-Commerce

- 工行的“融E购”(Rong e Gou)

- 农行的“e商管家”(e Shang Guan Jia)

- 建行的善融商城 (Shan Rong Shang Cheng)

- 交行的“交博汇”(Jiao Bo Hui)
2015年5月底，交通银行正式对外发布其小微金融O2O创新产品——“好生意”。据悉，该产品基于互联网云+端技术，整合软硬件平台，为小微商户提供了线上线下（O2O）一体化收单、商品管理、财务管理、理财融资等综合解决方案。
The Growth of Mobile Payment


<table>
<thead>
<tr>
<th>Year</th>
<th>Mobile Payment in Volume (Billion)</th>
<th>Growth Rate</th>
<th>Mobile Payment in Value (billion RMB)</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1.18</td>
<td>77.08%</td>
<td>5700</td>
<td>102.01%</td>
</tr>
<tr>
<td>2011</td>
<td>2.47</td>
<td>109.32%</td>
<td>9900</td>
<td>73.68%</td>
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<tr>
<td>2012</td>
<td>5.35</td>
<td>116.46%</td>
<td>23100</td>
<td>132.39%</td>
</tr>
<tr>
<td>2013</td>
<td>16.74</td>
<td>212.86%</td>
<td>96400</td>
<td>317.56%</td>
</tr>
</tbody>
</table>

David Lee: The Game of Dian Fu
Mobile Phone Penetration Rate in China

The US Mobile Penetration Rate is only 81.5%!

Source: http://data.stats.gov.cn/search.htm?s=%E7%A7%BB%E5%8A%A8%E7%94%B5%E8%AF%9D%E6%99%AE%E5%8F%8A%E7%8E%87
There is more upside than the current 47.8%! US is 60% and Europe 70%!
Number of internet users in March 2015 (in millions)

- China: 478.51
- United States: 201.6
- India: 81.79
- Japan: 73.66
- Russian Federation: 68.12
- Brazil: 62.99
- Germany: 51.84
- United Kingdom: 59.61
- France: 37.01
- Turkey: 28.13
China is leading the world in Mobile Banking!
Transaction volume for China mobile banking is still growing at 18.6%!

The Connectivity Inclusion Programme is World Class!

Source: http://www.chinabgao.com/freereport/66449.html
Within 9 Months: Attracted 25% of all bank deposits onto its Yu’E Bao platform as a cash deposit with good interest payments

Winning the competition against eBay that had over 70% of e-commerce market in China

Expanded services into Fund supermart (Zhao Cai Bao), Insurance (Zhong An), Credit Rating (Zhima), Lending (Ali Credit), Movie (YuLe Bao and moving making), medical hospitality services, tax refund, moving booking, travel services, and almost every financial services that we can think of within months of each new product.

Expanding into logistic and logistic financing with OBOR.

All services provided within a few seconds using an app with insurance coverage for theft and loss.
What is the End Game of Dian Fu

David Lee: The Game of Dian Fu
SMART NATION IS MORE THAN INFOCOMM, TRANSPORTATION, INFRASTRUCTURE AND SERVING THE AGED!

Singapore banks need to quicken response to disruptive innovations

They must harness digital technology and practise financial inclusion to grow their business. BY DAVID LEE
Chinese Article that presented arguments for using “Blockchain Technology” for Singapore to expand into ASEAN and to use the Financial Inclusion model of China and Kenya for Singapore’s neighbours.

David Lee and Yan Li
15th May 2015, Lian Zaobao

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The article discusses the advantages of using blockchain technology for Singapore’s expansion into ASEAN and the application of the financial inclusion models from China and Kenya to Singapore's neighbours. The text highlights the potential benefits of blockchain technology in various sectors, including financial services, and emphasizes the need for a coordinated approach across the region.
中国应该停止使用“战略”这个词

政策策略

战略

China should stop using the word "strategy".
In a joint commentary, SMU Sim Kee Boon Institute for Financial Economics Director Professor David Lee and SMU Lee Kong Chian School of Business Senior Lecturer in Strategic Management Yan Li commented on China’s ‘One Belt, One Road’ initiative which aims to rejuvenate two ancient trade routes and further open up markets within and beyond the region.

They said it is not possible for China and some ASEAN countries to dispel all reservations and cooperate merely on the basis of economic gains. Trusted by both sides, Singapore can act as a platform for China to enter the ASEAN market. Furthermore, Singapore could adopt the strategy supported by “Smart Nation” policy to set up infrastructure to boost internet finance and inclusive investment, which will not only improve the quality of life in underdeveloped regions in ASEAN countries, but further sustain Singapore’s leadership.

While China focuses on hardware, Singapore should focus on Smart Finance and Smart Nation initiatives.

They also commended the Monetary Authority of Singapore for setting up the new FinTech and Innovation Group to enhance efficiency and competitiveness of Singapore’s financial sector, and guide the transformation of Singapore’s leading traditional financial institutes.


David Lee: The Game of Dian Fu
Future growth opportunities – MPC Dian Fu Game

▪ The Underserved
▪ The Polluted
▪ The Unconnected
▪ It is all about Impact Investing to serve those outside the economic and financial system
▪ It is a Marginal Propensity To Consume (MPC) Dian Fu Game
The most important investors driving growth

- Asset classes: Sustainability, under-owned Asset Class with LASIC characteristics
  - Low profit margin or low barrier of entry
  - Asset Light
  - Scalable
  - Innovative
  - Compliance Easy

- Investors:
  - Family Offices
  - Sovereign Wealth Fund
  - Government
  - Impact Investors
A Silicon Valley state of mind: smart, open and disruptive

By Leon Hadar

With the Silicon Valley being at the forefront of financial and smart technological innovation, it has become an ideal venue for Singapore to learn about latest technologies and their applicability to our national initiative, or the Smart Nation vision.

Prof. Lee of the Sim Kee Boon Institute, Lee Kee Boon Institute, Singapore

A Silicon Valley state of mind: smart, open and disruptive

With the Silicon Valley being at the forefront of financial and smart technological innovation, it could become an ideal venue for Singapore to learn about latest technologies and their applicability to our national initiative, or the Smart Nation vision.

Prof. Lee of the Sim Kee Boon Institute, Lee Kee Boon Institute, Singapore
Appreciation to Members of the SKBI Dian Fu Research Team

Zhang Han  Chang Su  Chi YingYing  Lin JingXian

David Lee: The Game of Dian Fu
Talk delivered by

Professor David LEE Kuo Chuen 李国权

Visiting Fulbright Scholar, Stanford University
Executive/Academic Director of Sim Kee Boon Institute For Financial Economics
Singapore Management University
Founder, Ferrell Asset Management Pte Ltd

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