

Project V Cloud: Business Plan Feasibility Summary:

Value Proposition:

Our company has developed an user friendly B2B mobile app which caters to increase the accessibility and purchasing channels of brand name consumer goods of Chinese-speaking local grocery shops and family own stores who are located at towns, county and suburbs of China. These Chinese-speaking local grocery shops and family own stores often are unable to order full variety of consumers good from their current wholesaler and distributors due to their low order quantity and value and logistic inconveniences which makes it cost ineffective and low incentive for current wholesalers and distributors to serve this segment.

Our mobile app platform are made for tailored to B2B interface but also with an extended B2C interface for any local individual users to sell brand name good to its surrounding neighborhood end consumers also located in these small towns and cities' suburb of China. Our mobile app target to support the business growth of the local grocery shops, family own stores, and small home businesses

Customer Segments:

According to the China Government Statistic Survey, the government has assigned a total of 660 cities within China and graded them with a 6 levels scale according to for example their GDP, Consumption, Disposable Income, Population etc. Within Tier 1 to Tier 5, there are a total of 287 Cities. . (Please see diagram A below for the Tier 1 – Tier 5 Cities distributions). Our target customer segments falls within Tier 4 ,5 and 6 (for Tier 6, we will need more statistic to determine our market size), which covers almost 84% of total china market. There are approximately a total of RMB 4.3billions population in Tier 4 – 6 cities with an average annual disposable income of RMB 20,000 and an average annual consumer goods consumption per cities RMB 80 billion. If we take RMB 80 billion x 287 cities = RMB 28960 billion possible market size. (Please see diagram B Below for Tier 4 cities average spending per capita)

Our target customers are the local grocery stores and family own shops located in Tier 4 – 6 cities and suburbs.

There are currently an estimated 2.7 million of these local grocery stores and family own shops running in China. Our goal is to sell through the brand name consumer goods through them in order to reach their local neighborhood end consumers. These end consumers comprised mainly industrial workers and small business workers who work 8am to

6pm, most likely with overtime until 8pm-10pm. (Please see the Diagram for the spending power online in lower tier cities compare to tier 1 and 2 cities.)

Diagram A – Different Tier Cities Distribution Map

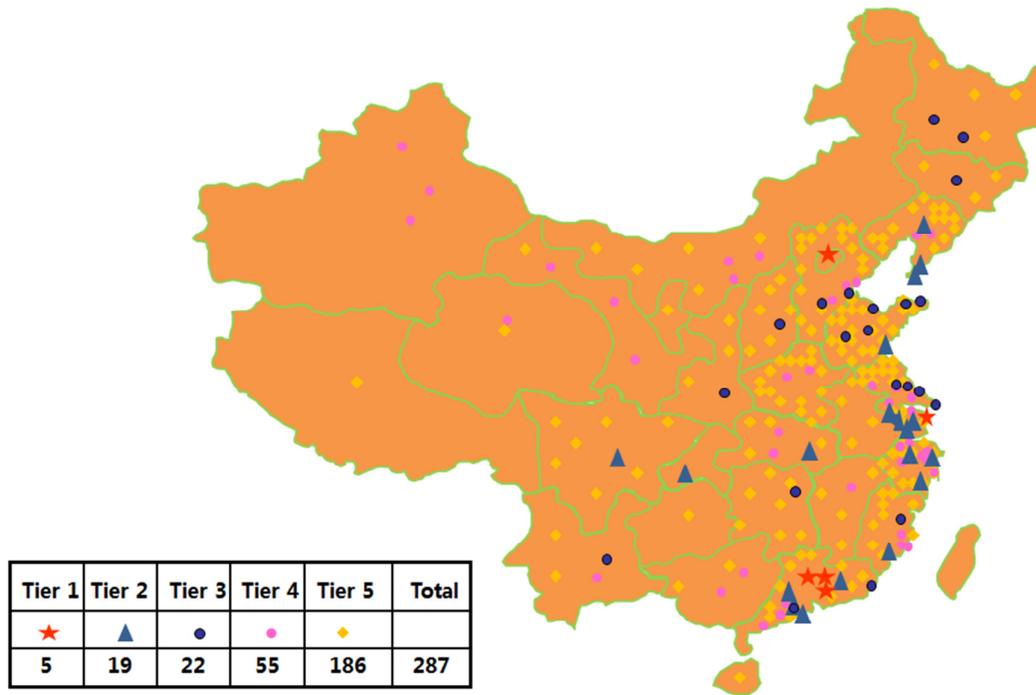


Diagram B – Average spending per Capital on E-Commerce at Tier 4 cities

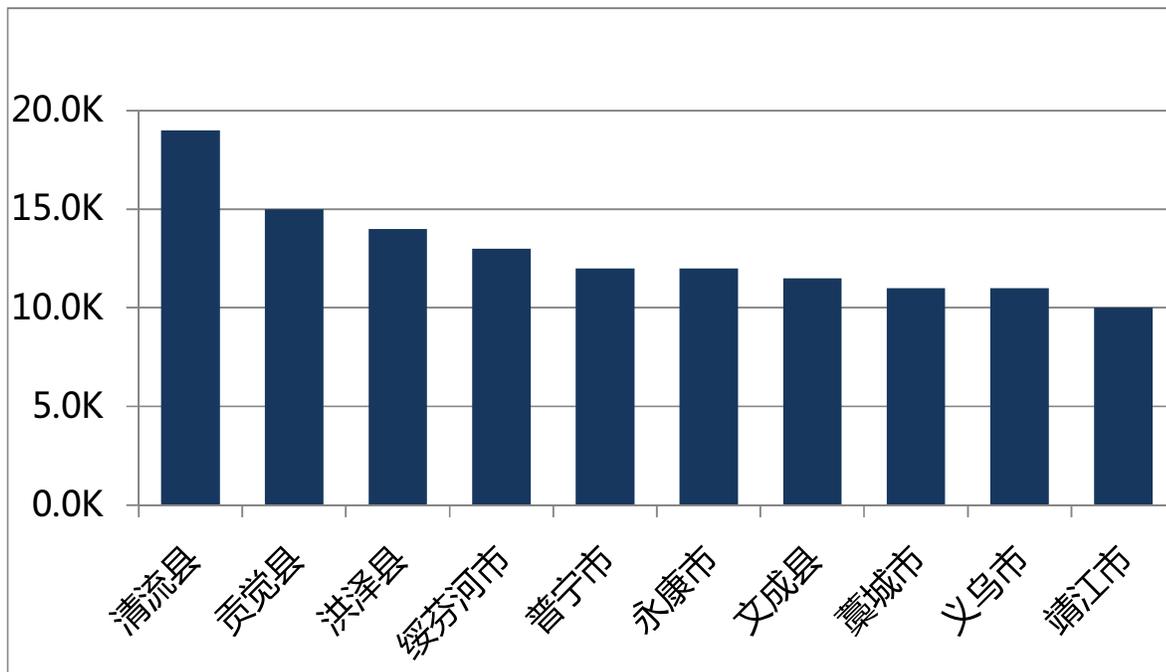
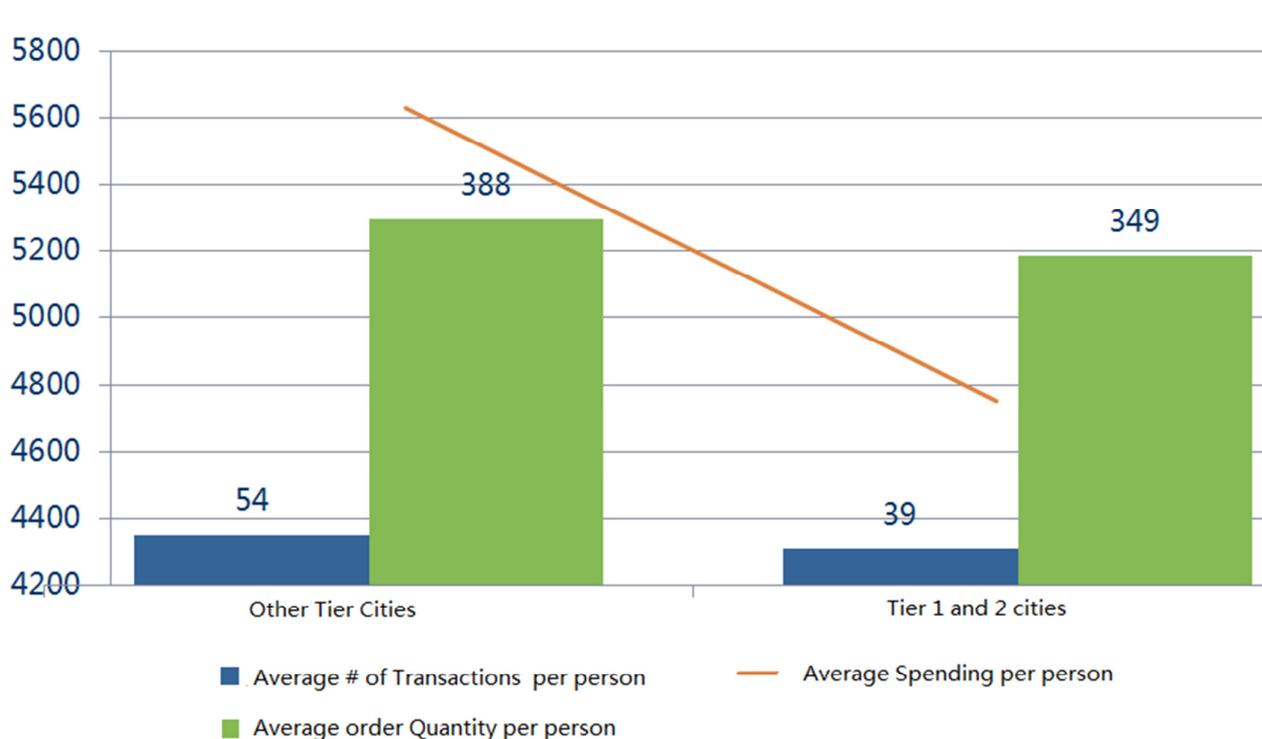


Diagram C – Comparison between different Tier Cities E-commerce Shopping Data



Competition:

Our current players in the market are any sale representatives, wholesalers and distributors to the retailers. These competitors have already achieved economy of scale of distribution network and established a strong presence within our target markets. Although these current players are supplying to our target segments, they supply to our target segment with limitation such as order volume and logistic inconveniences. With the minimum order quantity (MOQ) requirement from these players, our target segments are limited to order very few (i.e. 2 – 3) SKUs in order to achieve the quantity that these player required given the sales scale of our target segment are very small. As a result, the local end consumers are unable access the full range of consumer products through these local grocery shops and family own stores.

There are currently also other prominent electronic commerce channel which indirectly competes with our business model for example, Tao Bao Marketplace, TaoBao Mall, Mengdian.com, JDmall.com which are B2C and C2C online retail for local Chinese and international business to sell good to consumers in mainland China. Our target segments and its neighborhood customers may purchase products through these electronic commerce channels, however, this

serves as a disadvantages to our target segments since they may need to pay a higher price (retail price) versus wholesales price in order to access more SKU products for its neighborhood customers.

Furthermore, C2C electronic commerce post many risk of poor quality, fake, and fraud products for our target segments.

Our position is to provide the services to our target segments that the current players are not incentivized to do so due to small volume order and logistic inconveniences. Our goal is to support the growth of these small local grocery shop and family own stores. As there are many fake and fraud issues in the current China retail market, besides building a brand quality trust, building a retailer – consumer trust is also very important which we believe the current C2C electronic commerce channel lacks. We are leveraging the retailer-consumer trustful relationship between our target local grocery stores and family own store with their local neighborhood customers to penetrate these markets. .

There are very low barriers to entry, since we cannot patent the design of our app nor our business model. We hope to gain first mover advantage in these markets and to achieve network effect as quickly as possible to capture majority of market shares since no competitor is in this space yet. Furthermore, we will secure as many brand products as possible to work exclusively with us for the first few years to expand our network effect.

Intellectual Property:

Our intellectual property is our app and our business model which are both current not patentable. Once our competitors see our success in our business model, it will only take them 3 – 6 months to launch a similar app. We can only secure our business through securing the brand products that we partner with and use product differentiation as barriers against our competitors.

Our Key Milestone:

1. Conduct market research and survey focusing on the purchasing habit of our target segments and their mobile usage habit.
2. Interface design for our mobile app
3. re-alpha testing in 1 or 2 selected cities
4. Beta testing in 3 selected cities

5. First Year launch in 10 cities
6. Second year launch 20
7. Third Year launch 50

Customer Engagement

We will need to build a sales team to educate and demonstrate our mobile app functional personally to each of these local grocery stores and family own shops as China culture are heavily focus personal relationship and respect.

We will have our sales team to help them to do a few test order (may be for free) just to demonstrate how our mobile app work and to build trust with these local grocery stores and family own shops with our mobile app.

Our mobile app allows our target segments to gain access to unlimited SKU of products without carrying any inventory. Our brand partners may also create marketing and promotion strategies through our mobile app to our target segments e.g. limited-time offers, bazaar sales, seasonal offer, limited editions etc.

Our brand partner will set up their mobile flagship store on our app, allow our target segments to access and place order. Vice versa, our target segments may also set up their mobile store for their local neighborhood customers to place order. Order will deliver to our target customer through I3P logistic system.

Our current growing strategy is through word of mouth.

Revenue Model

During our Year 1 launching of our mobile app, we will waive Transaction Fees and Technical Support Fees in order to attract more users to use our platform. However, we will need collect security deposit from brand owners when they sign up to use our platform (this fee is collected by all electronic commerce in China as a safety deposit) to protect the consumers' orders. During Year 2, we will charge a 3 – 5% transaction fees depending on the product category and a fixed monthly or annual amount of technical support fees for server and mobile app maintenances and upgrades. Our main revenue will come from a percentage of transaction fees during order placement.

Operations

The most important actions we take right now are 1) to design our mobile app that is user friendly for both our brand owners and also our target segments; 2) to find a suitable logistic company that can cover our distribution

network at a reasonable price and extended coverage; 3) to partner with brand owners and encourage them to join our app. 4) to build a sales force locally in each city who knows the neighborhood and be responsible to test our app and also to implement our app in later stage.

At the beginning, we will require our app design and interface ready to use. We will need a server that can support our app system, tracking record of orders, delivery, fees, price etc. We will need to have an office for our admin, IT, legal, finance team and customer support team (i.e. a team of 8). Our sales team on the other hand will not be staying in the office much but on the road to educate and demonstrate our app to our target customers. Warehouse may be needed but mainly we rely on our brand owners existing warehouse, not our own. Since we need to rely on word of mouth during the initial implement stage, any future marketing support we will try to source from the brand owners instead of from internal resources. For payment transactions, we will use Alipay, a 3rd party, a secure payment and collection platform by Alibaba.

We are expected to raise RMB 6 million as a start where it goes into setting up the company, hiring, and also creating the app. Estimated RMB 2 million to be used on creating the app, future modification. RMB 4 million will be estimated for 2 years operations.

Management Team

Fook Chi Wong (Gigi), our Chief Executive Officer has extensive experience in product design, product engineering, supply chain and logistics management in household product for both OEM and ODM export and China Retail Sales. She is currently served as the Chief Operating Officer of King's Flair International (Holdings) limited, a listed co in Hong Kong Stock Exchange. Gigi received a Bachelor of Honor Science from University of Toronto and currently an AXP 15 student from Chicago Booth EMBA program.

Lei Shen (Louis), our Chief Marketing Officer has extensive experience in managing wholesale and retail business while oversees marketing strategy of luxury goods in China. He previously served as sales and marketing manager for Rolls-Royce and Bentley. He is currently working for the sales and marketing of Mercedes Benz in China. Lei received a MBA degree from Business School of Shanghai Fuda University and currently an AXP 15 student from Chicago Booth EMBA program.

YouMing Lu (Merlin), our Chief Technology Officer, has extensive experience in channel operation, focusing on channel distribution of personal safety and health care products. He is the founder of Manon Business CO, Ltd, the sole distributor of Durex in China. Merlin received a Bachelor of Science, Automation from Huazhong University of Science and Technology, an EMBA degree from China Europe International Business School, and currently an AXP 15 student from Chicago Booth EMBA program.

Tian Yu Hou, (Tony), our Chief Operating Officer, has extensive experience in managing a finance function and regulate business growth, focusing online game and social platform. Tony previously served Senior Manager in Ernst & Young, managed a portfolio of assurance engagement focusing on the Retailing & Consumer Market, Real Estate, and Manufacturing Industries. Tony received a Bachelor of Economics in Fudan University and currently an AXP 15 student from Chicago Booth EMBA program. Tony also is Chinese Certified Public Accountant and US Certified Public Accountant, licensed in Virginia.

Armen Ho, our Chief Financial Officer, is currently the Chief Financial Officer of Tianyun International Holdings Limited, a Hong Kong listed company that is mainly engaged in manufacturing, distributing and selling processed fruit in China.. Mr. Ho is currently a member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor degree in accountancy from City University of Hong Kong and a master degree in financial economics from University of London. Armen worked for international audit firms for over 6 years from 1998 to 2006 specialized in audit, advisory and corporate finance. He worked at a London based investment bank as corporate finance manager from 2006 to 2008. Afterwards, he has held senior positions in various companies specialized in asset management and investment from 2009 to 2014 including recently the group chief financial officer of an investment holding company with businesses in property development and education in Hong Kong and China.

Since both Merlin and Gigi are distributors of personal safety, health care products and household products in China. Our initial portfolio branded goods is set. We are currently screening possible app designers, logistic provider and other brand owners at this moment.

Progress to Date

As of this stage, we have only conduct market research and survey focusing on the purchasing habit of our target segments and their mobile usage habit and the result and conclusion points too

Business Risks

Our business risks include:

- Relatively high up front fixed cost (if our project failed, those cost are irreversible, minimal scrap value)
- Uncertainty in our logistic delivery reliability, will our selected logistic partner be able to deliver within the service we required. Failure to deliver will break our trust relationship with our target customers.
- Although initially we have conduct research that there is a need for our target segment to grow online. However, there is still uncertainty in target segments response to this additional service app to their current business model. These local grocery shops and family own store may not be as open minded as we anticipate. As a result, we suggest to hire local sales team from each city.
- Brand Owners may not want to sign up our app since our initial user base will be small. We hope by providing free trial, as our user base grow, our brand owner will stay with us after receiving positive result from using our service.

Business Analogues

As of current, there is no specific electronic commerce platform targeting B2B. Most of them are targeting B2C and C2C which I've listed in the competition above. Since Tao Bao Marketplace and TaoBao Mall are under Alibaba, since established in 2003, their sales revenue together are approximately RMB 1000 billion per annum. JDmall.com established in 1998, a listed NASDAQ company, with revenue approximately RMB 260.2 billion. Mengdian.com, owned by weimob, established in 2014, with revenue approximately RMB 100 million within one year. Most of these companies exit strategies are to be listed as a public company.