



Fatfish Group Limited
(ACN 004 080 460)
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Australia

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25 November 2020

ASX and Media Announcement

Fatfish To Launch Buy-Now-Pay-Later (BNPL) for Corporates across Southeast Asia via its Singapore Central Bank-Licensed Investee Smartfunding & Increases its Stake in Smartfunding

Highlights:

- **Smartfunding has been granted by Singapore Central Bank (MAS) a Capital Market Services License**
- **Smartfunding will launch a Buy-Now-Pay-Later (BNPL) platform for corporations in Singapore and across Southeast Asia**
- **The BNPL platform will allow SMEs to apply via a digital process, any procurement of equipments or services for an amount of S\$25,000 up to S\$1,000,000, to be repaid in instalments over 12 or 24 months**
- **Southeast Asia is a very significant market with Singapore its leading financial hub. Southeast Asia has a population of 670 million people**
- **The BNPL business model is in its infancy in Southeast Asia and Smartfunding has aggressive plans to roll the out the BNPL platform across this market, beginning with Singapore**
- **Smartfunding is presently 58.8% owned by Fatfish's Swedish subsidiary Abelco. In conjunction with this development Fatfish is acquiring directly an additional 19.9% stakes in Smartfunding**

The Board of Directors is pleased to announce that Fatfish Group Limited ("**FFG**" or the "**Company**") will launch a Buy-Now-Pay-Later (BNPL) business for corporates via its investee company Smartfunding Pte. Ltd. ("**Smartfunding**"), which is 58.8% owned by FFG's Swedish subsidiary Abelco Investment Group AB ("**Abelco**").

Smartfunding is a Singapore incorporated company that is licensed by the central bank of Singapore.

In addition, FFG has entered into a binding term sheet to acquire an additional direct 19.9% shareholding in Smartfunding in addition to stake held by Abelco. FFG will provide marketing and technical assistance to Smartfunding to launch the Buy-Now-Pay-Later financing service for corporates.



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About Smartfunding

Smartfunding is an existing investee company of FFG's Sweden-listed subsidiary, Abelco. Abelco, via its subsidiary Fintech Asia Group, holds 58.8% of Smartfunding.

Smartfunding has been awarded by Singapore central bank, the Monetary Authority of Singapore ("**MAS**"), a Capital Market Services (CMS) license for the Dealing in Securities category. The CMS license grants Smartfunding a wide-range of regulatory abilities to conduct transactions in any investment instruments classified as securities under the Singapore Securities and Futures Act, including debt securities.

Smartfunding's current business includes operating a peer-to-peer online lending platform that provides short to mid-term working capital loan to Small and Medium Businesses (SMBs) in Singapore and other international markets.

The expansion of Smartfunding's business to include a Buy-Now-Pay-Later programme ("**BNPL Financing** ") is a natural progression for the business and is in line with its scope of business.

Smartfunding's BNPL Financing will allow corporations to apply on its website via a digital process, any procurement of equipment or services, for an amount of S\$25,000 (A\$26,000) up to S\$1,000,000 (A\$1,040,000), to be repaid in instalments over a 12 months or 24 months period at competitive interest rate.

Smartfunding's BNPL Financing Mechanics

The capital to finance the BNPL Financing will be provided by third-party investors (institutional and individual) onboarded on Smartfunding's online lending platform. For example, if there are 50 corporations seeking for BNPL Financing on the month of January, Smartfunding will design and launch a series of 50 debt instruments to be presented and funded by third-party investors on Smartfunding's lending platform. Each BNPL Financing case will be presented as a unique debt instrument.

Investors are frequently onboarded onto Smartfunding's lending platform with the objective of presenting them with the opportunities to participate in alternative investment instruments, made available digitally on Smartfunding's platform. As such, the capital requirement for the BNPL Financing on Smartfunding's platform will be satisfied by third-party investors, and not Smartfunding (nor FFG), similar to practices of the BNPL industry in other international markets.



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To further clarify, Smartfunding will act as a licensed platform operator for the BNPL Financing services, and will not be liable for any debtor's default on the BNPL Financing platform, accordingly FFG also does not assume any liabilities in this regard.

The key material terms of the pro forma financing agreements for borrowers and investors who use the BNPL Financing service on Smartfunding's platform are summarized in Appendix A of this announcement.

The Singapore and Southeast Asia Market

Smartfunding has been building a regulatory compliant platform that automates various debt financing processes to serve the SMBs market in Singapore and the nearby Southeast Asia regional markets.

The Singapore government has been proactive in promoting fintech development as a major growth driver for the financial services industry in Singapore, as well as positioning Singapore as the fintech hub of Southeast Asia, which has a population of **670 million people**.

South East Asia is a very significant market with Singapore its leading financial hub. The Buy-Now-Pay-Later business model is in its infancy in South East Asia and Smartfunding has aggressive plans to roll the BNPL platform across this market beginning with Singapore.

The management of FFG believes that BNPL Financing – a proven business model in Australia - will resonate well in untapped markets such as Singapore and the rest of Southeast Asia, due to multiple factors:

- **SMBs' demand for alternative financing** will continue to grow, as traditional banks and lenders tighten their credit facilities during a time when SMBs are cash strapped;
- **Investors are increasingly turning towards alternative investments such as BNPL Financing** in search for higher yield in the current low interest rate environment;
- **Automated digital process** to onboard SMBs and investors serves the growing market trend that is now **accelerated by user behaviour** due to the Covid-19 pandemic; and
- **Efficiency of fintech platforms like Smartfunding** that provide partial or pseudo neo-banking functionalities will improve transparency across the value chain, which will be beneficial to all stakeholders of the value chain.



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Details of the Transaction

Over and above FFG's subsidiary Abelco's 58.8% stake in Smartfunding, FFG is acquiring immediately another 19.9% stake in Smartfunding directly from existing non-related shareholder of Smartfunding, Investorlend Singapore Pte. Ltd., at a total purchase consideration of S\$519,000 (A\$544,950) via script. The Purchase Consideration will be satisfied via the issuance of 11,594,680 new FFG shares at an issue price of A\$0.047 per share, which is at the 5-days Volume Weighted Average Price of FFG as of the close of business on 20th November 2020. The share issuance for this transaction will be carried out under ASX listing rules 7.1.

Another remaining shareholder of Smartfunding, Mr. Shariffudin bin Mohamed Raffi, has also given FFG a 6-month option to further purchase an additional 10.1% stake directly in Smartfunding at A\$250,000, payable in FFG's ordinary shares based on a deemed price of the 5 day VWAP at completion and minimum floor price of \$0.03 per share. Should the Company choose to exercise the option, completion of the Company's acquisition of the additional 10.1% is subject to approvals of FFG shareholders and Singapore central bank MAS.

Rationale

The successful Buy-Now-Pay-Later business model has seen success in Australia and it has always the part of FFG's value proposition to assist its investee companies to identify and launch new business strategies that have been proven in other markets.

FFG has been developing its business model as a tech incubator and development firm that leads tech investments across consumer and business markets, as per FFG's replacement prospectus dated 22 July 2014. The acquisition of the additional direct stake in Smartfunding is in line with its strategy to increase stake in strategic investee companies over time in areas of focus and with upside potential.

The additional stake in Smartfunding allows FFG to work closely with Smartfunding to roll out its BNPL Financing programme in Singapore and its surrounding Southeast Asia markets. FFG will collaborate with Smartfunding to enhance its digital capabilities, e.g. in the areas of digital marketing, back office automation and e-KYC (Know Your Customer) processes, of which FFG has existing infrastructure and expertise on.

This announcement has been authorised by the Board of Directors of FFG.

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About Fatfish Group Limited

Fatfish Group Limited (**ASX: FFG**) is a publicly traded tech venture firm with investments in the Southeast Asia and Nordic European region. FFG partners with entrepreneurs to build tech businesses via a co-entrepreneurship model. FFG focuses on emerging global technology trends, specifically FFG has been investing strategically across various sectors of **video-games, esports, fintech and consumer internet** technologies.

FFG owns a majority stake in publicly-traded Abelco Investment Group AB (**NGM: ABIG**), which is traded on the Swedish exchange, Nordic Growth Market.

FFG and Abelco operate from innovation hubs located in Singapore, Kuala Lumpur and Stockholm.

For more details, please contact:

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Appendix A – Key Material Terms of Pro Forma Financing Agreements for Smartfunding BNPL Platform

Key Terms - For Borrowers:

1. Financing Period - 12 or 24 months
2. Incorporation Requirement - Legally incorporated with minimum 6 months operating history
3. Security - Goods purchased and/or assets held by corporates, in addition to potentially personal guarantees provided by one or two directors of the corporations
4. Interest Rates – 4% to 18% typically, depending on credit assessment and other risk classification
5. Escrow Arrangement – borrower agree that Smartfunding shall engage and appoint an escrow agent to hold and manage funds in an escrow account opened in the name of borrower for the purpose of disbursement of fund, repayment of fund and fees payment to Smartfunding.

Key Terms – For Investors:

1. Smartfunding's Role – Investors acknowledge and agree to the role provided by Smartfunding as manager of the BNPL Financing platform, facilitator to the investments into debt securities available on the platform and manager of disbursements, repayments, recovery and performer of other incidental services
2. Discretion Ability – Smartfunding in providing the BNPL Financing platform, has absolute discretion to cancel, restrict, withdraw, suspend, vary the use of any of the platform's features and facilities without any notice or reason as it deems fit.
3. Escrow Arrangement – Investors agree to appoint Smartfunding as intermediary to manage an escrow account that will be used for fund disbursement, repayment, and fees payments to Smartfunding
4. Risks – Smartfunding performs an internal credit assessment of the borrowers before presenting them to Investors but investors acknowledge that there is a risk that borrowers may not make repayments and that they may incur total or partial loss of the funds committed in the BNPL Financing platform

5. Smartfunding as Agent – Investors unconditionally and irrevocably authorizes Smartfunding as their agent for entering and executing loan agreement with the borrowers, managing repayment collection and facilitating repayments of loan
6. Additional Costs – Investors shall bear any additional costs or charges which may include charges by banks for transactions fees
7. Early Repayment – Borrowers may typically be granted right to do an early repayment and interests of the debt instruments may be accordingly adjusted
8. Borrowers Default – In the event of borrower defaults, Investors authorize Smartfunding to perform all necessary recovery actions on their behalf at the investors cost. Smartfunding shall not be held liable, directly or indirectly, for any losses or damages incurred by investors.
9. Indemnities – the Investor indemnifies Smartfunding from any direct or indirect liabilities associated with the Borrower's default or non-compliance; and the Investor indemnifies Smartfunding from any liabilities associated with any instructions provided by the Investor to Smartfunding.

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