



Fatfish Internet Group Ltd
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ASX and Media Announcement

Fatfish Internet Group Ltd (ASX:FFG) to invest into Cryptocurrency Exchange Project founded by Tony Mackay

- FFG will invest US\$1 million into start-up project Kryptos-X, a virtual currency exchange to be set up by Australian entrepreneur Tony Mackay in Singapore.
- Kryptos-X will initially be offering services in Singapore in accordance with the Singaporean regulatory framework for digital token offerings, with expansion into other jurisdictions expected in the future.
- The new venture will provide FFG with exposure to the US\$1.46 trillion (annually) cryptocurrency trading industry.
- Tony Mackay is best known as the founding CEO and Chairman of Chi-X Europe and Global, the alternative stock trading platforms that disrupted securities trading across Europe, Australia, Canada, and Japan.
- Tony Mackay will be appointed as a Non-Executive Director to FFG following the investment to advise and assist FFG in developing further applications of blockchain and cryptocurrency technology in the global financial market.

Investment into Kryptos-X

Fatfish Internet Group Ltd ("FFG" or "the Company") has entered into a legally binding term sheet to invest US\$1million (approximately A\$1.28million) of seed capital into Kryptos-X, which is an early stage online virtual currency exchange founded by renowned Australian entrepreneur Tony Mackay. Mr Mackay was the founding CEO and Chairman of Chi-X Europe and Global,



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the alternative stock trading platforms which operate across various international markets.

Kryptos-X is being established as an electronic marketplace for high-volume and high-frequency trading of bitcoin and other major virtual currencies online. Singapore has been chosen as the place of establishment for the exchange as it is a well-regulated environment which currently has 2 cryptoexchanges, Coinhako and FYB-SG.

The proposed transaction will see FFG and Mr Mackay enter into a joint venture arrangement. FFG will be issued with preference shares in the capital of the holding company which will own and operate the electronic exchange and marketplace. FFG's interest will be equivalent to 27% of the total voting shares on issue. Following issue of the preference shares, FFG will be entitled to appoint two (2) directors to the Board of Kryptos-X. Additionally, FFG has invited Tony Mackay to join its Board as a Non-Executive Director following the transaction. The parties will seek to enter into a formal joint venture agreement on industry standard terms.

To fund this proposed investment into Kryptos-X, the Company will seek to utilise existing cash reserves, funds from the proposed listing of its venture builder's asset portfolio on NASDAQ First North exchange in Sweden (see ASX announcement on 11 September 2017) and a possible future capital raising.

The investment in Kryptos-X is consistent with the Company's activities as an internet venture builder and incubator.

The Proposed Operation of Kryptos-X and Regulatory Environment

The operations of the electronic marketplace will initially be based in Singapore and open to Singapore citizens and residents. The strategy will be

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to expand into other jurisdictions where the regulatory frameworks permits the trading of cryptocurrencies online.

The electronic marketplace will deal exclusively with blockchain technology based digital tokens and cryptocurrencies that do not carry features of securities nor Collective Investment Schemes ("CIS") in accordance with the definitions in Singapore's Securities and Futures Act ("SFA"). The electronic marketplace accordingly will not need to be regulated in accordance with the policy of the Monetary Authority of Singapore ("MAS") stated in its announcement titled "**A Guide To Digital Token Offerings**"¹, published on 14 November 2017.

Further to this the MAS allows digital tokens that are deemed to have features of securities or CIS to be offered on a primary platform like Kryptos-X if the primary platform has obtained a **Capital Market Services** ("CMS") licence and the digital tokens are offered according to the prospectus requirements or exemptions under the SFA. SmartFunding Pte. Ltd., an investee of FFG, currently holds a CMS licence. Kryptos-X may in the future seek to partner with SmartFunding Pte. Ltd. if it elects to provide services that are subject to regulation under the SFA in the future. Kryptos-X would also need to comply with relevant policies on Prevention of Money Laundering and Countering the Financing of Terrorism ("AML/CFT Requirements") drawn out by the MAS via public notices on its website. The MAS also intends to establish a new payment services framework in the future that will specifically address the AML/CFT Requirements in relation of dealing with virtual currencies that Kryptos-X intends to comply with as and when this payment services framework comes into effect.

¹ A Guide to Digital Token Offerings was published on www.mas.gov.sg by the MAS and the Singaporean laws referred to are the Securities and Futures Act (Cap. 289) ("SFA") and the Financial Advisers Act (Cap. 110) ("FAA").

FFG has obtained legal advice on the legal and regulatory requirements of establishing and operating an exchange in Singapore.

FFG has also sought legal advice to confirm that there are no legal requirements in Australia that would prevent an Australian company from making an investment into an exchange in Singapore and that there is no requirement to hold an Australian Financial Services licence.

FFG confirms that it will continue to seek legal advice during the establishment of the exchange and any entry into new jurisdictions.

FFG recognises that the security of digital currencies and the exchanges they trade on is paramount. FFG further acknowledges that there has in the past been significant hacking and thefts of digital currencies and the exchanges they trade on. The present intention of FFG and Kryptos-X is to develop a proposed new digital currency and electronic currency exchange which is fully secure and as a result is attractive not only to early adopters of digital currency but also for large corporations and governments.

Cautionary Statement - Cryptocurrency

FFG notes the following: in relation to cryptocurrency investments:

- Investment into a cryptocurrency exchange is high risk in nature as cryptocurrencies are currently highly speculative
- The proposed investment into Kryptos-X has a number of risks factors, including but not limited to the following:
 - I. The development of new regulatory framework involving cryptocurrencies
 - II. The changing of regulatory environment that Kryptos-X proposes to operate in including Singapore

- III. Cryptocurrencies, cryptocurrency exchanges and its related topics of Initial Coin Offerings (“ICOs”) has raised legal and regulatory issues across multiple jurisdictions. . A number of international regulators have issued guidance on the relevance of their existing securities and financial services laws with regards to ICOs that have underlying cryptographic tokens that are securities or investment in nature. The regulatory status of ICOs in some of these overseas jurisdictions is subject to potential changes and increasingly stringent regulatory oversight. For example:
- ICOs have recently been ruled to be securities under US law and therefore are only able to be offered in the US in compliance with their securities laws;
 - ICOs have been banned altogether in China and South Korea;
 - in Singapore, Australia, Japan, Canada and elsewhere changes are being made to regulate. and
 - cryptocurrencies under anti-money laundering legislation and this could materially affect their value over time.

While the termsheet is binding, the completion of the investment is subject to the definitive agreement to be entered into between FFG and Kryptos-X.

Preparation for Commencing Operation

FFG notes that the Kryptos-X exchange is in the early stages of development. FFG is working with the Kryptos-X team to commence the preparatory steps outlined below which are required before Kryptos-X can commence operation:

- Design and finalize the software requirement for the Kryptos-X electronic marketplace

- Identify third-party providers to supply or build the software infrastructure for Kryptos-X
- Integrate relevant Know Your Customer features and control for the software of Kryptos-X so that it is compliant with the AML/CFT Requirements of Singapore
- Identify and partner with financial institutions to allow for the integration of payment gateway or related services into the Kryptos-X electronic marketplace
- Identify and hire the relevant personnel to manage and run Kryptos-X
- Identify and partner with service providers that could supply or act as clearing house for virtual currencies

The Kryptos-X team notes that the preparatory steps will commence immediately and should take approximately 3 months before Kryptos-X is ready to commence operation.

Use of Proceeds from the Proposed Investment

The proposed investment of US\$1million into Kryptos-X will be dispersed over a period of approximately 3 months from the date of signing off a definitive investment agreement between FFG and Kryptos-X. The proceeds from the proposed investment will be utilised by Kryptos-X in the following manners:

- i. 20% (US\$200,000) - incidental set up cost to build up the operation of Kryptos-X.
- ii. 40% (US\$400,000)- for hiring key employees of Kryptos-X's operation.
- iii. 40% (US\$400,000) - for building the software system required to run the operation of Kryptos-X.



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The use of the proceeds from the proposed investment will be subject to further adjustment and finalisation between FFG and Kryptos-X in the definitive investment agreement.

About the Founder of Kryptos-X

Tony Mackay is a respected Australian entrepreneur and executive who has an extensive track-record across global capital markets, especially in Asia and Europe. In 1995 Tony started his electronic trading career leading the Asian operation of Instinet, the then largest electronic trading market for NASDAQ stocks. With superior technology Instinet traded more shares than NASDAQ until its US trading arm was bought by NASDAQ and its international brokerage arm was bought by Silver Lake Partners in 2005.

While running Instinet's European business, technological and regulatory changes in Europe enabled Tony to become the founding CEO/Chairman of Chi-X Europe, a disruptive, fully automated electronic financial market that offered a cheaper and faster platform than the existing European stock exchanges at the time. Chi-X Europe went on to become the largest trading venue for European securities within 3 years with a market share of over 20% in the major markets. In 2011 Chi-X Europe was bought by US Stock Exchange BATS, which was itself bought by CBOE this year.

Bitcoin and other cryptocurrencies and blockchain based ventures are gaining traction in the financial services industry and their adoption across international markets continues to rise rapidly as the benefits of the underlying technology are realized. The current major virtual/ cryptocurrencies (including Bitcoin, Ether, and Life Coin) have an estimated daily trading volume of more than US\$4 billion currently, amounting to US\$1.46 trillion of trading volume annually (source: data.bitcoinity.org).

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Developmental Team

Kryptos-X's day-to-day operation will be led by Tony Mackay and it will initially have 4 employees to assist in the development of the platform. The Singapore-based venture building business unit of FFG will assist in the various aspects of the starting up phase of Kryptos-X operation including within the technical development of the software systems required and with the establishment of a digital marketing campaign. The FFG team will be headed by FFG's CEO, Kin Wai Lau, and a team of 3 of other FFG employees.

Rationale for the Investment

The management of FFG believes the strategic investment into Kryptos-X will be an important piece of FFG's overall strategy to include investments within the blockchain technology and cryptocurrency based industry. FFG intends to use its unique co-entrepreneurship and venture building model to accelerate the growth of Kryptos-X.

In relation to the proposed venture, CEO Kin-Wai Lau stated: "We believe the global financial services industry, as we know it today, is about to be upended by a giant wave of disruption caused by the adoption of new blockchain derived technology. Cryptocurrency exchanges are beginning to play a role in this digital finance industry and they will become more regulated across the globe with their increasing adoption. With Tony's background in setting up electronic financial markets in major financial hub, he is the perfect partner to take on this new world finance in a professional and regulated environment. It is disruption meeting mainstream capital market, in perfect combination."

Tony Mackay to Join the Board of FFG

Post completion of the investment into Kryptos-X, Tony, having been invited to join the Board of FFG, is expected to be appointed as non-executive director

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to provide the Board with additional knowledge and experience and to advise FFG regarding the investment in Kryptos-X as well as other areas of the international financial market that could be potentially disrupted by blockchain and cryptocurrency technologies. Tony has agreed to join the Board at the soonest possible opportunity following completion of this transaction.

The Board is excited to finalise this strategic investment. The Company notes that the legally binding term sheet is subject to, and conditional upon, entry in definitive documentation, which is expected to occur within 45 days.

The Board notes that there are no related parties who shall benefit either directly or indirectly from this transaction, save for as ordinary shareholders and in respect of Tony Mackay, who will become a related party of the Company by virtue of becoming a director of FFG.

About Fatfish Internet Group

Fatfish Internet Group Ltd ('FFG') is an international internet venture investment and development firm with presence across Southeast Asia, Australia and Europe. FFG partners with entrepreneurs to help them build and grow internet businesses via a co-entrepreneurship model.

FFG's co-entrepreneurship model seeks an active involvement from its investee companies, from seed funding through to exit. In parallel, FFG seeks to provide a collection of resources and expertise to support entrepreneurs in important areas such as business strategy, market access, talent recruitment, product development and corporate strategy.

FFG also offers corporate advisory services specializing in working with tech

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companies to bring to bear alternative funding and growth models for tech companies through Initial Public Offerings (IPOs) or capital market transactions via trade sales or Mergers & Acquisitions (M&A).

For further question on this release, please contact Investor Relations Team ir@fatfish.co or visit www.fatfish.co

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