

11 June 2021

ASX and Media Announcement

Fatfish Acquires BNPL Next Ltd to Enter into Early Wage Access in Southeast Asia

Highlights:

- **FFG to acquire 100% of BNPL Next Ltd, a holding company that aims to provide various corporate and consumer financial services for a consideration of A\$4.14 million, to be satisfied entirely in FFG shares**
- **BNPL Next Ltd owns 60% of Circo, which operated the Circopay platform, a pioneering Earned Wage Access (EWA) provider in Southeast Asia**
- **EWA is a fast growing employee financial benefit solution which allows employees early access to earned wages; Circopay has paid out more than A\$500,000 via EWA to employees in Southeast Asia**
- **Circopay has entered into a service agreement with payroll and human capital management solution providers including the Singapore subsidiary of ASX-listed Paygroup (ASX:PYG)**
- **Circopay has raised just over A\$1 million in funding and has also secured credit lines of A\$5 million to facilitate its EWA services**
- **Circopay will be a complimentary business to FFG's BNPL roll-out**

Fatfish Group Limited ("**FFG**" or the "**Company**") is pleased to announce that it has entered into an agreement to acquire 100% of Australia incorporated BNPL Next Limited, a company that currently owns 60% of Circo Pte. Ltd. ("**Circopay**"), a leading Earned Wage Access (EWA) solutions provider in Southeast Asia (registered in Singapore).

BNPL Next Limited has a vision to bring next generation digital financing platforms to the growth markets of Southeast Asia. BNPL Next Limited currently owns 60% of Circopay. The remaining 40% of Circopay is held by its founder Mr Lim Kah Wui.



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About Earned Wage Access (EWA)

Circopay is a fintech company and its flagship Circopay employee financial benefit platform delivers an Earned Wage Access ("**EWA**") solution which gives employees the opportunity to access their wages that have been earned to meet their short-term financial requirements that arise between paychecks, without having to turn to higher cost products such as credit cards, personal loans or payday loans.

Employers use Circopay's EWA solution to offer their employees early access to earned wages. The process starts when an employee, at any time prior to payday, makes a withdrawal request. Upon receiving such a request, Circopay will pay to the employee the amount requested, less a tiered fixed processing fee which is deducted upfront. Circopay will then recoup the full amount paid to the employee plus a processing fee from the employer on payday through payroll deductions.

It is important to note that (in the Singaporean, Malaysian and Philippine jurisdictions that Circopay currently operates in) EWA solutions do not represent extension of credit or loans, as all withdrawals that employees make represent wages which have already been earned (but not paid). Furthermore, the amount paid is recouped from the employer (rather than the employee).

About Circopay's and its Traction on Growth

The Circopay platform delivers EWA via both Whatsapp (launched in March 2020) and mobile application (released in February 2021) and has recorded significant traction since its launch, having processed and paid out more than A\$500,000 via EWA to employees in South East Asia (with the majority being in Singapore, and to a smaller extent, Malaysia and the Philippines).

Circopay's growth strategy is to partner with leading payroll and human capital management solution providers:

- Circopay has entered into a binding service arrangement with the Singapore domiciled 100% subsidiary of ASX-listed PayGroup Ltd (ASX: PYG) ("**Service Agreement**"). Circopay's current growth focus is in the Southeast Asia region, which will be assisted by access to PYG's current client base. For the avoidance of doubt, the Service Agreement is subject to the jurisdiction and laws of Singapore (not Australia). FFG and Circopay will not be pursuing implementation of the EWA business in Australia at this time. If in the future Circopay seeks to commence commercial activities in any new jurisdictions

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(including but not limited to Australia), it will only do so subject to and conditional upon the Company and Circopay obtaining formal legal advice confirming that the operation of the platform is legally permissible in the jurisdiction and upon obtaining any necessary licences that may be required (if any).

- In addition to PYG, Circopay has partnered with several other prominent international payroll solutions providers in Asia including Justlogin, Talenox and other regional HR solution providers.

Since its founding, Circopay has raised a total of S\$1,025,000 (A\$976,000) in funding with the most recent round of funding completed in December 2020 for S\$800,000 (A\$761,000) at a valuation of S\$4.8 million (A\$4.57 million). To further fuel its growth, Circopay has also secured a credit line of A\$5 million to facilitate its EWA services. Circopay is fully funded and it is not anticipated that it will require any working capital from the Company.

The Circopay business is in an early growth phase and is not able to quantify the revenue income for FFG as a (proposed) 60% shareholder of Circopay (via BNPL) at this time. If and when the revenue impact of the Circopay business on FFG can be responsibly determined, FFG will make further disclosure to the market at that time.

The EWA Market

According to a research commissioned by Visa¹, even before the COVID-19 pandemic, many workers were living pay-check to pay-check and struggling to manage their personal finances - an astonishing 44% of employees surveyed in the US have less than US\$500 saved for unexpected expenses, and more than 8 out of 10 employees spend time at work thinking about or dealing with personal finances each week. The COVID-19 pandemic exacerbated this already growing problem by forcing many organisations to release their employees or cut their working hours.

Recognising the challenges faced by their employees, major service industry organisations including Walmart, Uber, McDonalds, Burger King, Domino's and Chilis have adopted some form of EWA program to improve their employee's financial wellness. With more than 90% of hourly workers reporting that access to their pay

¹ Visa Insights 2019 - Earned Wage Access. Available at <https://vi.sa/3cjqXF>



before payday would be helpful², EWA programs are poised to see robust adoption moving forward.

The Transaction

FFG is acquiring 100% of BNPL Next Ltd at a total purchase consideration of A\$4.14 million. The purchase consideration will be satisfied via the issuance of new FFG shares at an issue price that is equivalent to the 5-days volume weighted average price (“**VWAP**”) of FFG shares upon closing under Listing Rule 7.1. The transaction will be **subject to shareholders’ approval at a General Meeting** to be called soon with an expected completion date of 30 July 2021. None of the vendors are related parties to FFG.

Table of vendors are as follows:

Shareholder
Lim Kah Wui
Wee Ho Beng Brian
International Resources Limited
Gracejoy Liquids Ltd
Lim Quee & Sons Bhd
Atlas8 Pte Ltd
Kensuke Tsurumaru
Boh Yimin, Tania Margaret
Adrian Maxwell Bunter
Leon Lee Chern Su
Andrew Joseph Bond
Zoran Grujic
Patrick K Wong
Maria Rachelle Regala Gaa
Roanne Lau
Alto Partners

75% of the total consideration shares that will be issued to vendors of BNPL Next Ltd will be subject to a **12-month and 18-month voluntary escrow**. The remaining portion of the consideration shares (being 25% of the total consideration shares) will not be subject to any escrow

² KPMG Attention Payroll Leaders: COVID-19 Spurs Surge of EWA programs. Available at <https://bit.ly/3eDvHxe>

For further information regarding the conditions precedent to the acquisition and the current status of the Company's due diligence on BNPL and Circopay, please refer to Annexure A of this Announcement.

Rationale of the Transaction

FFG's strategic rationale for the acquisition includes:

- **Strategic fit** - The acquisition of BNPL Next fits into FFG's strategy to invest in and build on emerging global technology trends in digital financing needs, especially with FFG's existing plan to roll out buy-now-pay-later services across Southeast Asia.
- **Leadership in financial wellness** - Due to its win-win nature for both employees and employers, FFG believes that in the near future, EWA and faster payroll are going to become table stakes employee benefits for many businesses.
- **Early mover advantage** - As one of the pioneer EWA service provider in Southeast Asia (where a large proportion of the working population have comparatively lower income as well as limited access to financial services), Circopay is poised to capitalise on its first-mover advantage within the region.
- **Strong Partnerships** - Circopay has a binding service arrangement with 100% owned Singapore domiciled subsidiary of ASX-listed PayGroup Ltd (ASX: PYG). Circopay has also partnered several other prominent international payroll solutions providers in Asia including Justlogin, Talenox and various other regional providers.
- **Leading edge technology** - Circopay is the only known EWA provider with both Whatsapp and mobile app platforms which integrates with financial ERP, payroll applications and banking platforms.

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 business



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interest in the Southeast Asia and Nordic European region. FFG focuses on emerging global technology trends, specifically FFG has been building tech ventures 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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Annexure A – Further Details regarding Conditions Precedent and Due Diligence

Conditions Precedent

Completion of the Company's acquisition of 100% of BNPL Next Limited (**BNPL**) (a company that currently owns 60% of Circo Pte. Ltd (**Circopay**)) is subject to and conditional upon the following conditions being satisfied (or waived by the Company):

- (a) FFG shall have completed its respective legal and other due diligence investigations on BNPL and Circopay to the satisfaction of FFG;
- (b) FFG shall have obtained all required consents for its purchase of 100% of the shares in BNPL, including but not limited to the approval from its Board; and
- (c) FFG must have obtained shareholder approval for the issuance of the consideration shares to the BNPL vendors.

It is noted that, although it is intended that all of the agreements between FFG and the various BNPL vendors complete contemporaneously (so that FFG acquires its 100% interest in BNPL at the same time), completion under the agreements between FFG and each of the vendors is not inter-conditional. FFG confirms that the agreements are legally binding on the parties and will be legally enforced in the event that any vendor fails to perform their obligations.

Status of FFG's Due Diligence Investigations

The in-house FFG team (in conjunction with FFG's external in-country advisors) is in the process of undertaking its pre-completion due diligence on BNPL, Circopay and the EWA platform.

In regards to Circopay's business in Southeast Asia, the FFG team has reviewed the legal opinion obtained by Circopay from a reputable Singaporean legal firm. The FFG Corporate Team is satisfied that the Earned Wage Access (EWA) business in Singapore does not require a credit license, vis-a-vis its compliance with the *Employment Act of Singapore (Chapter 90 of Singapore)*, and that the operation of the EWA Platform is compliant with local laws.

In respect of Malaysia and the Philippines, the FFG team (which includes a Malaysian qualified lawyer who has advised on Philippines based legal matters) has reviewed the framework of the Singapore legal opinion, obtained an independent legal opinion from a reputable Malaysian legal firm and studied Circopay's position with regards to the relevant legal framework in both Malaysia and the Philippines. The FFG team is satisfied that Circopay's EWA business is in compliance with the laws of Malaysia and the Philippines and does not require any form of credit licence in either jurisdiction.

As noted above, the growth of the Circopay EWA platform in Southeast Asia is the focus (not the implementation in Australia at this time). Notwithstanding Circopay's immediate growth plans, Circopay and FFG are in the process of obtaining formal legal advice in respect of the legality of the operation of the EWA platform in Australia and the need (if any) to obtain an Australia credit licence (or other such licence or approval). Given the focus of Circopay's business model is in Southeast Asia (not Australia), the outcome of the Australian legal advice, and any inability for Circopay to commence operation in Australia, will not have a material impact on the Circopay's growth business model in Southeast Asia. If in the future Circopay seeks to commence commercial activities in any new jurisdictions (including but not limited to Australia), it will only do so subject to and conditional upon FFG and Circopay obtaining formal legal advice confirming that the



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operation of the platform is legally permissible in the jurisdiction and upon obtaining any necessary licences that may be required (if any).

Due to the compliance obligations and regulatory risks involved with operating a business that requires an Australian credit licence, in the event that FFG is not satisfied with the results of its due diligence investigations (or the Australian legal advice prescribes that an Australian credit licence is required for the operation of the EWA Platform), the FFG Board in consultation with the Circopay Board will consider the options at that time. At that time, FFG's options will include, but are not limited to: assist BNPL to apply for the relevant regulatory approvals and licences (if any are required); or proceed with the completion of the acquisition of Circopay but continue to operate the business in Southeast Asia only (and not in Australia).

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