OXPAY FINANCIAL LIMITED
(Company Registration Number: 200407031R)
(Incorporated in the Republic of Singapore)

QUESTIONS AND ANSWERS - THE EDGE SINGAPORE

The board of directors (the "**Board**" or "**Directors**") of OxPay Financial Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to inform shareholders that the Company has provided the following answers to questions posed by The Edge Singapore to the Company:

1. **What were some of the challenges you faced in 2023 and how do you plan to overcome them?**

   In May 2023, the Group's payment facilitator license was terminated by Worldpay, which the Company believes was due to issues arising from its merchants, and the termination created a significant challenge for the Group as it impacted the Group's ability to process Visa and Mastercard payments.

   However, with the support of the new management team, the Group is now rebuilding its business. We have also regained our ability to process Visa and Mastercard payments through the payment facilitator master agreement with DCS Card Centre Pte. Ltd. ("**DCS**"). This is a significant milestone for OxPay as we aim to expand our merchant base and offer comprehensive payment solutions to them.

2. **How does the tie-up between Green Link Digital Bank Pte. Ltd. benefit OxPay?**

   Green Link Digital Bank is partnering with OxPay to provide financial products and services to OxPay's merchants. Being a payment gateway company, where funds are held by OxPay and financial data is one of our key assets, the natural progression would be to partake in the financing business at some stage in the future, but always subject to shareholders' prior approval (if applicable). OxPay is looking to address the funding gap for micro and small merchants, which credentials may not be enough to get funding from traditional financial institutions.

3. **What does being the payment facilitator to Diners Club Indonesia involve?**

   In Singapore, we have a payment facilitator master agreement with DCS. OxPay works with the acquirer, in this case DCS, to acquire merchants directly under OxPay and provide them with the ability to process credit card payments with various schemes such as Visa, Mastercard, and China UnionPay.

   In November 2023, the Company entered into a non-binding term sheet with PT Diners Payment Indonesia ("**PT DPI**") in relation to the proposed investment by the Company or its affiliate in PT DPI, a company mainly engaged in being the sole agency for Discover and Diners Club network in Indonesia. The parties are still in the midst of performing due diligence checks and negotiating the definitive agreements for the proposed investment.

   After the completion of this proposed investment, we would hold the franchise of Diners Club in Indonesia (through PT DPI) and become the direct acquirer and issuer of Discover and Diners cards in Indonesia. This would allow us to acquire merchants directly on our own and provide them with the solutions to process Diners card payments. In the near future, OxPay would be able to issue credit cards to individuals and companies in Indonesia, subject to obtaining the necessary licenses from the Central Bank of Indonesia.

4. **Is there a monetary investment from OxPay in Diners Club Indonesia?**

OxPay is proposing to take a 45% stake in the enlarged share capital of PT DPI (which would hold the Diners Club franchise in Indonesia) for USD1.08 million. In connection with the aforesaid proposed investment, PT DPI will grant an option to Ox Capital Pte. Ltd., a company owned equally by Ching Chiat Kwong (the Non-Executive Non-Independent Chairman of the Company) and Shawn Ching Wei Hung (the Non-Executive Non-Independent Deputy Chairman of the Company), to subscribe for such number of new shares of PT DPI that will constitute 5% of the enlarged share capital of PT DPI. OxPay's investment in PT DPI would be at cost and be applied towards working capital purposes and licensing requirement costs.

Other than the licensing and working capital costs, OxPay would also look into investing another additional USD3.0 million in technology (card management systems). Marketing costs and funding the float (giving credit to users) are variable costs and will depend on the number of users.

5. What sort of earnings/ EBITDA multiple would such a venture provide?

Indonesia is one of the largest markets in Southeast Asia with almost 300 million people and over 20 million merchants. However, as per official figures, the number of credit cards issued is approximately 16 million. This essentially highlights the substantial untapped market potential in Indonesia.

Our objective is to promptly seize the market opportunity by establishing a substantial merchant base and expanding credit card usage in Indonesia upon securing the requisite approvals and licenses for credit card issuance. In the absence of unforeseen circumstances and under an optimistic scenario, the Group aims to capture 20% of the merchant base and distribute over two million cards in the forthcoming years. We anticipate that this strategic initiative will, in turn, enhance profitability for the Group when it materialises.

We aim to have both our business models of "Acquire" and "Issue" which works parallel to each other through our expansion in Indonesia.

Acquire: Assuming that PT DPI obtains the necessary licences and commences its business, it is expected to earn a fee of approximately 2% on all Diners card spend in Indonesia, irrespective of whether it is issued in Indonesia or any other countries.

Issue: Likewise, through its card issuance business, PT DPI is also expected to earn late fees on rollover debt of approximately 20%.

Revenue for a typical credit card business can be typically calculated by using a simple formula:
(Number of users x card spend per year x 2 percent) + (% of card spend per year that's rollover debt x 20 percent).

6. OxPay has articulated expansion plans, how will these be funded?

In new businesses and geographical locations where we look to grow organically, it will be funded internally and potentially from fund raising exercises as and when appropriate, if required. In parallel, we intend to enter into collaborative arrangements with partners in each area to spur our growth.

7. Can you address and explain the discrepancies between the audited and unaudited financial statements and how they affect OxPay?

The audited net loss before tax of the Group for FY2023 is SGD1,407,000 which improved by approximately SGD516,000, as compared to the unaudited net loss before tax of the Group for FY2023 of SGD1,923,000.

The discrepancies are mainly due to the valuation conducted by an independent valuer, engaged by the Group as requested by the Group's external auditors after the release of FY2023 unaudited financial results on 29 February 2024, to re-assess the value of the Group's fixed assets, intangible

assets and investment in PT Iforte Payment Infrastructure (which ceased to be an associate of the Group during FY2023) in Indonesia.

8. Why did revenue decline in Malaysia and Thailand?

In FY2023, the decrease in revenue from the Group's Malaysian operations was mainly due to lower sales in prepaid cards as the Group's key supplier for prepaid cards in Malaysia had failed to obtain its re-certification of EMV chips, which are required for prepaid cards, from its payment partner.

The decrease in revenue from the Group's Malaysian operations does not have a significant impact on the overall gross margin for the Group's Malaysian operations as sales in prepaid cards business typically will generate high revenue but low gross profit margin.

The decrease in revenue from the Group's Thailand operations was mainly due to the termination of an acquirer bank, for which no specific reason was given for the termination. Various options are being explored by the Executive Director and Chief Executive Officer of the Company through his networking connections in Thailand to find a replacement for the acquirer bank(s). The Group is also currently working with Razer Merchant Services Co., Ltd. ("**Razer**") in Thailand as an independent sales organisation that allows the Group to refer merchants to Razer and earn recurring fees.

9. Because of accumulated losses, share equity has shrunk. What are your plans to turn the company around? When do you expect to be operating cash flow positive?

OxPay has already begun rebuilding the company under the guidance of the new management team. We have regained our payment facilitator status which enables us to now focus on acquisition of new merchants. While we are working with some of the renowned brands in Singapore, including but not limited to Q&M, Each A Cup, Beard Papa's and Swee Lee, the Group intends to focus on providing innovative and comprehensive payment solutions to merchants that banks tend to not focus on, such as neighbourhood friendly shops, standalone cafes, and even vehicle repair shops.

Our next phase of growth will be the credit cards business. Upon completion of OxPay's proposed investment in PT DPI, OxPay (through PT DPI) would have the franchise for Diners Club in Indonesia. The business model is about getting a fee on transactions and late charges on credit card debts.

We believe that we have put our best foot forward and taken the right strategic decisions to steer OxPay towards profitability. The Group will announce quantitative targets via SGXNet as and when available.

By Order of the Board

Yick Li Tsin
Executive Director and Chief Executive Officer
25 April 2024

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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