



**IOUPAY LIMITED (ASX:  
IOU)**

(ACN 091 192 871)

Suite 305, Level 3, 35 Lime Street,  
Sydney NSW 2000

**29 January 2021**

**ASX Announcement  
IOUpay Limited (ASX Code: IOU)**

## **December 2020 Quarterly Report & Business Activity Update**

### **Highlights**

- **Successful Acquisition of Malaysian Money Lending Licence required to operate Buy Now Pay Later (BNPL) product services**
- **BNPL processing capability and large scale distribution channels secured with Merchant Services Agreements signed with two of Malaysia's largest Payment Gateway providers and a leading Bank**
- **Core Platform capabilities required for BNPL rollout successfully completed ahead of schedule providing smart customer authentication (e-KYC), highly sophisticated credit scoring and compliance with mandatory central bank and global credit card standards**
- **BNPL Platform modules for merchants and customers completed**
- **BNPL signed merchant rollout plans underway with soft launch commencing in February ahead of CYQ2 acceleration to a larger scale rollout**
- **Digital Payments activities positioned for accelerated revenue growth following extensive distribution channel development and investment in prepaid inventories**
- **Mobile Banking continues to perform well with revenues up 85% for the quarter**
- **Board & Management Team bolstered with New Appointments to support key competencies and identified growth initiatives**
- **Successful Capital Raising well supported by sophisticated Investors and existing shareholders**

IOUpay Limited (ASX:IOU) ('IOUpay' or the Company) today release its Appendix 4C today and the Board of Directors are pleased to provide this Quarterly Report & Business Activity Update for the period ended 31 December 2020.

### **Successful Acquisition of Malaysian Money Lending Licence**

After months of due diligence, independent expert valuations and negotiations, on 19 January 2021 the Company announced it had secured a Malaysian Money Lending Licence required to comply with Malaysia's Money lending Act 1951 (MA1951) and Financial Services Act 2013 for the provision of Buy Now Pay Later (BNPL) service offerings to consumers and merchants in Malaysia.

The MA 1951 Licence was secured by way of the acquisition of 100% of the ordinary shares in MA1951 licence holder Sibukurnia Marine Sdn Bhd (200801033946 / 835284-D) (SKM) in exchange for RM4,300,000 (AUD1,375,000 based on an exchange rate of 3.127).

The completion of the acquisition of the authorised money lending entity SKM is an important milestone in the Company's plans which were announced in the Operational Update released to the market on 15 December 2020.

An MA1951 licence enables the Company to offer BNPL and consumer loan facilities in Malaysia.

### **Merchant Service Agreements Signed and Initial Distribution Channels Secured completing two more critical milestones for the Company's BNPL offering – Card Processing Capabilities and Merchant Distribution**

As part of the Operational Update released to the market on 15 December 2020, the Company announced it had signed Merchant Services Agreements (MSA's) with two Payment Gateway Providers and one of Malaysia's leading banks. This enables the Company's BNPL customer transactions to be supported by credit and debit card payments and providing a captive merchant distribution network from which the Company plans to select and onboard specific merchants who qualify as high yielding priority merchants in addition to merchants already signed and being onboarded as part of the Company's BNPL soft launch activities scheduled for February and March this year. The respective Payment Gateway Providers have a combined merchant distribution network of more than 50,000 merchants of which 7,000 are active, meaning each merchant has one or more transactions processed per month, while the relevant Bank has 7,000+ e-commerce merchants and 10,000 in-store merchants.

### **Core BNPL Platform Capabilities Completed including compliance with mandatory central bank and global credit card standards**

During the quarter, a number of backend system integration and highly sophisticated processing improvements were made to the IOUpay BNPL Platform following the signing of five service agreements with Malaysia's leading credit and financial information reporting agencies, two leading specialist identity and eKYC vendors and an international specialist bank statement and financial records processing vendor for sophisticated credit and financial information verification and analysis.

These system integrations deliver a unique and market leading customer and merchant experience and are applied to the frontend and backend processing capabilities of the

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IOUpay BNPL Platform. They optimise important online and in-store user requirements including speed, convenience, integrity and security which are all features designed to differentiate IOUpay from competitors in addition to other product and service features.

#### **Completion of core merchant and customer BNPL Platform modules.**

The Company has developed an Android Mobile App for merchants as well as an IOUpay Smart Terminal for in-store merchants with an initial deployment for merchants scheduled as part of the Company's BNPL soft launch activities in February and March this year.

Approved merchants now also have the ability to integrate with IOUpay's BNPL services via their merchant websites which is a requirement for large and specialist e-commerce merchants or merchants who support their in-store operations with a significant online sales presence.

The Company has also completed its Consumer Mobile App in both Android and IOS which is completing testing as at the date of this Report and will be live via authorised links during the soft launch period prior to Google Play and App Store releases.

#### **Digital Payments activities positioned for accelerated revenue growth**

Following extensive distribution channel development in and shareholder approved investment in prepaid inventories for the Company's Digital Payments business the Company is well positioned for accelerated revenue growth in Indonesia as highlighted in the Company's Corporate Update and Investor Presentation released to the market on 28 October 2020.

#### **Board & Management Team bolstered with new Appointments**

New board and management team appointments have also been made in line with expanding and improving the Company's key competencies and identified growth opportunities.

**Datuk Khairul Idham Bin Ismail** was appointed to the Company's board of directors on 25 November effectively replacing Chee Hong Hor, also known as Raymond Hor.

Datuk Khairul Idham Bin Ismail D.P.S.M. is a lawyer by profession and was called to the Malaysian Bar in September 2000 and holds a LLB (2nd Class Upper Division) from King's College, London and a Certificate in Legal Practice (C.L.P.) from the Legal Profession Qualifying Board of Malaysia.

Datuk Khairul started his legal career with Messrs David Chong & Co in 2000 before joining the Corporate Secretarial and Legal Department of MMC Corporation Berhad in January 2003. In 2006 Datuk Khairul joined Messrs Naqiz & Partners and was promoted to become its Managing Partner in 2015. Datuk Khairul's experience in the legal industry includes all corporate & commercial matters, capital markets, Islamic banking & finance, construction and real estate transactions, infrastructure and projects, corporate restructuring, public-private partnerships, privatisation and intellectual property.

Datuk Khairul is also an Independent Non-Executive Director of Niche Capital Emas Holdings Berhad ("Niche Capital") since 26 May 2015. Niche Capital is a public listed

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company on Bursa Malaysia Securities Berhad and is principally involved in construction, property investment and jewellery trading. Datuk Khairul was re-designated as the Chairman of the Board of Niche Capital on 29 May 2017.

**Byung Moo Shin** was appointed to the Company's board of directors on 11 January 2021 effectively replacing Andrew Bristow whose position as a non-executive director was not renewed by shareholders at the Company's Annual General Meeting.

Mr Shin is a commercial lawyer by profession holding an LLB, Bachelor of Commerce & Bachelor of Laws from The University of Sydney (2011) and having been admitted as a Lawyer of the Supreme Court of New South Wales by the NSW Legal Profession Admission Board in 2012.

Mr Shin specialises in institutional investment and asset management, specifically inbound and outbound South Korean investment across a diverse range of industries. Mr Shin has a strong passion for the financial technology sector and has held senior executive roles with Trihill Partner Investment Management and Hangang Asset Management in Seoul, South Korea and Manhattan, New York.

Key appointments have been made to the Company's commercial, operations and technical teams including Business Development and Merchant Services Officers, Business Data Analysts, Credit Management and Collections Management, Legal & Compliance and System Development.

### **\$10.5m Capital Raised via placements to Sophisticated Investors and Existing Shareholders**

The Company successfully raised \$10,515,000 from sophisticated investors with \$10,055,300 raised via a two tranche placement announced on 9 November 2020, consisting of \$3,000,000 approved by specific shareholder approval on 30 September at the Company's General Meeting of Shareholders (Tranche 1) and \$7,055,300 raised using the Company's existing capacity under ASX Listing Rule 7.1 (Tranche 2). The balance of funds raised came from the issue and exercise of options also approved by shareholders at the 30 September EGM.

The application of these funds was also approved by shareholders at the 30 September EGM and is to be primarily used for business expansion including the Company's new BNPL Product and Marketing Development, Digital Payment Inventories and salaries for the Company's increased front and back office teams to support the BNPL operations.

### **4C Cashflow Analysis**

Receipts from customers increased quarter on quarter by 85% to \$2,165m with a net operating cash flow of -\$834,000. Continued Malaysian Government enforced Movement Control Orders to address the COVID-19 pandemic including increased work-from-home populations and continued travel restrictions have added to the clear pre-COVID-19 regional trend for increased digital commerce including mobile banking and online purchasing and payments. This environment has continued post quarter end providing the Company with strong market conditions for its new Buy Now Pay Later offering as well as its existing Mobile Banking and Digital Payments divisions.

A number of further non-recurring once-off costs contributed to the overall net operating result, again largely based on past actions and legacy business performance issues associated with previous management and board including additional professional services (accounting, secretarial and legal costs) as well as increased compliance and service costs resulting from the Company's capital raising and shareholder engagement activities (Share Purchase Plan, EGM, share and option issues, EGM and AGM).

Total payments to Directors and their nominated entities for the quarter was \$44,000 as set out in item 6.1 of the Appendix 4C while staff costs were reduced from \$361,000 last quarter to \$262,000 as a result of cost cutting in Myanmar and Indonesia.

The Company had \$8,541,000 in cash and call deposits at the end of the December quarter after investing \$2,964,000 in critical revenue generating assets including \$1,375,000 for the acquisition of a Malaysian Money lending Licence and approximately \$1,500,000 in prepaid digital payment inventories.

The Company's cash reserves and Balance Sheet can be expected to be further strengthened by operating and financing activities in the following quarter.

### **Outlook**

Market conditions for increased digital commerce in South East Asia can be expected to remain strong given the continuing trends of increased online purchases and cashless payments. This demand-driven growth is likely to continue to accelerate in the extended COVID-19 environment with movement restrictions affecting all industry verticals and daily activities. The Company has made very good progress in relation to the launch of new products and services to meet the growing demand for digital commerce in the South East Asia region and looks forward to updating the market as further progress and milestones are achieved.

For more information regarding this announcement please contact Mr Lee Chin Wee, the Company's Interim Chairman and Executive Director at [aaron.lee@iou-pay.com](mailto:aaron.lee@iou-pay.com).

The release of this announcement was authorised by the Board of the Company.

Yours faithfully

**IOUpay Limited**

**Jarrod White**  
**Company Secretary**



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**About IOUpay (ASX:IOU):**

IOUpay Limited (ASX:IOU) provides fintech and digital commerce software solutions and services that enable its institutional customers to securely authenticate end-user customers and process banking, purchase and payment transactions.

The Company's core technology platform enables large customer communities to connect to end user customers using any mobile device and integrate mobile technology throughout their existing business and customer product offerings. The Company's business divisions consist of Mobile Banking, Digital Payments and Digital Services which service the top 20 banks in Malaysia and large telco's and corporates in Malaysia & Indonesia. IOUpay also works with telecommunication network providers to provided mobile OTT (over-the-top) services that leverage their subscriber base to build active communities.



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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

IOUpay Limited

**ABN**

11 091 192 871

**Quarter ended ("current quarter")**

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,165	3,330
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,499)	(2,590)
(c) advertising and marketing	(50)	(59)
(d) leased assets	(28)	(55)
(e) staff costs	(262)	(624)
(f) administration and corporate costs	(1,166)	(1,628)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	(34)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	5	34
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(834)</b>	<b>(1,626)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(80)	(178)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(2,913)	(3,244)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	347
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	29	24
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,964)</b>	<b>(3,051)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	10,515	13,998
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(886)	(1,037)
3.5	Proceeds from borrowings	-	27
3.6	Repayment of borrowings	(1)	(77)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>9,628</b>	<b>12,911</b>



<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,812	578
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(834)	(1,626)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,964)	(3,051)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,628	12,911
4.5	Effect of movement in exchange rates on cash held	(101)	(271)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>8,541</b>	<b>8,541</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	6,975	2,721
5.2	Call deposits	1,566	91
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,541</b>	<b>2,812</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	44
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	122	38
7.4	<b>Total financing facilities</b>	122	38
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>The Group has a hire purchase facilities that are secured, repayable over 5 years with an interest rate of 13% p.a. &amp; 4.04% p.a.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(834)
8.2	Cash and cash equivalents at quarter end (item 4.6)	8,541
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	8,541
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	10
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: Board of Directors  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.