

22 March 2023

ASX Announcement

## Market Update

- **Suspected significant fraud now being investigated by Malaysian police authorities**
- **Recovery actions are under way in relation to misappropriation of Company funds**
- **The Company's other valuable assets have been preserved, and the Board is taking all necessary actions to ensure that there is sufficient cash to support operations**
- **The Company continues to focus on its core strengths of providing digital payment solutions in South East Asia, while implementing cost reductions and efficiency improvements under its new executive leadership**

IOUpay Limited (**IOUpay** or **the Company**) provides the following update on its current financial situation, and actions taken in response to a suspected significant fraud.

### Suspected fraud

Following investigation of the Company's Malaysian operations, there are strong grounds to suspect that a former senior executive has engaged in significant fraud. This matter has been reported to Malaysian police authorities and the Company is now assisting with their investigation. The suspected fraud has involved misappropriation of Company funds and immediate actions are under way to recover these funds. The Board has strengthened internal procedures and controls to prevent any similar occurrence in the future.

The sophisticated fraud involved actively concealing the true status of approximately AUD7 million in cash that was purportedly held by a reputable stakeholding firm in Malaysia, as a stakeholder for completion of the IDSB transaction. Following the renegotiation of that transaction in August 2022, only AUD3m was required for completion, with the remaining AUD4m classified as cash available in the Company's financial reports. Based on the current status of the investigation, the Company's accounts will have to be restated.

Investigations to date have also revealed that a number of unauthorised loans were made to business entities operating in Malaysia and Indonesia, and the Board is assessing whether and how soon these loans can be recalled. The Board will keep the market fully informed in relation to the recovery of the funds.

The Board is also in discussions with the auditors, Grant Thornton Malaysia and MNSA, to determine how the misappropriation of funds remained undetected, and to restate the accounts as necessary.

### Actions Taken

As announced in the "Business and Operational Update" on 6 March 2023, the Company is focused on cost reductions where appropriate and driving improved efficiencies within the business to better position the Company for sustained growth. The appointment of Executive Chairman, Mr Chong, is part of this process to lead the Company's pivot and product suite expansion, together with an increased focus on the civil servant category of consumers, working with investment partner, IDSB.

The Board has moved immediately to reduce costs and accelerate its already-planned program of increased efficiencies. This is in line with the already-planned new strategic direction of the business.

The Company has temporarily paused the offer of loans in its BNPL business. It is expected that the business can be restarted in late March, with a focus on a strictly limited number of existing profitable merchant customers. Cash will be returned to the business as the BNPL portfolio is reduced in size.

The Company has commenced a reduction in headcount in the Malaysian office, with a number of senior managers associated with the former senior executive leaving the business. Further reductions in headcount will be made in coming weeks. The functions of Marketing, Technology, Finance, and Collections will be maintained at the optimum level to ensure business sustainability.

The office premises will be reduced in size accordingly, and other cost reductions will be implemented across the business, in areas such as outdoor advertising and travel expenses for local staff.

As a result of these immediate actions, the Board is currently of the view that there is enough cash available to support operations, but this will continue to be carefully monitored and assessed on an ongoing basis, and will require the careful management of creditors.

In order to remove any doubts over solvency and to ensure sufficient cash flow for operations, pending the recovery of the misappropriated funds, the Board has held initial positive discussions with a friendly party interested in supporting the Company during this period. The proposed support would involve a loan on favourable terms of approximately AUD5 million, which is a modest amount when compared to the value of the Company's assets. Full details of these arrangements will be disclosed if and when they are concluded.

In relation to any potential capital raising, the Board will continue to act in the best interests of shareholders, and will do whatever is in its power to avoid the risk of insolvency caused by the misappropriation of funds. An equity capital raising would only be undertaken if clearly in the interests of shareholders.

The Company retains full ownership and control of its valuable assets, including its digital platforms, its loan book, and its investment in IDSB, which is valued on the Company's balance sheet at \$21.1 million. The Board is focussed on ensuring that there is sufficient cash to support operations, while pursuing the recovery of the misappropriated funds. The Board also continues to move ahead with implementing a revised business strategy which focuses on the Company's core strengths in supporting digital payments in South East Asia and working closely with its investment partner, IDSB.

Further updates and details of the Company strategy will be provided to the market in the near future.

### **Ongoing suspension of trading in the Company's shares**

As a result of the misappropriation of funds, and the requirement to restate the Company's accounts, the ASX has determined that the suspension of trading in the Company's shares will be imposed under Listing Rule 17.3, until the Company can demonstrate that it complies with the Listing Rules and in particular, that its financial condition is adequate to warrant quotation of its securities under Listing Rule 12.2. The Company intends to apply to ASX for reinstatement of its securities to quotation once it has finalised discussions with its financiers in relation to funding support to ensure sufficient cash flow.

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

Yours faithfully,

**IOUpay Limited**

**Ben Reichel**  
**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 and Digital Payments which service leading banks in Malaysia and large telcos 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.

**Forward Looking Statements**

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward-looking words such as "believe", "expect", "estimate", "will", "may", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the acquisition. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of IOUpay and cannot be predicted by IOUpay and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which IOUpay operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

None of IOUpay or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statements. Statements about past performance are not necessarily indicative of future performance.