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Company Announcements Office  
Australian Securities Exchange

## **BUSINESS UPDATE**

The directors of IOUpay Limited (**IOU** or the **Company**) are pleased to provide an update on recent activities.

The board have convened 5 times formally since our appointment on 25 May 2023, and numerous times informally, to firstly understand and then to address the myriad issues uncovered post our appointment. This process also included a visit by the Chairman to the Malaysian operations immediately after appointment.

As a result of these activities, and with the support of various external consultants and staff in Malaysia, the board have set 4 core strategic priorities for the business to execute. These, in no particular order are as follows:

- To ensure the business is appropriately funded (“Funding”)
- To review, implement controls and “right-size” the business operations in Malaysia (“Control”),
- To vigorously pursue any alleged misappropriation of shareholder funds prior to the current board appointment (“Recover”), and
- To undertake all activities required to ensure compliance with regulatory obligations and moreover the ultimate re-quotation of the Company’s shares on the ASX (“Reinstatement”).

Below we are pleased to provide some more information on each of those strategic priorities.

### Funding:

Since appointment, the new board, along with our Corporate Advisor Clee Capital, secured \$1m in additional funding for the business.

This has come by way of a placement to Company’s largest shareholder, Finran Pty Ltd for AUD \$700,000, as well as a convertible note from Brett Patridge (AUD \$300,000) in addition to the existing AUD \$4,500,000 debt facility from Finran Pty Ltd.

Approvals and ratifications for this fundraising will form part of an EGM (notice currently being reviewed for approval by the ASX) to be held as soon as possible and in line with the regulatory guidelines.

### Control

Soon after appointment the board instigated a cost-reduction program across all IOU Pay operations to ensure its cost base is commensurate with operations. Since the Administration of the Company ended on 25 May 2023, it has further reduced Full Time Equivalent (**FTE**) headcount by 22. Taking into account statutory costs for redundancies and applicable notice periods, the cumulative cost savings by the end of December 2023 are expected to total RMB 4.0 million (approximately A\$1.3 million).

In addition to this, last week the board, after much consideration and advice, have agreed to put the IOU Pay Asia business into run-off. This will mean no new loans will be written from this week onwards and the business will realise additional headcount and operational cost reductions as a result. The business will retain 3 of the 6 current collections staff, for a currently unspecified period, in order to continue to manage the collection of outstanding loans written. These staff have specific, weekly recovery targets and will be managed against those targets. At the conclusion of both pieces of this activity we will have achieved a significant headcount reduction leaving circa 16 FTE staff to continue to manage central services, collections, Isentric and IOU's investment in ISDB (discussed below).

The board have also implemented various internal and external control mechanisms including a delegated authority policy across the business, amongst other things.

Elsewhere, the ISDB business, of which IOU holds a direct 21% shareholding continues to operate profitably. It is estimated by management that IOU Pay will receive at MYR 235,000 dividend from this business for the month of August.

The Isentric business (in which IOU has a 100% shareholding) also continues to perform to management expectations and as a board we continue to support the current resourcing and capital allocations of and required for this business.

Additionally, IOU are in the process of terminating existing leases and have agreed to very favourable terms for new accommodations (based on the significantly reduced headcount) in the offices of Finran Pty Ltd, the Company's largest shareholder. This will result in further, significant cost savings to the business.

### Recovery Efforts

The board are aware of certain claims and allegations relating to the possible misappropriation of IOU funds.

After detailed investigations, interviews and various meetings with relevant individuals, lawyers and consultants, the IOU Pay board have agreed to a framework, outlined by our advisors, to pursue and potentially recover funds on behalf of IOU Pay shareholders.

The board continues to work with our advisors to determine the magnitude of potentially recoverable funds and we will update the market accordingly as this information comes to hand.

In this regard, the board have agreed to the appointment of Izral Partnership <https://www.izralpartnership.com/> a Malaysia-based firm with expertise in civil fraud cases.

Izral Partnership will appoint a team of dedicated internal resources to IOU's matters and will operate on a monthly retainer and a yet-to-be-finalised commission structure based on the successful recovery of funds as a result of their actions. It is expected the commission will be in the single digits and in line with or well below that of debt-recovery agencies.

Savings outlined in "Control" above more than offset the expected cost of the appointment of Izral Partnership. Despite this, the board remains vigilant in ensuring that any expected recovery costs still allow for an acceptable overall return to shareholders based on the probability and likelihood of recovery against those costs.

## Reinstatement

The Board remains committed to seeking reinstatement to trading on the ASX. We have and are continuing to lodge announcements in relation to key service providers that will be crucial to progressing to reinstatement.

The Company has also received a proposal from Finran Pty Ltd to convert up to AUD \$525,000 of funds drawn under its existing debt facility into ordinary shares and will be seeking approval from shareholders to raise up to AUD \$2,000,000 from sophisticated investors in relation to a further placement of ordinary shares. For these transactions to proceed, the Company will require shareholder approval at a general meeting, being the EGM mentioned above in this announcement.

We are acutely aware of the need for shareholders to seek liquidity for the shares they hold and are working closely with the regulators and the exchange operator to continue efforts in this regard.

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

### **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 provide 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.