

29 July 2022

ASX Announcement

June 2022 Quarterly Report & Business Activity Update

Highlights

- **myIOU BNPL transactions completed in the June Quarter (1 Apr to 30 Jun):**
 - **\$5,399,968 in Total Transaction Value (“TTV”) has been transacted; delivering,**
 - **\$340,472 in Net Transaction Revenues (“NTR”).**
- **Positive adjusted Net Operating Cashflow for the third consecutive quarter, having launched the myIOU product in June 2021 – positive \$8.08m after adding back \$5.53m payments to BNPL merchants that form part of BNPL receivables;**
- **Non-Performing Loans (“NPL”) of \$177,666 and NPL Ratio 0.61% - continues to indicate modest delinquencies – reinforces strong credit quality control strategy;**
- **Continued growth in Consumer and Merchant sign ups (since mid-June 2021 launch), approval and onboarding, cumulatively:**
 - **2,390 merchant outlets activated and listed on myIOU (up 20% since 31 Mar);**
 - **33,871 consumer activated accounts (up 67% since 31 Mar).**
- **SOGO Department Stores Update – Phase 1 POS integration complete, myIOU now ‘live’ for instore purchases – Phase 2 Online integration on track for Q1 FY23;**
- **Multiple strategic partnerships achieved throughout and progressed throughout the quarter:**
 - **Pine Labs – Master Services Partner Agreement for referral of merchants;**
 - **PayHalal – Merchant Acquiring Services Agreement;**
 - **myIOU KA\$Hplus Visa bringing myIOU to any Visa-approved merchant;**
 - **myIOU Islamic - Shariah Compliance certification issued;**
- **PCI-DSS Certification obtained for security & data protection of payment card services;**
- **Shopify payments platform supports myIOU BNPL offering in Malaysia; and**
- **New non-executive, independent Chairman appointed – Dato’ Wan Ahmad.**

IOUpay Limited (ASX:IOU) (**‘IOUpay’** or **the Company**) has released its Appendix 4C today and the Board of Directors are pleased to provide a Quarterly Report & Business Activity Update for the period ended 30 June 2022.

BNPL Business Update

TTV¹ and NTR² Performance Metrics

Values for Period	1 April – 30 June 2022
Total Transaction Value ^{1,3}	\$5,399,968
Net Transaction Revenue ^{2,3}	\$340,472
myIOU Income Margin ⁴	6.3%
Cumulative Totals as at	30 June 2022
TTV (past 12mths)	\$29,094,163
NTR (past 12mths)	\$1,992,854
Non-Performing Loans ⁵	\$177,666
NPL Ratio ⁶	0.61%
Merchant Outlets Signed ⁷	4,432
Merchant Outlets Onboarded	3,812
Merchant Outlets System Active	2,390
Merchant Relationships System Active ^{8,9}	877
Consumer Downloads	108,749
Consumers Onboarded	82,877
Consumer Account Activations	33,871

- Note:
1. Total Transaction Value (TTV) means total value of purchases made by myIOU customers
 2. Net Transaction Revenue (NTR) means TTV less the amounts paid to merchants
 3. All amounts in AUD, assumed MYR/AUD exchange rate 3.08 using an RBA sourced reference
 4. myIOU Income Margin means NTR as a percentage of TTV
 5. Non-Performing Loan (NPL) means the current outstanding value of a transaction account which has an instalment remaining unpaid for at least 6 months
 6. NPL Ratio means NPL as a percentage of TTV written during past 12 months
 7. Merchant Outlets means discrete shopfronts, whether physical or online
 8. Merchant Relationships means business entities that may have multiple outlets
 9. Merchant Relationships System Active does not include any merchants that have been onboarded by Razer Merchant Services to its payment platform with the myIOU BNPL payment option

Activity during the June quarter moderated to normal run rate expectations following the record volumes written during the March quarter. The period also included the Hari Raya cultural festival celebrating Islamic New Year which impacted general commercial activity during May. The myIOU BNPL business originated transactions with TTV of \$5,399,968 delivering NTR of \$340,472 for the period.

The myIOU Income Margin was up relative to the previous quarter, through managed pricing and promotional campaigns, but still below the year-to-date average reflecting increased competition and development of relationships with high-volume, big-name merchants as the Company expands its market presence. Effective annualised returns for individual transaction profiles remain within the Company's target range.

On a financial year-to-date basis, the Company has written TTV of \$29,094,163 delivering NTR of \$1,992,854 (AUD values assume MYR/AUD exchange rate 3.08 as per note 3). The resultant myIOU Income Margin for FY22 to 30 June 2022 is 6.8%, which remains above the Company's internal expectations.

The Company reports Non-Performing Loans ("NPL") of \$177,666 and NPL Ratio of 0.61% as at quarter end, 30 June 2022. Whilst the NPL Ratio increased from the previous quarter, it remains modest and is a reflection of the Company's targeted consumer acquisition process, including sophisticated credit checking technology to authenticate customers and independently verify credit profiles, as well as its continuous assessment and management of merchant relationship performance.

The Company continues its focus on building a community of quality merchants and consumers as part of its 'best-in-class' brand positioning in South East Asia. There are now close to 2,400 merchant outlets that are system active on the myIOU platform across thirteen industry verticals, with more than 2,000 signed as at 30 June still to be assessed for activation. These active outlets represent the physical and online shopfronts of more than 870 merchant relationships from around Malaysia.

Merchant & Consumer Activation

During the June quarter, 114 new merchants operating 414 outlets around Malaysia were added to the myIOU platform. New merchants were added to 12 industry vertical categories. Key industry verticals with numerous merchants added since 31 March include: Beauty & Wellness (24 merchants with 200 outlets); Electronics & Gadgets (25/71); Fashion (17/43); and, Home & Living (19/39).

Notable businesses amongst these new merchant relationships include: Chop Hock Leong Sdn Bhd ('Electronics & Gadgets' from KL/Selangor); Seng Huat Electrical & Home Appliances Sdn Bhd ('Electronics & Gadgets' from regional Malaysia with 4 outlets); Siong How Electrical And Electronic Sdn Bhd ('Electronics & Gadgets' from regional Malaysia with 12 outlets); Weng Hing Electronics ('Electronics & Gadgets' from KL/Selangor); and Platinum Dental Group Sdn Bhd ('Beauty & Wellness' from regional Malaysia).

Growth in consumer engagement has continued through the June quarter since the launch of myIOU 2.0 mid-March. As measured against results as at 31 March 2022, consumer downloads are up 59%, consumer onboarding is up 65% and consumer account activation is up 67%. The relatively higher onboarding and account activation growth (versus growth in downloads) continues to evidence increasing consumer engagement with the myIOU BNPL offering.

More than 75% of consumers who download the myIOU app complete the onboarding process and, most significantly, more than 30% of those who download the app go on to complete a transaction. These ratios have shown a growth trend since the launch of myIOU 2.0 mid-March indicating an uplift in consumer engagement related to the improved features and styling of the myIOU app.

Strategic Partnerships

During the June quarter, material progress has been made with previously announced partnerships and two new partnerships were announced.

Pine Labs – Master Services Partner Agreement (June 2022)

On 6 June 2022 the Company announced that its subsidiary, IOU Pay (Asia) Sdn Bhd ("IOUpay Asia"), entered into a Master Services Partner Agreement with Pine Payment Solutions Sdn Bhd ("Pine Labs") to enable mutual merchant clients to offer myIOU BNPL services to the merchants' consumer customers via the Pine Labs merchant platform.

A leading merchant commerce platform, Pine Labs Group serves prominent large, mid-sized and small merchants across India and Southeast Asia. Pine Labs now partners with many leading retailers in Malaysia including large global brands as well as major regional and local enterprises.

The collaboration with Pine Labs introduces IOUpay's BNPL services to this substantial merchant and consumer ecosystem. The operational engagement between IOUpay and Pine Labs involves integration between the myIOU and Pine Labs platforms so that all approved merchants can directly connect to and access the deferred payment offerings of IOUpay in one automated process, streamlining and accelerating the multi-merchant onboarding process.

Completion of systems integration work and testing is expected to be completed during the September quarter (Q1 FY23).

SOGO Department Stores Update (Phase 1 launched in June 2022)

During the March quarter, the Company entered into a Merchant Agreement with SOGO (K.L.) Departmental Store Sdn. Bhd. (“SOGO”) for the provision of myIOU BNPL services at SOGO’s department stores on both point-of-sale (POS) and e-commerce payment platforms. Integration, testing and rollout is being completed in two phases.

On 24 June, the Company launched myIOU on SOGO’s POS platform and went ‘live’, providing SOGO customers the myIOU payment option when completing their purchases instore.

Phase two remains on schedule with myIOU expected to ‘go live’ on SOGO’s e-commerce platform for online purchases during the September quarter.

Promotional campaigns will run until September to build awareness and promote the myIOU BNPL offering to SOGO’s customers and, in particular, the members of SOGO’s loyalty card programme.

PayHalal Merchant Acquiring Services Agreement (July 2022)

Subsequent to the end of the quarter but relevant to initiatives being advanced during the quarter, on 13 July 2022 the Company announced that IOUpay Asia had entered into Merchant Acquiring Services Agreement with Souqa Fintech Sdn Bhd (trading as PayHalal) on a non-exclusive basis for a three (3) year term. PayHalal provides Islamic financial technology solutions, including payment gateway services, to approximately 7,000 Shariah-compliant merchants in Malaysia.

The agreement provides for PayHalal to acquire and refer to IOUpay Asia merchants who follow Shariah principles and wish to offer to their customers BNPL payment options consistent with Shariah principles and the practices of Islamic finance. PayHalal will also provide payment gateway services for the processing of BNPL transaction payments originated by its Shariah-compliant merchants.

Integration works have been completed so that, once onboarded, PayHalal merchants will be able to process myIOU Islamic BNPL transactions via PayHalal’s Shariah-compliant payment gateway. This now satisfies an important requirement for myIOU Islamic as a Shariah-compliant Islamic BNPL payment option (see below, Product Development Update).

The Company expects to be operationally ready during the December quarter (Q2 FY23) to process Shariah-compliant BNPL transactions via PayHalal.

IOUpay Asia is currently reviewing PayHalal’s merchant portfolio to develop a shortlist that may be suitable for referral as myIOU Islamic merchants. PayHalal will then promote to the shortlisted merchants the myIOU BNPL payment option and refer to IOUpay Asia those merchants wishing to apply for the service.

Razer Merchant Services (“RMS”) Update

As reported in the BNPL Business Offering & Operational Update announced 1 June 2022, following a review of the merchant listings, the number of RMS merchants onboarded was reduced to remove those merchants not satisfying the Company’s performance requirements.

As of the date of this report, RMS now has 245 merchants onboarded, making available myIOU as a payment option to those merchants’ consumer customers. The current promotional campaign to expedite the onboarding of merchants will continue until August.

During July, RMS has agreed to expand the myIOU offering to include three instalment plan options (including 2, 3 & 6 payment plans), providing the full complement of standard myIOU payment plans. This provides more flexibility for merchants to offer the plan(s) that best suit their respective business and customer demand.

iPay88 Update

The Company announced on 2 March 2021 that it had entered into a Merchant Referral Agreement with iPay88 (M) Sdn Bhd (“iPay88”) to refer and acquire iPay88’s merchants to onboard and utilise the myIOU BNPL payment offering. Since that time the parties have been in negotiations to agree commercial terms and operational details.

Whilst the parties continue to seek mutually agreeable terms, there has been no agreement to date. The Company will provide an update if and when terms are agreed.

IDSB – Commercial Partnership Opportunities

IOUpay’s investment in I-Destinasi Sdn Bhd (“IDSB”) aligns with the Company’s growth strategy to build relationships with strategic partners who manage large communities of reputable merchants and creditworthy customers. As the Company progresses to investment completion (see below, Investments Update), the relationship focus with IDSB is now centred on strategic business development.

As reported in the BNPL Business Offering & Operational Update announced 1 June 2022, the Company has been working closely with IDSB to develop a marketing programme to promote myIOU BNPL services into IDSB’s high credit quality, civil servant customer base, and which is anticipated to be rolled out in stages commencing in the September quarter (Q1 FY23).

In the Business Strategy Update presentation announced 21 July 2022, the Company reported that it is working together with IDSB to develop commercial partnership opportunities that will broaden the base of consumer finance product offered. Establishing recurring revenue streams for diversified growth along the consumer finance value chain is the objective of the strategically aligned investment in IDSB. In this way, the Company is seeking to enhance the creation of sustainable shareholder value.

Product Development Update

The Company announced in a Product Development Update on 24 June 2022, two significant strategic initiatives designed to access large markets of new consumers and to provide greater product coverage and flexibility for existing customers. These initiatives also align with the Company’s objective to diversify growth and increase share of customer lifetime value.

Virtualflex Collaboration - myIOU KA\$Hplus Visa Prepaid Card

The Company announced that IOUpay Asia is collaborating with Virtualflex Sdn Bhd (“Virtualflex”) to provide to myIOU customers in Malaysia a co-branded myIOU KA\$Hplus Visa prepaid card (“myIOU KA\$Hplus Card”) under a Collaboration Agreement.

There are a number of products, features and collaborations across Virtualflex’s suite of products and existing business, that are available to be accessed by IOUpay under the agreement, and the co-branded myIOU KA\$Hplus Card is the first to be initiated.

The agreement is an exclusive arrangement for three (3) years, renewable for a further three (3) years, and provides for a minimum of 10,000 cards to be ordered and issued within the first two (2) years.

The key objectives of the myIOU KA\$Hplus Card initiative include:

- Access merchants not yet onboarded to myIOU;
- Provide additional value to myIOU consumers;
- Drive growth in new consumers and enhance brand loyalty;
- Generate additional revenue streams via potential future product enhancements; and
- Expand myIOU product coverage to more merchants (local or international).

myIOU Islamic & Shariah Compliance Certification

The Company announced in the Product Development Update that it was developing a Shariah-compliant BNPL offering to be marketed under the name 'myIOU Islamic'. Given more than 60% of Malaysia's population follows the Muslim faith tradition, myIOU Islamic will open greater access to this large and growing community.

Following completion of certification, announced 13 July 2022, the Company is preparing to offer both conventional and Islamic financing. This requires a partitioning of the myIOU portfolio, integration with an Islamic Payment Gateway as well as separate documentation, policies and procedures, and an Islamic Bank Account for all Shariah-compliant transactions.

The Company has finalised an agreement with a Shariah-compliant payment gateway, PayHalal (see above, Strategic Partnerships), and has completed integration works to facilitate onboarding of merchants. The Company expects to be operationally ready during the December quarter (Q2 FY23) to process Shariah-compliant BNPL transactions.

The key objectives of the Shariah Compliance initiative include:

- Enter the Islamic BNPL market, serving Islamic merchants and consumers;
- Provide an alternative to conventional BNPL;
- Increase brand standing in Malaysia and SEA; and
- Prepare for territory expansion into other SEA jurisdictions with large Islamic populations.

Technology Update

The Company has more than 20 years' experience providing fintech solutions in South East Asia. The following technology developments and achievements during the June quarter reinforce the Company's 'best-in-class' brand positioning based on innovation and a secure, scalable technology platform.

myIOU 2.0 Launch and Rollout

During March the Company launched myIOU 2.0 with a rollout of phase one technology enhancements. Details of phase one were provided in the March 2022 Quarterly Report & Business Activity Update announced 29 April 2022 ("March 2022 QAR").

Phase two of the myIOU 2.0 technology upgrade includes various enhancements to the myIOU App such as: (i) new biometric security features; (ii) the ability to upload a personal profile picture; (iii) card scanning for input of credit/debit card information; (iv) more intuitive search function; (v) display, navigation and functionality improvements to available balance, billings, payments and fees; (vi) improved access and navigation to FAQs; and (vii) enhanced terms of service confirmation.

Phase two development and testing is now complete and the upgraded app is scheduled to rollout to the Apple Appstore and Google Playstore by early August 2022.

Mobile Software Development Kits

In the March 2022 QAR, the Company announced development of mobile software development kits ("Mobile SDK") with myIOU payment options. Mobile SDK provides a set of software development tools that allow merchants' own mobile apps to integrate with IOUpay (enabling myIOU as one of the payment options) without the need for full API integration.

The Mobile SDK were released ahead of schedule on 24 May 2022.

A further enhancement to the Mobile SDK that improves efficiency of user operation was developed during June and released 6 July 2022.

PCI-DSS Certification

The Company announced on 3 June 2022 that IOUpay Asia has been certified as compliant with the Payment Card Industry Data Security Standard (“PCI DSS”) Version 3.2.1 (Level-1). Certification assessment was completed by ControlCase LLC, a PCI DSS Qualified Security Assessor and leading provider of compliance services internationally, based in Virginia, United States.

Payment card industry (“PCI”) compliance is required by payment card brands and acquirers to help protect and regulate the security of card transactions. PCI compliance is an internationally recognised standard that ensures the Company’s systems operate with a high level of security and so customers can trust IOUpay with their sensitive payment card information. Trust builds confidence in the IOUpay brand, products and services, and improves the Company’s reputation with card acquirers and payment brands.

PCI compliance is an ongoing process that aids in providing protection for payment systems from security breaches and theft of cardholder data. The ongoing process of review and annual audit contributes to improvements in the efficiency of IT infrastructure.

Shopify Payments Platform Now Supports myIOU

On 9 June 2022 the Company announced that the myIOU BNPL offering is available to Malaysian merchants operating on the payments platform of Shopify Commerce Singapore PTE LTD. Shopify provides a proprietary e-commerce platform for online stores and retail point-of-sale (POS) systems to more than 1.7 million businesses in over 175 countries around the world.

IOUpay Asia has entered into a Shopify Revenue Sharing Agreement for Payments Developers with Shopify which enables it to develop and offer payments applications such as the myIOU BNPL offering as part of Shopify’s programme to provide electronic and POS payment processing services to merchants.

Shopify requires Payments Developers to be PCI-DSS compliant, a certification which the Company announced on 3 June 2022 (see above).

The Company completed integration work for seamless operation of myIOU as a payment option on the Shopify platform and its Business Development and Merchant Services Teams are now able to market this new functionality to the Company’s existing and prospective merchant customers.

Operational Personnel Changes

New appointment to Senior Executive

A new senior executive appointment has been made with Yeap Wong Wei to the role of Regional Commercial Officer (RCO) commencing 1 July 2022. As RCO, Mr Yeap will be responsible for leading the business development and account management teams to drive business growth, manage merchant acquisition and relationships, and to deliver on sales targets and budgets. He will also be responsible for strategic partnership relationships, to ensure effective implementation and optimal value generation.

Yeap Wong Wei (RCO) brings more than 16 years of business development experience in payments, cash management and trade finance products for leading global banks, Standard Chartered, HSBC and Citibank. His appointment bolsters the senior executive with a proven strong leader of sales teams with direct domain expertise in sales and implementation of technology solutions in payments and cash management applications.

Mr Yeap holds a Bachelor of Information Technology (Hons) from Multimedia University, Malaysia (2005).

In his role as RCO, Mr Yeap replaces Christopher Kok and Susan Ng who left the Company during the June quarter. Mr Yeap assumes those responsibilities and reporting lines.

Other Personnel Changes

During the June quarter, Mr Kok Loong Khong (CEO, IOUpay Asia) announced his retirement and left the Company after a career of more than 30 years in the South East Asian technology sector. His duties have been taken up by various senior executives at IOUpay Asia.

Known as 'KL' to friends and colleagues, Mr Kok Loong joined the Company's Malaysia business on 30 July 2020. The Company and Board of Directors wish KL and his family all the best in his retirement.

4C Cashflow Analysis

Receipts from customers were \$11,406,000 (up from \$5,726,000 last quarter) reflecting increased receipts from BNPL transaction volume written in the previous quarter. The net operating cash inflow of \$2,559,000 is derived after paying out \$5,525,000 to merchants for BNPL purchases during the period.

This net cash inflow figure includes product and manufacturing costs of \$1,063,000 (down from \$1,257,000 last quarter); these being the core telco costs of the Mobile Banking business division. Staff costs of \$1,066,000 were steady (up by 0.2% from \$1,064,000) with the Company stabilising staffing levels.

Advertising and Marketing costs of \$354,000 decreased by 34% from \$540,000 as promotional activities were rationalised and noting the previous quarter included significant costs associated with the myIOU 2.0 launch and engagement of new brand ambassadors.

Administration and corporate costs of \$756,000 decreased by 45% from \$1,375,000 in the March quarter.

The underlying BNPL business generated a positive net cash inflow of \$8,084,000 for the quarter compared to an effective net inflow of \$1,330,000 reported last quarter. This is the third successive quarter that the Company has produced a positive quarterly effective operating cashflow. This positive cashflow result is calculated by adjusting the reported net operating cash inflow of \$2,559,000 by adding back the \$5,525,000 Payments to Merchants made during the period.

Payments to Merchants (along with the profit margin on the BNPL transactions) form part of BNPL receivables which will be reflected as cash receipts in future reporting periods, and represent amounts due to be returned to the Group within relatively short maturities (terms up to 6 months from the date funded).

The Company's Net Transaction Revenues are spread over the term of each BNPL transaction and are added to the merchant payout figure plus upfront BNPL deposits to calculate Total Transaction Revenue which is not provided in the 4C Cashflow and therefore reported separately in the BNPL Business Update.

The Company had \$5,857,000 in cash and call deposits as at the end of the quarter, however this amount is after deducting the \$5,525,000 paid out to merchants to come back as part of customer BNPL instalments and does not include a deposit of approximately \$3,084,000 (being RM9,500,000) for the IDSB transaction. The \$5,525,000 merchant payment figure combined with the Company's Net Transaction Revenues is effectively now BNPL receivables to be reflected as cash receipts in future months excluding any non-performing loans (NPL's).

The Company's Mobile Banking division produced 74,392,492 transaction events, up from 66,375,549 in the previous quarter. Given volumes during May are negatively impacted by the Hari Raya festival, the result indicates that volumes are returning to levels achieved prior the infrastructure upgrade in Q2 FY22.

Total payments to Directors and their nominated entities for the quarter was \$161,000 as set out in item 6.1 of the Appendix.

Acquisitions and Investments Update

IDSB Investment

On 20 June 2022, the Company announced confirmation of the amount of the second tranche payment for the balance of the IDSB investment as RM21,684,033 (~A\$7.0 million ¹²), with net amount payable being RM12,184,033 (~A\$4.0 million ¹²) after applying funds held in escrow.

The Company also announced that it had reached agreement with the vendor shareholders of IDSB to extend the period for settlement of the second tranche payment until 31 August 2022.

The Company is working with IDSB on completion of the second tranche including additional terms to enhance investment returns and accelerate commercial partnership opportunities.

IDSB Business Model and Key Metrics

IDSB generates revenue through upfront transaction fees and ongoing account management fees which are calculated based on the number and value of loans originated and serviced by IDSB.

Portfolio as at	31 Dec 2020	31 Dec 2021	31 Mar 2022	30 Jun 2022
Active Loans # ¹⁰	27,136	36,323	38,909	43,727
Loan Balances ^{11,12}	A \$642,259,000	A \$791,844,000	A \$810,892,000	A \$864,678,000
Business Activity	FY20	FY21	Q1 FY22	Q1 FY22
New Loans #	n/a	n/a	2,782	2,711
New Loans \$	n/a	n/a	A \$74,247,728	A \$72,366,883
Financial Performance ^{12,13}	FY20	FY21	Q1 FY22	Q2 FY22
Total Revenue	A \$6,537,811	A \$10,054,729	A \$2,564,046	A \$2,344,075
Profit Before Tax	A \$3,668,953	A \$6,549,868	A \$1,461,185	A \$1,443,484

- Note:
10. Loan Accounts are originated and managed by IDSB for its partner bank lenders
 11. Loans are funded by partner bank lenders who take consumer counterparty credit risk
 12. The dollar values in the table above are shown in AUD, having been converted from MYR assuming an MYR/AUD exchange rate of 3.08, using an RBA sourced reference
 13. IDSB uses a financial year ending 31 December

Activity levels for new business generation into the June quarter have been broadly consistent with the previous March quarter following expiry of the loan moratoriums imposed by the Malaysia Government in the midst of COVID-19 lockdowns during mid-2021. The outlook is positive for growth in new loan business over calendar 2022 based upon current pipeline and level of inquiry.

IDSB Dividend Distributions

The Company received dividend distributions from IDSB during the June quarter based upon its current 21% shareholding. The values of the dividend payments are shown in the table below. The AUD equivalent amounts shown in the table assume an MYR/AUD exchange rate of 3.08 as per note 13 above.

Date Received	MYR Dividend	AUD Equivalent	Applicable Period
April 2022	MYR 235,200	AUD 76,364	March 2022

The timing and amounts of any future dividend distributions will be determined by and at the discretion of the Board of IDSB. The Company notes that the share purchase agreement entered into by the relevant parties includes provisions for IDSB to maintain an agreed amount of working capital.

Acquisition of Sibu Kurnia Marine Sdn Bhd

As announced on 19th January 2021, the Company secured a Malaysian Money Lending Licence (MA1951 Licence) via the acquisition of 100% of the ordinary shares in Sibu Kurnia Marine Sdn Bhd (“SKM”).

There are several reasons that the Company sought and obtained the money lending licence, including:

- (i) Payment Gateway Partners – require the Company to hold a money lending licence;
- (ii) Prospective Consumer Credit Legislation – being contemplated by the Malaysia Government may require BNPL providers to hold a money lending licence;
- (iii) Innovation & Product Development – potential pre-requisite for expansion into new product lines as the Company pursues its strategic objectives.

As foreshadowed in the Business Strategy Update announced 21 July 2022, the Company is pursuing opportunities to develop a broader base of consumer finance offerings to diversify its growth along the consumer finance value chain.

The SKM corporate entity, with its money lending licence, is well positioned to support the Company’s plans to execute these commercial opportunities.

Chairman Appointment and Leadership Changes

New appointment to Board of Directors – elected non-executive Chairman

On 1 July 2022 the Company announced the appointment of Dato’ Wan Asmadi Wan Ahmad to the Board of Directors as non-executive director and elected non-executive Chairman effective from 30 June 2022.

The appointment of Mr Wan Ahmad means the board now comprises four (4) independent non-executive directors and two (2) executive directors. Two (2) of the non-executive directors are Australian residents.

Dato’ Wan Ahmad is based in Kuala Lumpur and brings more than 25 years of corporate advisory and investment banking experience with some of Malaysia’s leading financial institutions. He is currently the Managing Principal of DWA Advisory Sdn Bhd (DWA), a corporate advisory firm he established in 2013.

He is currently one of nine members of the Market Participants Committee of Malaysia’s national securities exchange, Bursa Malaysia. He is also the current Chairman of the Association of Corporate Finance Advisers (Malaysia) and a Corporation Member of Pahang State Development Corporation.

Mr Wan Ahmad holds a Bachelor of Business Administration (1989) and a Master of Business Administration (1996) from Temple University, Philadelphia, USA.

Appointment of Managing Director

With the appointment of Dato’ Wan Ahmad as non-executive Chairman, the immediately prior Interim Chairman Mr Lee Chin Wee, remains on the Board as an Executive Director, and will formally continue to fulfil the duties of the Group Chief Executive Officer.

Mr Lee has been appointed Managing Director of the Company.

COVID-19 Environment

All states, territories and major economic centres have now moved into Phase 4 of the Malaysia Government’s National Recovery Plan (“NRP”). Phase 4 provides for the re-opening of all economic sectors, interstate travel (subject to SOPs) and no gathering limits.

During April and into May 2022 there was a significant decline in daily new COVID-19 cases following the peak in late March predicted by Malaysia's Ministry of Health. Whilst there has been an uptick in daily cases during June and into July, these are mainly being managed through stay at home quarantine and are not translating into a material rise in daily deaths. More than 80% of the population is fully vaccinated and about 50% have received booster doses.

According to the National Recovery Council chairman, early preparations by the Ministry of Health in dealing with the increase in COVID-19 cases will not likely require another movement control order or border controls imposed.

Economic growth has been supported by increased domestic activity and positive external demand as economic activity continues to normalise with the NRP underway and the easing of COVID-19 restrictions.

Malaysia's annual inflation rate in June was reported at 3.4%, climbing from 2.8% in May and exceeding market consensus of 3.1%. In May, the central bank maintained its GDP outlook for the year at 5.3% to 6.3% growth.

Bank Negara Malaysia expects the recovery to continue through calendar 2022 and into 2023 despite rising cost pressures and geopolitical headwinds. In a speech this past week, the BNM governor noted increasing strength in domestic demand and consumer expenditure with retail sales, debit card transactions and consumer goods imports exceeding pre-pandemic levels.

Outlook

The business has now delivered three successive quarters of positive effective operating cashflow and is generating cash to fund operating expenses. Whilst the BNPL market in Malaysia is increasingly competitive, the Company has continued to maintain its strict brand values of pursuing quality merchants, credit worthy consumers and profitable transactions.

Relationships with quality partners who manage large communities of high value merchants and consumers is a core focus of the Company's strategy. The strategic partnerships developed with Pine Labs and PayHalal are significant additions that will help the business access new customer markets through efficient merchant acquisition and with dedicated performance oversight.

Innovation and product development are critical to market leadership and cultivating opportunities for growth. The co-brand myIOU KA\$Hplus Visa prepaid card is a potential game-changer for customer acquisition and merchant coverage, as well as providing important capabilities to facilitate further consumer finance product innovation. The upcoming launch of myIOU Islamic, expected during the December quarter, will reinforce the Company's market leadership and position the business for expansion into new markets.

Technology improvements through the rollout of myIOU 2.0, mobile software development kits, PCI-DSS certification and integration with the Shopify e-commerce payments platform reinforce the Company's commitment to innovative market leadership and best practices.

Marketing to IDSB's high credit quality customers is set to kick-off with an initial rollout of short term instalment plans and myIOU KA\$Hplus cards scheduled to commence in the September quarter. Settlement of the second tranche of the IDSB transaction in August completes the investment transaction as the Company moves its focus to collaboration efforts to unlock commercial partnership opportunities over the coming year.

The Company's Mobile Banking business division continues a positive growth trajectory following an infrastructure upgrade with monthly transaction events now approaching the record levels in Q1 FY22. The business is seeking to develop new client relationships to utilise increased capacity by capturing greater transaction volumes to grow market share.

The Company is now well-positioned to leverage its brand leadership, product innovation and its secure, scalable technology platform to pursue new markets and diversified growth through a broader base of consumer finance offerings with recurring revenue streams.

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

Yours faithfully,

IOUpay Limited

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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 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.