

**20 April 2023****ASX Announcement**

## Letter to Shareholders – Update on Fraud Investigation

In accordance with Listing Rule 3.17.1, IOUpay Limited (**IOUpay** or **the Company**) lodges the attached letter sent to shareholders in the Company.

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**

**Investor Enquiries:** [relations@ioupay.com](mailto:relations@ioupay.com)

**Media Enquiries:**

Marietta Delvecchio  
+61 413 479 721  
Media & Capital Partners  
[marietta.delvecchio@mcpartners.com.au](mailto:marietta.delvecchio@mcpartners.com.au)

**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.

20 April 2023

## Update on Fraud Investigation and Other Matters

Dear Fellow Shareholder

On behalf of the Board, I would like to provide you with an update on the actions taken by the Board to investigate the suspected fraud against the Company, and to recover the misappropriated funds.

The discovery of this fraud, and the subsequent need to suspend trading in the Company's shares, have caused great distress and concern for many investors. The Board shares this concern, and is doing everything in its power to recover the missing funds, to prosecute those responsible, and to restore the Company's shares to trading on the ASX as soon as possible.

### Update on Fraud Investigations

On 13 March 2023, the Board discovered that a suspected significant fraud had been committed against the Company. The Company's former CFO, Mr Kenneth Kuan Choon Hsuing, had already been dismissed for other reasons, including refusal to obey the Board's lawful instructions. Mr Kuan is now being investigated by the Malaysian police authorities, including officers from both the Commercial Crime and Anti-Money Laundering divisions of the Royal Malaysia Police. The police have acted speedily to question a number of suspects, and their investigations continue.

The Company has also commenced civil recovery action against Mr Kuan, and executed search and seizure orders against him and related parties on 24 March 2023. These powerful orders from the High Court of Malaysia are rarely granted. They require strong evidence of apparent wrongdoing, sufficient to convince a judge that urgent action must be taken to search a defendant's premises and preserve assets for recovery by the wronged party. A total of 23 electronic devices and a number of documents were seized during the raid, and are being inspected by independent forensic IT specialists. Further, the bank accounts and assets of the defendants have been frozen to assist with recovery proceedings.

In addition, Crowe Malaysia PLT (**Crowe**) was first approached by the Board on 14 March, and was engaged to conduct an independent forensic audit of all suspicious transactions. Crowe have been able to make use of data recovered from the electronic devices of Mr Kuan and the other targets of the raid, which has helped to identify and trace the illegitimate handling of the Company's funds by those defendants.

The fraud included falsifying communications from a well-established law firm in Malaysia, Thomas Philip Advocates and Solicitors (**Thomas Philip**). Letters on Thomas Philip letterhead were provided to the Company and the auditors, Grant Thornton Malaysia, to confirm the existence of Company funds supposedly held on trust by Thomas Philip at 30 June 2022 and 31 December 2022. The Board has formally queried the procedures undertaken by Grant Thornton to confirm the existence of these Company funds. The Board has also formally put Grant Thornton on notice of a potential legal claim against them, and a notification to Grant Thornton's professional indemnity insurers.

The Board has also discovered and prevented a number of attempts to gain unauthorised access to the Company's computer systems by other management personnel associated with Mr Kuan. Those other management personnel have also been dismissed, and police reports have been lodged. The Board has been able to retrieve, restore and safeguard key records and systems.

## Transactions with Piminik Investments, Birch Capital, and other parties

The fraud also involved a number of questionable unauthorised loans of Company funds made by Mr Kuan, and other former management personnel, to parties related to them. The existence of these loans was actively concealed from the Board and the auditors.

As part of these unauthorised transactions, funds were advanced to an entity called Piminik Investments Sdn Bhd (**Piminik**), an entity associated with Mr Anthony Dunlop. According to the law firm, Thomas Philip:

*“At all material times, Kenneth Kuan represented to our firm that Piminik was a special purpose vehicle ultimately owned and/or controlled by IOU Pay Limited and/or iSentric Sdn Bhd (“iSentric”) and/or IOU Pay (Asia) Sdn Bhd (the “IOU Group”) .....However, it now appears to us that Kenneth Kuan may have wrongfully and/or without authority used funds belonging to iSentric to fund the [Piminik transaction].”*

As part of their independent forensic audit, Crowe has been asked specifically to examine all transactions relating to Piminik and/or Mr Dunlop.

Piminik has itself made a loan to the Managing Director, Mr Aaron Lee Chin Wee, which continues to be examined by the Board. The independent forensic audit by Crowe will establish whether any illegality has occurred in this transaction. The Board has insisted that all senior executives and management be investigated as required, with no exceptions. All Directors and current senior management are cooperating in full.

One of the largest unauthorised loans was made to an entity called Birch Capital Sdn Bhd (**Birch**). Birch is jointly owned by Mr Kuan's wife and Piminik Investment Holdings Pte Ltd (where Mr Kuan's sister is a director). The sole director of Birch is Mr Kuan's wife. Mr Kuan currently uses an email address under Birch, and so does the Company's former Chief Technology Officer (also now dismissed). Further, Mr Dunlop also currently uses an email address under Birch.

In summary, the ongoing investigations and recovery actions taken by the Board have identified a number of close links between Mr Kuan and Mr Dunlop, and a number of suspicious transactions. All possible legal actions are being taken by the Board to recover the misappropriated funds.

## Previous Interactions with Clee

In this context, the Board notes with great concern that Mr Kuan is working with Clee Capital Pty Ltd (**Clee**) in its attempt to remove the Board at the upcoming Extraordinary General Meeting on 3 May 2023 (**EGM**). The recent failed legal action by Clee in the Federal Court of Australia relied on the evidence of Mr Kuan, who swore an affidavit in support of Clee's claim.

The Board considers that shareholders should be aware of previous interactions between the Company and Clee, in order to fully understand the context of the current attempt to remove the Board.

In February 2021, the Company engaged Clee to undertake a capital raising for the sum of \$50 million. Clee was paid a fee of 7%, amounting to \$3.5 million, for this service. In addition, Clee was entitled to be issued with 15 million options, with an expiry date of twelve months, at an exercise price of \$1. The Company announced to the ASX on 18 February 2021, the day that the capital raising was completed, that these options would be issued.

The ASX release noted that shareholder approval would be sought for the issue of the options at the next available general meeting. At that time, the Company was unable to issue the options without shareholder approval, as its placement capacity was already full. However, the resolution to seek shareholder approval was inadvertently left out of the Notice of Meeting for the 2021 annual general meeting.

The share price during the period from 18 February 2021 until 30 November 2022 (twelve months after the 2021 AGM) never exceeded 80 cents, with a highest closing price of 63 cents. Accordingly, the options were never “in the money” or exercisable for a profit.

In April 2022, Clee contacted the Company and stated that it had suffered a loss of \$600,000 as a result of the non-issue of the options, and demanded payment by the Company of \$600,000. This is despite the fact that the options, had they been issued, would not have generated a profit for Clee.

In September 2022, discussions took place between Company officers and Clee in relation to this matter. On 29 September 2022, Clee sent two emails to officers of the Company. These emails made very serious allegations against the Company and certain of its officers. These allegations had nothing to do with the fraud that has now been discovered and stopped by the Board, for which Mr Kuan is currently being investigated.

Clee demanded the payment of \$1.25 million, and stated that it would commence litigation without further notice if this sum was not paid. Clee also stated that if litigation was commenced by it, the Company's shares would have to be suspended, and the Company would not be able to raise further capital.

The claims were firmly rejected by the Company and the officers involved, as there was clearly no basis for the \$1.25 million payment that was demanded, or indeed any payment. On 2 November 2022, the Company issued the 15 million options to Clee that had previously been announced to the ASX on 18 February 2021. At that time, the Company did not need specific shareholder approval as its placement capacity had been refreshed. Accordingly, these options are currently in force, with an expiry date of 2 November 2023 and an exercise price of \$1.

No further communication was received from Clee until 2 March 2023, when the Company received notice that Clee is “representing the group of shareholders” (the **Requisitioners**) seeking to remove the Board and install its own nominated directors.

The Board notes that if the resolutions proposed by the Requisitioners are approved, the newly appointed directors will be in a position to authorise new transactions or arrangements with Clee, subject to their directors' duties. The new directors proposed by the Requisitioners appear to have no experience or credentials as directors of listed public companies.

## Summary

In summary, the Board notes the following important points.

1. The Company's former CFO, Mr Kenneth Kuan, is suspected on strong grounds of involvement in a significant fraud against the Company.
2. The Board is taking all possible action to investigate the fraud, and to recover the missing assets.
3. Mr Kuan is now working with Clee in its attempt to remove the Board.
4. Last year Clee made a baseless demand for a cash payment of \$1.25 million, which was rejected by the Board.

The Board strongly recommends that all shareholders vote **AGAINST** all resolution put forward by Clee at the upcoming EGM. This will ensure that the actions taken to recover the missing assets will continue.

Yours faithfully

**Mr Isaac Chong Kwong Yang**  
**Executive Chairman**