

EPY reports 70% growth in net operating cash flows

SYDNEY 31 July 2006 - e-pay Asia Limited (ASX/AIM Code: EPY), a leading provider of mobile top up services and payment solutions, reports 70% growth in net operating cash flows to A\$2.4 million for the 3 months period ending 30 June 2006, from A\$1.46 million reported for the previous quarter ended 31 March 2006. Further details are contained in the attached Appendix 4C quarterly cash flow report.

EPY has a simple and proven business model. The Company is the critical conduit between mobile phone operators and prepaid mobile users for airtime reload. EPY conducts over 100 million mobile top up transactions per annum and operates in cash based markets where credit card usage is minimal.

EPY bulk purchase prepaid airtime from all mobile phone operators in its markets and distributes to consumers electronically via its established distribution network of 14,000 retailers and 15,000 dealers.

EPY employs over 200 people and operates in four markets across Asia; Malaysia, Thailand, Indonesia and Pakistan. EPY has delivered 600% revenue growth and 500% profit growth over the last five years.

EPY's Managing Director, Mr. Simon Loh said, "Today's cash flow release reinforces the momentum in the business. As reported, net operating cash flow for the April to June 2006 quarter was A\$2.4 million, an increase of 70% when compared to A\$1.46 million reported for January to March, 2006."

EPY's growth and profitability are driven by;

- 1) The increase in mobile penetration in the Asia region.
- 2) The evolutionary switch from scratch cards to electronic top ups.
- 3) The rising importance of new sales channels such as SMS and Internet top up.
- 4) Developing new revenue streams in complementary products such as prepaid petrol, bill payments, and software licensing and,
- 5) Entering new markets, e.g. China, Singapore and Vietnam.

EPY's **business model** is scalable, cash generative and requires little CAPEX to fund growth. EBITDA margins are expected to rise further as transaction volumes increase and consumers switch to SMS as the preferred top up method, by passing retail outlets.

EPY's strategy is to:

- continue to drive profitable growth in existing markets,
- develop new, high margin revenue streams by leveraging established distribution infrastructure and low cost technology platforms and,
- simplify the group structure and take advantage of strategic opportunities.

Guidance: The Directors of EPY are pleased to reaffirm guidance that EPY is on track to report at least \$6m of net earnings after minority interests for the full 2006 year, after reporting net earnings after minority interests of \$3.43m for the first 6 months of 2006.

End

Appendix 4C
Quarterly cash flow report for
entities admitted on the basis of commitments
Q2, 2006

E-PAY ASIA LIMITED (ASX / AIM: EPY)

ABN 99 809 227 887

Consolidated statement of cash flows for the period ended 30 June 2006

Cash flows related to operating activities	Current quarter Apr – June 06 \$A'000	Year to date Jan - June 06 \$A'000
1.1 Receipts from customers	127,797	259,482
1.2 Payment to suppliers and employees	(125,055)	(255,006)
1.3 Interest and other costs of finance paid	(166)	(365)
1.4 Income taxes paid	(179)	(275)
1.5 Net operating cash flows	2,397	3,836
<i>Cash flows related to investing activities</i>		
1.6 Additional investment in subsidiary	(1,381)	(1,381)
1.7 Payment for equipment	(670)	(1,203)
1.8 Proceeds from disposals of equipment	48	122
1.9 Net investing cash flows	(2,003)	(2,462)
1.10 Total operating and investing cash flows	394	1,374
<i>Cash flows related to financing activities</i>		
1.11 Proceeds from issues of shares	90	587
1.12 Proceeds from short term borrowings	6,821	5,784
1.13 Repayment of loan	(591)	(2,141)
1.14 Net financing cash flows	6,320	4,230
1.15 Net increase in cash held	6,714	5,604
1.16 Cash at beginning of quarter/year	767	1,658
1.17 Exchange rate adjustments	(136)	83
1.18 Cash at end of quarter	7,345	7,345

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.19 Aggregate amount of payments to parties included in item 1.2	113
1.20 Explanation of the transactions	
Directors' remuneration	

Non-cash financing and investing activities

- 1.21 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

Financing facilities available

	Amount available \$A'000	Amount used \$A'000
1.22 Loan facilities	16,013	12,745
1.23 Credit standby arrangements	20,000	800

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
1.24 Cash on hand and at bank	7,349	2,914
1.25 Deposits at call	1,408	77
1.26 Bank overdraft	(1,412)	(2,224)
1.27 Total: cash at end of quarter	7,345	767

Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- This statement does give a true and fair view of the matters disclosed.



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 JONATHAN SOON, COMPANY SECRETARY
E-PAY ASIA LIMITED

Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* applies to this report except for the paragraphs of the Standard set out below.
 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - itemised disclosure relating to acquisitions
 - itemised disclosure relating to disposals
 - policy for classification of cash items
 - disclosure of restrictions on use of cash
 - comparative information
- Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

For more information

If you are enquiring from Asia or the Americas, please contact Jonathan Soon, Director & Company Secretary of e-pay Asia Limited on +61416168816 or jonathan@e-payasia.com.

If in the United Kingdom or other parts of Europe, please contact Shane Dolan, Director of Biddicks in London on +44207448 1000 or shane.dolan@biddicks.co.uk.

About the companies mention in this announcement:

e-pay Asia Limited (ASX/AIM: EPY), dual listed on Australia Stock Exchange and the AIM segment of the London Stock Exchange, is a leading provider of prepaid mobile airtime and electronic payment solutions in South East Asia. Headquartered in Kuala Lumpur with its corporate office in Sydney, e-pay Asia operates in Malaysia, Indonesia, Pakistan and Thailand with plans to expand into China, Vietnam, Singapore and other parts of Asia. For more information on the Company, please visit our corporate website www.e-payasia.com