

29 February 2008**e-pay Asia Limited**
("e-pay Asia" or the "Company")

e-pay Asia Limited is the leading provider of electronic payment solutions and top up services for prepaid mobile users in South East Asia

Preliminary results for the year ended 31 December 2007**Highlights**

- New management team appointed in July
- Business realignment completed – focused on strong Malaysian core business
 - Revenue from Malaysia up 11% to A\$11.3m (2006: A\$10.2m)
- Revenue for the year was A\$14.3m (2006: A\$19.3m)
- A\$14.5m of positive net operating cash during the year
- Cash balance was A\$13.4m and Net Debt was A\$0.4m at year end (2006: A\$8.9m and A\$3.9m respectively)
- Earnings per share of 0.08 cents (A\$) (2006: 3.05 cents)
- Net profit attributable to members of A\$0.2m (2006: A\$6.0m)
- Long term strategy in place for entry into significant Chinese market

John Croft, Chairman of e-pay Asia, commented:

"While this has been a challenging year, we believe the Company now has the team and the structures in place to drive the business forward in 2008. We expect to continue to grow our core Malaysian business and are excited about our prospects in new territories such as China. I look forward to updating shareholders in due course"

Enquiries

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Chairman's Statement

The period under review has been a difficult year for your company with the decision to close our Indonesian operation as a result of challenging trading conditions. Changes in Telco trading policies which would have resulted in substantially increased operating costs made continued operations in that market unsustainable. As a result, we refocused on the growth opportunities that exist both in our core Malaysian business and opportunities that exist in new markets.

Revenue for the year ended 31 December 2007 decreased by A\$5m as a result of the closure of our Indonesian operation and lower software licences sales. Software licences sales revenue declined to A\$2.6m (2006: A\$7.2) as a result of the decision announced in July to change our strategy and move away from direct licence sales in order to secure better long term returns for the business via joint ventures. EBITDA decreased to A\$4.6m (2006: A\$10.3m), again mainly due to lower software licence sales. EBITDA margin was 32% (2006: 52%) for the full year with reported basic earnings per share of 0.08 cents (A\$) (2006: 3.05 cents)

The Company retains a strong financial position with cash balances of A\$13.4m, (2006: A\$8.9m) and net debt of A\$0.4m, (2006: A\$3.9m). In addition, there was a significant improvement in key business metrics for the period with trade debtors turnover reduced to 2 days (2006: 7 days) and stock turnover improved to 5 days (2006: 7 days).

In terms of our core Malaysian business, I am pleased to report that revenues were up 11% over the previous comparable period with encouraging prospects for 2008 as we anticipate accelerating conversion from scratch card top up to electronic top up, a market in which we enjoy a dominant position. This trend will be driven partly by the arrival of new Telco players such as MVNO and WIMAX. Increased competition among Telcos is underpinning their move to electronic top-up in order to reduce their delivery costs and improve margins.

This provides the Company with good growth prospects as it will enable it to capitalise on the needs of these new networks via its physical terminal outlets, which are located throughout Malaysia. In addition, during 2008, we expect to broaden our service coverage further via the addition of significant new retail partners in tandem with enhanced product offerings.

With regards to international markets, our long term strategy for entry into the Chinese market has evolved. As previously announced, we will now do this via a joint venture to ensure we have a strong, local presence in this territory. This approach, the Board believes, improves the likelihood of long term success and is a stronger proposition than our original approach of selling software licenses outright.

In order to support our overall strategy, management changes have been made with the appointment of Wong Yin Ching, previously Group Chief Operating Officer, as Chief Executive Officer and Yap Chih Ming, who was Director of Finance, as Chief Financial Officer. We also appointed two non-executive directors over the period, Jack Tan and James Huey, while I stepped up to the position of Chairman following the resignation of Michael Lee.

I would like to take this opportunity to thank all of the Company's employees, business partners and associates for their significant contribution to the business during the period under review

The Company now has a solid management team in place and, after having faced and resolved a series of challenges, the Board is confident of steady progress in the year ahead.



John Croft
Chairman

29 February 2008

Chief Executive Officer's Review

Financials

The performance of the Company during the period under review was adversely affected by a number of factors. Firstly, the Board decided to change strategy with regard to entry to the lucrative market in China by moving from selling software licences to forming a joint venture. This has resulted in software revenues reducing by A\$4.6m. The Board believes that the long term success of EPY is best achieved by having a physical presence in this market.

In addition to this, our operations in Indonesia were closed due to operating costs increasing dramatically as a result of changing Telco trading policies.

Revenue for the year was A\$14.3m (2006: A\$19.3m) while net profit attributable to members was A\$0.2m (2006: A\$6.0m). The Company generated A\$14.5m positive net operating cash during the year giving closing cash balances of A\$13.4m and net debt of A\$0.4m (2006: A\$8.9m and A\$3.9m respectively). Earnings per share were 0.08 cents (A\$) with no dividend proposed for the period. These results were achieved despite the closure of our Indonesian operation in October and the decision to stop selling software licences directly as detailed above. The Company's Dividend policy will be reviewed periodically depending on the overall performance of the business.

Operational efficiencies post restructuring have improved markedly with a significant reduction in trade debtors turnover and an improved stock turnover position reflecting the success of our restructuring programme.

Strategy

Our core market in Malaysia of prepaid airtime sales continues to be strong, registering an 11% growth in revenue over the year. Our strategy for 2007 was one of consolidation and focus in driving productivity of our existing terminals. As part of this strategy, we focused on:

- a. Identifying unproductive terminal locations and replacing them with retailers who demonstrate better market potential
- b. Continuing to target new channels and retailers. This is an ongoing exercise
- c. Initiating various advertising and marketing activities programmes to up sell e-pay Asia products and services
- d. Consolidating and improving on internal processes to continue to make our services more attractive to retailers
- e. Putting together a highly motivated sales team to manage the market

The new management team's first task since taking on its responsibilities was to review all our existing businesses in the region and to identify the opportunities and problem areas. The decision to close the Company's Indonesian operations resulted from this detailed review which, as highlighted above, identified the increasing complexities and challenges faced by the Company in operating there.

New markets

During the period, e-pay Asia began to lay the foundation for successful entry into our key new markets. While we ended strategic alliance discussions with India's E-Charge Tech Pvt Ltd, the Company's strategy with regard to the significant Indian market remains unchanged. We will continue to be on the look out for opportunities in the Indian mobile telecommunication market.

More significantly, we announced in September that we had signed an agreement with AsiaNet Technology Limited ('ANTL') to mark our first move to address the sizeable electronic mobile top-up market opportunities in China.

ANTL is a special purpose vehicle incorporated in Hong Kong which has strategic partnership alliances within the telecoms sector in certain provinces in China and intends to embark on a mobile prepaid top-up business in these territories. The Board believes that this is a significant opportunity for the Company. China has a population of 1.32 billion with mobile phone subscriptions standing at 480 million in March 2007, expected to rise to 520 million in 2008 and 600 million by 2010.

This agreement allows e-pay Asia to work through a local partner, which as previously stated will enable the business to become embedded within the Chinese mobile services sector, thereby securing longer term benefits and returns. Further progress will be announced in due course once the various agreements and licences have been secured.

Outlook

2007 has been a challenging year but we believe that the actions we have taken throughout the course of the period have laid a more solid foundation from which to grow our business in 2008. Malaysia remains a strong market for us as we continue to grow our business here, in tandem with addressing the opportunities which exist in new growth markets such as China.



Wong Yin Ching
CEO

29 February 2008

Preliminary final report (Appendix 4E)

1. Company details

Name of entity

E-PAY ASIA LIMITED
ABN No. 99 089 227 887

Financial year ended ('current period')

31 December 2007

Financial year ended ('previous period')

31 December 2006

2. Key Information on: Results for announcement to the market

\$A'000's

2.1	Revenue	Down	26	% to	14,278
2.2	Profit (loss) after tax attributable to members	Down	97	% to	206
2.3	Net profit (loss) for the period attributable to members	Down	97	% to	206
2.4	Dividends	Amount per security	Franked amount per security		
	Final dividend declared subsequent to 31 December 2007	- ¢	- ¢		
	Interim dividend	1.36 ¢	- ¢		
2.5	Record date for determining entitlements to the final dividend:	9 th March 2007			
	Date dividend is declared	27 th February 2007			
	Date dividend is payable	10 th April 2007			
2.6	As at 31 st December 2007				
	Total number of issued ordinary shares	281,656,343			
	Weighted average number of issued ordinary shares in 2007	258,515,950			
	Diluted weighted average number of issued ordinary shares	258,515,950			

3. e-pay Asia Limited

Income Statement Financial year ended 31 December 2007

	Notes	Consolidated 2007 \$	Consolidated 2006 \$
Revenue	3(a)	14,278,381	19,347,341
Other Income	3(b)	-	106,586
Employee benefits expense		(3,803,054)	(3,946,361)
Advertising and marketing promotions		(300,257)	(563,464)
Accommodation and travelling expenses		(543,983)	(794,748)
Telephone and utility charges		(600,323)	(987,962)
Professional and consultancy fees		(942,399)	(1,219,955)
Operating lease rentals		(249,232)	(287,263)
Terminal installation and maintenance fees		(245,336)	(267,326)
Legal settlement expenses		-	(189,511)
Other operating expenses		(1,249,873)	(927,380)
Profit before finance costs, depreciation & amortisation, impairment losses and income tax		6,343,924	10,269,957
Finance costs		(1,503,954)	(795,519)
Impairment of goodwill		(928,501)	-
Impairment of plant and equipment		(618,329)	(4,544)
Impairment of amounts due from associate entities		(151,811)	-
Depreciation and amortisation expense		(2,084,298)	(1,777,032)
Profit before income tax		1,057,031	7,692,862
Income tax expense		(348,872)	(80,194)
Profit for the year		708,159	7,612,668
Attributable to :			
Equity holders of the parent entity		206,287	6,011,365
Minority interest		501,872	1,601,303
		708,159	7,612,668
Basic earnings per share (cents)		0.08	3.05
Diluted earnings per share (cents)		0.08	2.93

The accompanying notes form an integral part of this Income Statement.

Notes to Income Statement

Income Statement Items	Consolidated 2007 \$	Consolidated 2006 \$
3(a) Revenue:		
Software sales revenue	2,569,379	7,209,023
Airtime commission revenue	10,766,259	11,401,818
Interest income	561,039	160,560
Licensing fees income	-	129,582
Other revenue	381,704	446,358
Total revenue	14,278,381	19,347,341
3(b) Other income:		
Foreign exchange gain	-	27,426
Profit on sale of W Home business assets	-	79,160
Total Other Income	-	106,586
3(c) Profit before Income Tax includes the following Net Gains and Expenses:		
(i) Gains		
Foreign exchange gains	-	27,426
(ii) Expenses		
Depreciation and amortisation :		
Depreciation of:		
- Leasehold improvements	-	2,420
- Plant and equipment	1,415,287	1,557,077
Total depreciation	1,415,287	1,559,497
Amortisation of:		
- Software	647,212	194,803
- Other intangible assets	21,799	22,732
Total amortisation	669,011	217,535
Total depreciation and amortisation	2,084,298	1,777,032
Impairment of trade receivables	149,022	15,384
Impairment of amounts due from associate entities	151,811	-
Impairment of goodwill	928,501	-
Impairment of plant and equipment	618,329	4,544
Loss on disposal of plant and equipment	5,371	13,223
Operating lease rentals–minimum lease payments	249,232	287,263
Finance costs	1,503,954	795,519

4. e-pay Asia Limited

Balance Sheet as at 31 December 2007

	Consolidated 2007 \$	Consolidated 2006 \$
Current Assets		
Cash and cash equivalents	13,367,423	10,505,432
Receivables	3,141,979	11,229,753
Other financial asset	2,624,000	-
Prepaid airtime top-up value	8,374,507	10,192,144
Other - deposits and prepayments	178,996	282,432
Total Current Assets	27,686,905	32,209,761
Non-Current Assets		
Property, plant and equipment	2,817,727	4,479,523
Intangible assets- Goodwill	-	928,501
- Software	2,249,946	2,949,237
- Others	43,088	67,425
Investments - equity accounted	-	-
Available-for-sale financial assets	84,337	126,504
Deferred tax assets	-	41,709
Total Non-Current Assets	5,195,098	8,592,899
Total Assets	32,882,003	40,802,660
Current Liabilities		
Payables	7,078,777	10,932,431
Borrowings	12,073,563	12,441,408
Current tax liabilities	1,834	61,444
Provisions	84,476	117,776
Others-deferred income	70,000	322,000
Total Current Liabilities	19,308,650	23,875,059
Non-Current Liabilities		
Payables	-	586,702
Borrowings	906,719	2,002,783
Deferred tax liability	74,111	77,314
Provisions	118,325	205,209
Total Non-Current Liabilities	1,099,155	2,872,008
Total Liabilities	20,407,805	26,747,067
Net Assets	12,474,198	14,055,593
Equity		
Issued capital	12,163,687	11,187,177
Reserves	1,067,199	1,463,437
Accumulated losses	(3,096,786)	(522,818)
Equity attributable to equity holders of the parent entity	10,134,100	12,127,796
Minority Interest	2,340,098	1,927,797
Total Equity	12,474,198	14,055,593

5. e-pay Asia Limited

Statement of Changes in Equity for the financial year ended 31 December 2007

	Consolidated 2007 \$	Consolidated 2006 \$
Balance at the beginning of the year	14,055,593	1,576,686
Exchange difference on translation of foreign operations	(443,641)	(24,124)
Available for sale financial assets, net of tax	(42,167)	(48,496)
Net income (loss) recognised directly in equity	(485,808)	(72,620)
Profit for the year	708,159	7,612,668
Total recognised profit (loss) for the period attributable to members of e-pay Asia Limited	222,351	7,540,048
Investment acquisitions settled by issue of equity	-	2,523,960
Liabilities/expenses settled by the issue of equity	919,776	1,148,695
Contributions of equity, net of transaction costs	56,734	845,155
Value of options issued in connection with issue of convertible notes	-	855,374
Value of conversion rights - convertible notes	-	138,300
Purchase of minority interest in subsidiary	-	(419,866)
Interim dividend declared	(2,780,256)	-
Dividend declared to minority interest in subsidiaries	-	(603,759)
Contribution by equity holder	-	451,000
Total equity at year end	12,474,198	14,055,593

6. e-pay Asia Limited

Cash Flow Statement for the financial year ended 31 December 2007

	Notes	Consolidated 2007 \$	Consolidated 2006 \$
Cash flows from operating activities			
Receipts from customers		581,677,305	513,802,917
Payments to suppliers and employees		(566,324,316)	(510,902,503)
Interest received		437,039	160,560
Interest paid		(1,216,652)	(690,837)
Tax paid		(109,836)	(96,254)
Net operating cash flows	6(b)	14,463,540	2,273,883
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		165,250	131,485
Payments for plant and equipment		(846,091)	(3,421,133)
Subscription of convertible loan note		(2,500,000)	-
Payments for investments		-	(1,381,418)
Net investing cash flows		(3,180,841)	(4,671,066)
Cash flows from financing activities			
Proceeds from issues of shares and options		56,734	845,157
Proceeds from borrowings		2,607,615	8,941,111
Repayments of borrowings		(6,111,273)	(1,354,222)
Capital raising expenses		-	(537,115)
Dividends paid		(2,780,256)	-
Net financing cash flows		(6,227,180)	7,894,931
Net increase in cash held		5,055,519	5,497,748
Cash at the beginning of the financial period		8,882,440	3,469,223
Currency translation difference		(570,536)	(84,531)
Cash at the end of the financial year	6(a)	13,367,423	8,882,440

The accompanying notes form an integral part of this Cash Flow Statement.

6(a) Reconciliation of cash

Cash at the end of the end of financial year as shown in statement of cash flows is reconciled to items in the Balance Sheet as follows:

	Consolidated 2007	Consolidated 2006
	\$	\$
Cash and cash equivalents	4,768,442	6,699,876
Term deposits	8,598,981	3,805,556
Bank overdrafts (included in current- borrowings)	-	(1,622,992)
Total cash in statement of cash flows	13,367,423	8,882,440

6(b) Reconciliation of net cash provided by operating activities to operating profit after income tax

	Consolidated 2007	Consolidated 2006
	\$	\$
Profit after income tax	708,159	7,612,668
Adjustments for non cash items:		
- Depreciation and amortisation	2,084,298	1,777,032
- Impairment of goodwill	928,501	-
- Foreign exchange differences	(215,302)	(27,426)
- Impairment of trade receivables	149,022	15,384
- Loss on disposal of plant and equipment	5,371	13,223
- Impairment of plant and equipment	618,329	4,544
- Non cash interest income	(124,000)	-
- Amortisation of borrowing cost	456,792	104,683
- Non cash contribution by equity holder	-	451,000
- Other reconciling items	(13,567)	51,852
Increase (decrease) in liabilities:		
- Payables	(115,704)	(1,237,515)
- Tax liabilities	(17,901)	(15,552)
- Provisions	(120,183)	(77,015)
(Increase) decrease in assets:		
- Receivables	8,219,056	(6,940,994)
- Prepaid airtime value	1,900,669	541,999
Net operating cash inflows	14,463,540	2,273,883

7. Dividends

7.1 Individual dividends per security

		Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Final dividend:	Current year	-	-¢	-¢	-¢
	Previous year	-	-¢	-¢	-¢
Interim dividend:	Current year	10 th April 2007	1.36¢	-¢	-¢
	Previous year	-	-¢	-¢	-¢

7.2 Total dividend per security (interim *plus* final)

	Current year	Previous year
⁺ Ordinary securities	1.36¢	-¢

8. NTA backing

	Current period	Previous period
Net tangible asset backing per ⁺ ordinary security	3.6 cents	5.3 cents

9. Control gained

9.1 Control gained over entities

Name of entity (or group of entities)	NIL
Date control gained	NIL
Contribution of such entities to the reporting entity's profit/(loss) during the period (where material).	NIL
Profit/(loss) of the acquired entities for the whole of the previous financial year was:	NIL

10. Details of associates and joint venture entities

Name of associate/joint venture	1. Reporting entity's percentage holding		2. Contribution to net profit/(loss) (where material)	
	Current Period	Previous corresponding period	Current Period	Previous corresponding period
e-pay Pakistan (Private) Limited	30%	30%	-	-
Electronic Payment Network (Thailand) Co. Ltd	18%	18%	-	-

11. Foreign entities

Details of origin of accounting standards used in compiling the report
In compliance with the International Financial Reporting Standards

12.

This report is based on accounts which are in the process of being audited.

Sign here:



(Director)

Date: 29 Feb 2008

Print name:

Jack Tan