

ASX / AIM: EPY
28 May 2008

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

**Business Update:
New distribution channels signed and continued good progress in core market**

The Board of e-pay Asia Limited is pleased to announce an update on its current business activities.

Our core business in Malaysia continues to perform well. As announced in our preliminary results in February, we are focused on growing this business by targeting new channels and retailers. We are pleased to be able to report that this strategy is proving successful with deals recently signed with Tesco Malaysia and Kedai Ayamas, part of the KFC group of companies.

Our 60% owned subsidiary, e-pay Malaysia, has concluded an agreement with Tesco Malaysia that will see 660 terminals rolled out across Tesco Malaysia's stores throughout Malaysia. This follows a successful trial begun in October 2007. Tesco Malaysia currently operates 21 stores.

In addition, e-pay Asia terminals will be installed at Kedai Ayamas convenience stores throughout Malaysia. Kedai Ayamas, part of the KFC group of companies, is one of Malaysia's leading chicken-based retail chains with 21 stores nationwide. The agreement follows a successful pilot project in four stores that has been running since March; full national roll out has started in May.

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

"We are very pleased to be able to report good initial progress from our new business strategy. The deals with Tesco Malaysia and Kedai Ayamas extend the network of retailers offering mobile top-up services via our terminals. These new deals represent good growth opportunities in our core Malaysian market where we are pleased to report that trading continues to be strong. New mobile phone networks recently launched here also offer opportunities to expand our business. We expect to be able to announce more detailed progress on our China venture in the near future, where our proposed China Joint Venture partner has already obtained an operating license, and I look forward to updating shareholders on progress here as well as on further progress in Malaysia in due course."

For further information, please contact:

Yap Chih Ming
Chief Financial Officer
e-pay Asia Limited
Tel: +6017 229 1616
+603 5632 2488
investor@e-pay-asia.com

Shane Dolan
Director
Biddicks
London, United Kingdom
Tel: +44 20 7448 1000
shane.dolan@biddicks.co.uk

David Newton
Director
Seymour Pierce Limited (Nomad)
London, United Kingdom
Tel: +44 20 7107 8000
davidnewton@seymourpierce.com

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