

27 August 2008

**e-pay Asia Limited**  
**(“e-pay Asia”, the “Company” or the “Group”)**

**Interim Results for the six months ended 30 June 2008**

**Highlights:**

- 220% increase in net earnings compared to the same period last year
- 38.7% reduction in revenue was mainly due to changed upfront software sales strategy and closure of Indonesia operation
- Core Malaysian business continues to generate positive cash-flow
- Management focuses on improving shareholder value by rationalising listings and reducing overhead costs
- Directors remain confident of prospects over the medium and longer term

John Croft, Non-executive Chairman, said:

“The Group has focused on its core market in Malaysia in the first half, which has shown steady progress with increased profitability. We expect marketing activities launched in first half of 2008 will further improve revenue in the second half of this year. The 38.7% reduction in sales compared to same period last year was mainly the result of discontinued software sales and closure of our operations in Indonesia. The Management has also strived to improve shareholder value through an ongoing programme of rationalisation. The AIM de-listing exercise is expected to contribute positively to profitability through significant cost savings.

“The first half of 2008 has been a challenging period with global pressure on high fuel and food prices. Malaysia inevitably experienced inflationary pressures, which has had a negative impact on consumer spending. If it continues, these pressures may affect the Company’s second half performance. However, the Directors expect the impact will not be significant and are confident of the Company prospects over the medium and longer term.

“Our Board members have recently purchased shares in the Company, which helps align the interest of the Board with those of our shareholders and is a reflection of their confidence in the future prospects of the business.

“The Company continues to explore opportunities for growth across the South East Asian region. We will update the market of developments as they unfold.”

e-pay Asia Limited ABN 99 809 227 887  
(ASX/AIM:EPY)

<b>Results for announcement to the market</b>	6 months period ended 30 June 2008 A\$	Change %
1.1 Revenue	4,798,931	- 38.7
1.2 EBITDA (Earnings before interest, tax, depreciation and amortization)	2,397,075	7.2
1.3 Profit after Income Tax	1,000,455	365.5
1.4 Net profit after tax attributable to members	355,182	219.5
1.5 Basic earning per share	0.13 cents	160.0
1.6 Diluted earning per share	0.13 cents	160.0
1.7 Dividend	-	-
1.8 Net tangible assets per share	3.78 cents	14.5
<b>Other information</b>		

**e-pay Asia Limited**  
**Interim Report - 30 June 2008**

Contents

	<b>Page</b>
Directors' Report	2
Interim Financial Report	
Auditor's Independence Declaration	4
Consolidated Income Statement	5
Consolidated Balance Sheet	6
Consolidated Statement of Changes in Equity	7
Consolidated Cash Flow Statement	8
Notes to the Consolidated Financial Statements	9
Directors' Declaration	14
Independent Review Report to the Members	15

*This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2007 and any public announcements made by e-pay Asia Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

**e-pay Asia Limited**  
**Directors' Report**  
30 June 2008

**Directors' Report**

Your directors present their report on the consolidated entity consisting of e-pay Asia Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2008.

**Directors**

The following persons were directors of e-pay Asia Limited during the whole of the half-year and up to the date of this report:

John Croft  
Yin Ching Wong  
Chih Ming Yap  
Simon Loh  
Jack Tan  
James Huey  
Dato' MD Hassan Bin Hj. Said (Resigned 21 Feb 2008)

**Review of operations**

e-pay Asia has focused on growing and strengthening the Malaysian business during the period under review, and we are pleased to report steady progress. Market opportunities in Malaysia continue to expand as the telecommunication industry develops and usage of electronic top-up services increases.

Additionally, the closure of Mobiepay DOO Serbia and e-pay Indonesia last year has resulted in significant operating cost savings and other cost-cutting measures underway since last year have shown favourable results with overall operational costs reduced.

The Group generated positive operating cashflow of A\$3.0m. This represents a reduction of 66% on the same period last year, which was the direct result of the changed upfront software sales strategy and the closure of Indonesia operations, which contributed A\$2.5m in the same period in 2007.

Total revenue for the period was A\$4.8m (2007: A\$7.8m) with EBITDA of A\$2.4m (2007: A\$2.2m). Profit after tax was A\$0.4m (2007: A\$0.1m). Diluted earnings per share were 0.13 cents (2007: 0.05 cents).

## **e-pay Malaysia**

The business in Malaysia remains stable, with positive operating cash flow of A\$3.3m (2007:A\$4.5m). The management continues to streamline the business processes to enhance operational efficiency in anticipation of achieving further cost savings.

New Telecommunications operators ("Telcos") have been granted licenses to operate 3G and WIMAX services in Malaysia and are expected to launch their services starting in Q3 2008. These new products present fresh opportunities for the Company. We believe the new Telcos will prefer electronic top-up solutions for their prepaid products rather than traditional scratch card, due to the much lower production and distribution costs that electronic top-up provides. MNP (Mobile Network Portability), which is expected to be launched in October 2008, will inevitably further heighten competition amongst Telcos. They will need to offer better call packages to retain or attract consumers. This may erode Telcos' margins, so switching from scratch card to electronic top-up will be one way to decrease costs and maintain profitability. The Company sees this event as a positive development for e-pay Asia.

The Company continues to focus on introducing more products and services in its market offering to broaden its revenue stream. Opportunities to offer services like the collection of TV subscriptions and toll road charges are in the pipeline and should be commercialised in the near future.

## **New markets**

The Chinese market joint venture progress has been delayed due to the demerger of the telecommunication industry in China. The Chinese Government expects the entire telecommunication industry restructuring process to be completed by end of September. Despite the potential risks, the Board remains convinced that this strategy will secure better long-term returns for the business.

## **Outlook**

Despite an uncertain global economic outlook, the Company's core business in Malaysia remains stable. The management will focus on operational efficiency to counteract any adverse impact on the business. The continuous positive operating cash position reduces the reliance on external financing and adequate banking facilities are available to underpin business expansion. The Board is confident of prospects over the medium and longer term and looks forward to updating shareholders on progress in due course.



John Croft  
Chairman

London, 27 August 2008

e-pay Asia Limited  
ABN 99 089 227 887  
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF  
THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF E-PAY ASIA LIMITED  
AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

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**DREW TOWNSEND**  
Partner  
Date: 27 August 2008

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**e-pay Asia Limited**  
**Consolidated Income Statement**  
**For the half-year ended 30 June 2008**

		<b>Half-year</b>	
	<b>Notes</b>	<b>2008</b>	<b>2007</b>
		<b>A\$</b>	<b>A\$</b>
<b>Revenue</b>		<b>4,798,931</b>	<b>7,834,736</b>
Other income		81,757	20,640
Employee benefits		(1,297,603)	(2,146,303)
Impairment of goodwill	5	-	(926,797)
Other operating expenses		(1,186,010)	(2,546,847)
<b>Profit before finance costs, depreciation, and income tax</b>		<b>2,397,075</b>	<b>2,235,429</b>
Finance costs		(564,712)	(882,740)
Depreciation & amortisation		(847,220)	(1,111,923)
<b>Profit before income tax</b>		<b>985,143</b>	<b>240,766</b>
Income tax benefit/(expense)		15,312	(25,844)
<b>Net profit after income tax</b>		<b>1,000,455</b>	<b>214,922</b>
Net profit attributable to outside equity interests		(645,273)	(103,766)
<b>Net profit attributable to members of the parent entity</b>		<b>355,182</b>	<b>111,156</b>
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents)		0.13 cents	0.05 cents
Diluted earnings per share (cents)		0.13 cents	0.05 cents

The above consolidated income statement should be read in conjunction with the accompanying notes.

**e-pay Asia Limited**  
**Consolidated Balance Sheet**  
**As at 30 June 2008**

	Notes	30 June 2008 A\$	31 December 2007 A\$
<b>Current Assets</b>			
Cash & cash equivalents	6	9,070,427	13,367,423
Trade and other receivables		3,249,378	3,141,979
Other financial assets	3	2,717,000	2,624,000
Prepaid airtime top-ups		5,795,135	8,374,507
Current tax assets		16,562	-
Other assets		152,439	178,996
<b>Total Current Assets</b>		<b>21,000,941</b>	<b>27,686,905</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		2,360,103	2,817,727
Intangible assets		1,844,162	2,293,034
Available-for-sale financial assets		33,734	84,337
<b>Total Non-Current Assets</b>		<b>4,237,999</b>	<b>5,195,098</b>
<b>Total Assets</b>		<b>25,238,940</b>	<b>32,882,003</b>
<b>Current Liabilities</b>			
Trade and other payables		5,700,815	7,078,777
Short-term financial liabilities		6,407,391	12,073,563
Current tax liabilities		-	1,834
Short-term provisions		72,668	84,476
Other-deferred income		-	70,000
<b>Total Current Liabilities</b>		<b>12,180,874</b>	<b>19,308,650</b>
<b>Non-Current Liabilities</b>			
Long-term financial liabilities		446,904	906,719
Deferred tax liabilities		68,800	74,111
Long-term provisions		84,047	118,325
<b>Total Non-Current Liabilities</b>		<b>599,751</b>	<b>1,099,155</b>
<b>Total Liabilities</b>		<b>12,780,625</b>	<b>20,407,805</b>
<b>Net Assets</b>		<b>12,458,315</b>	<b>12,474,198</b>
<b>Equity</b>			
Contributed equity	4	12,163,687	12,163,687
Reserves		477,215	1,067,199
Accumulated losses		(2,741,605)	(3,096,786)
<b>Parent Entity Interest</b>		<b>9,899,297</b>	<b>10,134,100</b>
Minority equity interest		2,559,018	2,340,098
<b>Total Equity</b>		<b>12,458,315</b>	<b>12,474,198</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

**e-pay Asia Limited**  
**Consolidated Statement of Changes in Equity**  
**For the half-year ended 30 June 2008**

	Notes	Half-year 2008 A\$	2007 A\$
<b>Total equity at the beginning of financial year</b>		<b>12,474,198</b>	<b>14,055,593</b>
Adjustment from translation of foreign controlled entities		(722,930)	(378,943)
Minority equity interest share of dividend paid		(242,806)	-
Available-for-sale financial assets, net of tax		(50,602)	-
		<hr/>	<hr/>
<b>Net income and (expenses) recognised directly in equity</b>		<b>(1,016,338)</b>	<b>(378,943)</b>
<b>Profit for the half-year</b>		<b>1,000,455</b>	<b>214,922</b>
		<hr/>	<hr/>
<b>Total recognised income and (expense) for the year</b>		<b>(15,883)</b>	<b>(164,021)</b>
		<hr/>	<hr/>
Transactions with equity holders in their capacity as equity holders:			
- Contributions of equity, net of transaction costs		-	56,734
- Conversion of convertible notes by way of issue of equity		-	798,725
- Interim dividend declared		-	(2,780,256)
		<hr/>	<hr/>
		-	<b>(1,924,797)</b>
		<hr/>	<hr/>
<b>Total equity at the end of the half-year</b>		<b>12,458,315</b>	<b>11,966,775</b>
		<hr/>	<hr/>
Total recognised income and expense for the half-year is attributable to:			
Members of e-pay Asia Limited		355,182	111,156
Minority equity interest		645,273	103,766
		<hr/>	<hr/>
		1,000,455	214,922
		<hr/>	<hr/>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**e-pay Asia Limited**  
**Consolidated Cash Flow Statement**  
**For the half-year ended 30 June 2008**

	<b>Half-year</b>	
	<b>2008</b>	<b>2007</b>
	<b>A\$</b>	<b>A\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	260,892,911	285,821,387
Payments to suppliers and employees	(257,748,711)	(276,511,758)
Interest paid	(331,024)	(531,738)
Interest received	152,266	207,460
Income tax paid	(3,085)	(83,972)
	<u>2,962,357</u>	<u>8,901,379</u>
<b>Net cash inflow from operating activities</b>		
<b>Cash flows for investing activities</b>		
Purchase of plant and equipment	(261,606)	(271,411)
Proceeds from sale of plant and equipment	2,029	70,600
	<u>(259,577)</u>	<u>(200,811)</u>
<b>Net cash outflow for investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	56,734
Dividend paid by parent entity	-	(2,780,256)
Proceeds from borrowings	-	8,774,458
Repayments of borrowings	(6,659,785)	(4,995,668)
	<u>(6,659,785)</u>	<u>1,055,268</u>
<b>Net cash inflow from investing activities</b>		
Net (decrease)/ increase in cash held	(3,957,005)	9,755,836
Cash at beginning of financial period	13,367,423	8,882,440
Effect on exchange rates on cash holdings in foreign currencies	(339,991)	(780,596)
	<u>9,070,427</u>	<u>17,857,680</u>
<b>Cash at end of financial period</b>	6	<b>17,857,680</b>

The above consolidated cash flow should be read in conjunction with the accompanying notes.

**Note 1 : Basis of preparation**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2007 and any public announcements made by e-pay Asia Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the December 2007 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

**Reporting Basis and Conventions**

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities**  
**Notes to the Financial Statements for the half year ended 30 June 2008**

**Note 2 : Segment information**

**Primary Reporting - Business Segments**

Segment revenue	Prepaid Top-up Half Year 2008 A\$	Software Solutions Half year 2008 A\$	Corporate/ unallocated Half Year 2008 A\$	Total Half Year 2008 A\$
Sales to external customers	4,598,610	68,483	131,838	4,798,931
Other revenue	74,621	-	7,136	81,757
<b>Total revenue</b>	<b>4,673,231</b>	<b>68,483</b>	<b>138,974</b>	<b>4,880,688</b>
<b>Segment result</b>	<b>1,588,471</b>	<b>(220,779)</b>	<b>(382,549)</b>	<b>985,143</b>
Profit before income tax expense				985,143
Income tax expense				15,312
<b>Profit after income tax</b>				<b>1,000,455</b>
Segment assets	19,779,382	1,685,078	3,774,480	25,238,940
Segment liabilities	11,697,873	800	1,081,952	12,780,625
Acquisition of plant and equipment and intangibles	17,655	-	-	17,655
Depreciation and amortisation expenses	568,611	266,223	12,386	847,220

**Primary Reporting - Business Segments**

Segment revenue	Prepaid Top-up Half Year 2007 A\$	Tele communications Half Year 2007 A\$	Software Solutions Half year 2007 A\$	Corporate/ unallocated Half Year 2007 A\$	Total Half Year 2007 A\$
Sales to external customers	5,332,828	-	2,401,579	100,329	7,834,736
Other revenue	-	-	-	20,640	20,640
<b>Total revenue</b>	<b>5,332,828</b>	<b>-</b>	<b>2,401,579</b>	<b>120,969</b>	<b>7,855,376</b>
<b>Segment result</b>	<b>178,422</b>	<b>-</b>	<b>1,329,576</b>	<b>(1,267,233)</b>	<b>240,766</b>
Profit before income tax expense					240,766
Income tax expense					(25,844)
<b>Profit after income tax</b>					<b>214,922</b>
Segment assets	30,817,769	20,000	4,526,163	3,737,282	39,101,214
Segment liabilities	23,857,920	-	291,894	2,984,625	27,134,439
Acquisition of plant and equipment and intangibles	271,411	-	-	-	271,411
Depreciation and amortisation expenses	805,872	-	293,665	12,386	1,111,923

**e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities**  
**Notes to the Financial Statements for the half year ended 30 June 2008**

**Note 2 : Segment information (continued)**

**Geographical Segment**

The consolidated entity operates mainly in Asia in prepaid mobile top-up services in Malaysia, Thailand and Pakistan, prepaid diesel top-up services in Malaysia, and software solutions business throughout the Asian region.

**Note 3 : Other Financial Assets**

The group subscribed for a convertible note ("note") issued by a company on 10 September 2007. The subscription price of the note is \$2,500,000 and the note is non-interest bearing, unsecured and expires on 10 September 2008. The note was measured at its amortised cost using the effective interest method resulting in a carrying value of \$2,469,000 and a fair value of \$248,000 for the option premium issued as part of the convertible note. The group has the option of either converting the note into ordinary fully paid shares in the issuer of the note or may request the subscription price to be repaid in full.

At 30 June 2008, the company who issued the convertible notes was in the process of establishing a business based on telecommunications products distribution arrangements in China. The directors are of the opinion that upon the successful negotiation of the above, the new business venture will earn a return equivalent or greater than the above carrying values.

**Note 4 : Equity securities issued**

	2008 Shares	2007 Shares	2008 \$	2007 \$
<b>Issues of ordinary shares during the half-year</b>				
Exercise of options issued	-	283,670	-	56,734
Deferred Consideration of acquisition of e-pay Asia Holdings Ltd	-	72,500,000	-	-*
Issued as a result of conversion of convertible note during the period	-	2,732,349	-	798,725
	<hr/>	<hr/>	<hr/>	<hr/>
	-	75,516,019	-	15,355,459

**e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities**  
**Notes to the Financial Statements for the half year ended 30 June 2008**

**Note 4 : Equity securities issued (continued)**

\* the issue of 72,500,000 shares to e-pay Asia Holdings Limited has been accounted for as an adjustment to the initial accounting for the cost of combination arising from the reverse take-over of e-pay Asia Limited by e-pay Asia Holdings Limited in the 2005 financial year. Refer further details in Note 2 to the 31 December 2006 Annual Report.

**Note 5 : Profit for the half-year**

Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:

	Half-year	
	2008	2007
	\$	\$
<b>Expenses</b>		
Impairment of goodwill	-	926,797
Less: Applicable income tax revenue	-	-
	-	926,797

**Note 6 : Cash and Cash Equivalents**

	June 2007	Dec 2007
	\$	\$
Cash on hand and at bank	2,338,545	4,768,442
Term deposits	6,731,882	8,598,981
	9,070,427	13,367,423

a) Included in term deposits are deposits amounting to \$5,825,863 (2007 : \$7,136,250) pledged to the Group's bankers as security for credit facilities granted to the Group.

	June 2008	June 2007
	\$	\$
b) Reconciliation of Cash		
Cash and cash equivalent	9,070,427	18,183,930
Bank overdraft	-	(326,250)
Total cash and cash equivalent in Cash Flow Statement	9,070,427	17,857,680

**e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities**  
**Notes to the Financial Statements for the half year ended 30 June 2008**

**Note 7 : Events subsequent to reporting**

The Group announced its intention to cancel its AIM listing on 27 August 2008 which will be effective on 30 September 2008.

**Note 8 : Contingent Liabilities**

There has been no change in contingent liabilities since the last annual reporting date.

**e-pay Asia Limited ABN 99 089 227 887 and Controlled Entities  
Directors' Declaration**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 13:
  - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the economic entity's financial position as at 30 June 2008 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



John Croft  
Chairman

Dated this 27 of August 2008

**e-pay Asia Limited**  
**ABN 99 089 227 887**  
**and Controlled Entities Independent Auditor's Review Report**  
**to the members of e-pay Asia Limited**

*Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report of e-pay Asia Limited and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

*Directors' Responsibility for the Half Year Financial Report*

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of e-pay Asia Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of e-pay Asia Limited and Controlled Entities on 30 June 2008, would be in the same terms if provided to the directors as at the date of this auditor's review report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of e-pay Asia Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- A. giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and of its performance for the half-year ended on that date; and
- B. complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulation 2001.

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**e-pay Asia Limited**  
**ABN 99 089 227 887**  
**and Controlled Entities Independent Auditor's Review Report**  
**to the members of e-pay Asia Limited**

**Significant uncertainty regarding the recoverability of the other financial assets**

Without qualifying our conclusion, we draw attention to Note 3 in the financial report. e-pay Asia Limited have measured the carrying value of a convertible note ("note") subscribed to a company at its amortised cost of \$2,469,000 and option premium in the same company at a fair value of \$248,000. e-pay Asia Limited has the option of either converting the note into ordinary fully paid shares in the company issuing the note or may request for the subscription price to be repaid in full. The note was issued to fund a business in the company. If the investment is not profitable or the amount is not repaid, the carrying value of the note and the options may be impaired.

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**DREW TOWNSEND**  
**PARTNER**  
Date 27 August 2008