

25 February 2011

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

Preliminary results for the year ended 31 December 2010

Highlights

- Consolidated revenue up by 4% to \$10.8m (2009: \$10.3m)
- Net profit attributable to members up by 111% to \$1.76m (2009: \$0.84m)
- Cash balance was \$12.2m with net cash of \$8.4m at year end (2009: \$7.7m and \$0.9m respectively)
- Earnings per share of 4.67 cents (2009: 2.97 cents)

Simon Loh, Executive Chairman of e-pay Asia, commented:

"Our results for 2010 have come from more efficient capital and asset management and a significant reduction in finance costs. The Company's management team continues to explore for new revenue streams in Malaysia and other business opportunities which would enhance shareholder value."

Enquiries

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Chairman's Statement

In the period under review there was an overall improvement in economic conditions in our core market, Malaysia, where the growth in GDP for 2010 was 7.2% compared to -1.7% in 2009. It is our view that the improved economic conditions resulted in an improvement in the economic circumstances of our customers who, with increased purchasing power, bought more of ePAY Asia's pre-paid mobile phone services in 2010 than in the previous year.

Revenue for the year ended 31 December 2010 increased by 4% to \$10.8m. EBITDA (before impairment losses) improved to \$4.2m (2009: \$4.0m) with an EBITDA margin (before impairment) of 38.6% (2009: 39.2%). The slight reduction in EBITDA margin was mainly due to an increase in advertising, marketing and promotions expenses.

The Company generated \$5.9m net cash from operations in 2010 (2009: \$6.0m) and is in a strong cash position with a total cash balance of \$12.2m (2009: \$7.7m) and net cash of \$8.4m (2009: \$0.9m). Our total cash balance includes the \$2.4m (after costs) that was raised via a rights issue completed in September 2010.

In the Malaysian market we witnessed continuous revenue growth. This growth momentum remains despite the mobile phone penetration rate having exceeded 100% in December 2010. Airtime commission revenue rose 5.2% to \$10.4m (2009: \$9.9m). Improved asset management resulted in lower depreciation costs and management continues to focus on recommended strategies to further improve asset utilisation and cost management.

In line with our stronger financial performance overall the basic earnings per share rose by 57.2% from 2.97 cents in 2009 to 4.67 cents in the current year.

On behalf of the Board, I would like to express my appreciation to the dedicated management team and the Company's employees for their hard work. They have been instrumental in achieving these very positive results in the period under review.



Simon Loh
Executive Chairman

25 February 2011

Business Review

Financials

Consolidated revenue for the year rose by 4% from \$10.3m to \$10.8m with higher contribution from airtime commission revenue. Looking ahead airtime usage is expected to increase as economic conditions continue to improve and the penetration rate of mobile phone users continues to rise.

The Company generated positive operating cash flow of \$5.9m during the year (2009: \$6.0m) with a closing total cash balance of \$12.2m and net cash of \$8.4m (2009: \$7.7m and \$0.9m respectively). Improved trading conditions and increased revenue from airtime commissions were the main contributors to the positive operating cash flow. Earnings per share in 2010 were 4.67 cents (2009: 2.97 cents). No dividend is proposed for the period.

Strategy

Malaysia's high mobile phone penetration rate and the government initiative to expand broadband penetration have transformed Malaysian telecommunications into a dynamic, rapidly changing industry. Telecommunications companies are introducing new packages and offers to attract new customers and they are also starting loyalty programs to retain existing customers. Providing effective marketing programs and distribution channels will continue to be the Company strategies aimed at maintaining our market leading position.

In addition to expanding our distribution channels, the Company is focussing on the following strategies:

- *Full product range for the telecommunications business*
There will be additional mobile virtual network operators (MVNO), WiMAX and 3G broadband providers launching their products into the market place in the short term. The Company will aim to carry all products to complete its product offering and become a one stop reload point for prepaid mobile airtime.
- *Non telecommunications reload and bill payment*
Online games, discounted long distance calls, airline ticketing, prepaid wallet, internet access and bill payment services present an opportunity to leverage our infrastructure to generate new revenue streams. Despite this being a smaller market than our telecommunications business this group of products presents huge growth opportunities, particularly the bill payment service.
- *Capital and asset management*
Improving our sales productivity and better utilisation of resources will be the priority and will help the Company in its efforts to implement its business building strategies.

Outlook

The Company will continue to widen its product offering to compete effectively and successfully in this vibrant industry and in a market showing continued improvement in overall economic conditions.

Preliminary final report (Appendix 4E) - e-pay Asia Limited

1. Company details

Name of entity

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

Financial year ended ('current year')

31 December 2010

Financial year ended ('previous year')

31 December 2009

2. Results for announcement to the market

\$A'000's

2.1	Revenue	Up	4	% to	10,763
2.2	Profit after tax attributable to members	Up	111	% to	1,763
2.3	Net profit for the year attributable to members	Up	111	% to	1,763
2.4	Dividends	Amount per security	Franked amount per security		
	Final dividend declared subsequent to 31 December 2010	- ¢			- ¢
	Interim dividend	- ¢			- ¢
2.5	Record date for determining entitlements to the final dividend:	NIL			
	Date dividend is declared	NIL			
	Date dividend is payable	NIL			
2.6	As at 31 December 2010				
	Total number of issued ordinary shares				56,930,320
	Weighted average number of issued ordinary shares in 2010				37,770,966
	Diluted weighted average number of issued ordinary shares				37,770,966

3. **e-pay Asia Limited**
Consolidated Statement of Comprehensive Income for year ended 31 December 2010

	Notes	2010 \$	2009 \$
Revenue	3(a)	10,763,292	10,314,299
Other Income	3(b)	105,173	113,168
Employee benefits expense		(3,540,599)	(3,378,787)
Advertising and marketing promotions		(1,174,463)	(427,947)
Accommodation and travelling expenses		(189,561)	(265,319)
Telephone and utility charges		(457,676)	(465,749)
Professional and consultancy fees		(200,919)	(444,281)
Operating lease rentals		(194,325)	(160,666)
Terminal installation and maintenance fees		(198,200)	(179,865)
Other operating expenses		(755,805)	(1,056,917)
Profit before finance costs, depreciation and amortisation, impairment losses and income tax		4,156,917	4,047,936
Finance costs		(194,676)	(667,123)
Impairment of plant and equipment		(52,417)	(2,916)
Depreciation and amortisation expense		(852,291)	(1,128,555)
Profit before income tax	3(c)	3,057,533	2,249,342
Income tax expense		(123,968)	(81,186)
Profit for the year		2,933,565	2,168,156
Other comprehensive income after income tax:			
Exchange differences on translating foreign controlled entities		(418,877)	(2,474,802)
Net gain on revaluation of financial assets		-	59,036
Other comprehensive loss for the year, net of tax		(418,877)	(2,415,766)
Total comprehensive income/ (loss) for the year		2,514,688	(247,610)
Profit attributable to:			
Members of the parent entity		1,763,228	836,284
Non-controlling interest		1,170,337	1,331,872
		2,933,565	2,168,156
Total comprehensive income/ (loss) attributable to:			
Members of the parent entity		1,500,588	(626,332)
Non-controlling interest		1,014,100	378,722
		2,514,688	(247,610)
Earning per share			
Basic earnings per share (cents)		4.67	2.97
Diluted earnings per share (cents)		4.67	2.97

e-pay Asia Limited

Notes to Consolidated Statement of Comprehensive Income for year ended 31 December 2010

Income Statement Items	2010	2009
	\$	\$
3(a) Revenue:		
Airtime commission revenue	10,382,700	9,871,398
Software sales revenue	70,847	39,573
Interest income	149,989	175,799
Other revenue	159,756	227,529
Total revenue	10,763,292	10,314,299
3(b) Other income:		
Gain on disposal of plant and equipment	1,359	-
Gain on foreign currency translation	64,090	92,333
Gain on disposal of financial assets	38,145	-
Sundry income	1,579	20,835
Total Other Income	105,173	113,168
3(c) Profit before Income Tax includes the following		
Net Gains and Expenses:		
(i) Gains		
Gain on disposal of plant and equipment	1,359	-
(ii) Expenses		
Depreciation and amortisation:		
Depreciation of:		
- Plant and equipment	763,405	1,008,881
Total depreciation	763,405	1,008,881
Amortisation of:		
- Software	67,658	108,302
- Other intangible assets	21,228	11,372
Total amortisation	88,886	119,674
Total depreciation and amortisation	852,291	1,128,555
Provision for impairment of trade receivables	68,731	53,094
Bad debts of trade receivables written off	4,424	-
Impairment of plant and equipment	52,417	2,916
Operating lease rentals–minimum lease payments	194,325	160,666
Finance costs	194,676	667,123
Loss on disposal of plant and equipment	-	3,286

4. e-pay Asia Limited
Consolidated Statement of Financial Position as at 31 December 2010

	2010 \$	2009 \$
Current Assets		
Cash and cash equivalents	12,211,750	7,723,220
Trade and other receivables	3,275,149	2,386,908
Prepaid airtime top-up value	15,062,333	12,845,812
Current tax assets	1,657	-
Other current assets	54,632	83,372
Total Current Assets	30,605,521	23,039,312
Non-Current Assets		
Plant and equipment	1,039,395	1,147,988
Intangible assets	58,341	142,358
Other financial assets	25,696	136,992
Total Non-Current Assets	1,123,432	1,427,338
Total Assets	31,728,953	24,466,650
Current Liabilities		
Trade and other payables	12,462,135	7,221,783
Borrowings	3,835,200	6,869,100
Current tax liabilities	-	220
Short term provisions	26,767	53,093
Total Current Liabilities	16,324,102	14,144,196
Non-Current Liabilities		
Deferred tax liabilities	115,056	70,327
Long term provisions	79,004	-
Total Non-Current Liabilities	194,060	70,327
Total Liabilities	16,518,162	14,214,523
Net Assets	15,210,791	10,252,127
Equity		
Issued capital	14,607,663	12,163,687
Reserves	587,826	786,159
Retained losses	(4,918,506)	(6,617,427)
Parent interest	10,276,983	6,332,419
Non-controlling interest	4,933,808	3,919,708
Total Equity	15,210,791	10,252,127

5. e-pay Asia Limited
Consolidated Statement of Changes in Equity for year ended 31 December 2010

	Share Capital			Retained Earnings	Options Reserve	Investment Revaluation Reserve	Non-controlling Interests	Foreign Currency Translation Reserve	Total
	Ordinary shares	Equity contribution	Conversion rights on convertible notes						
	\$	\$	\$						
Balance at 1 January 2009	11,574,387	451,000	138,300	(7,453,711)	1,535,374	(123,343)	4,137,766	836,744	11,096,517
Profit attributable to members of the parent entity	-	-	-	836,284	-	-	-	-	836,284
Profit attributable to Non-controlling interest	-	-	-	-	-	-	1,331,872	-	1,331,872
Non-controlling share of prior year dividend paid	-	-	-	-	-	-	(596,780)	-	(596,780)
Total other comprehensive income for the year	-	-	-	-	-	59,036	(953,150)	(1,521,652)	(2,415,766)
Balance at 31 December 2009	11,574,387	451,000	138,300	(6,617,427)	1,535,374	(64,307)	3,919,708	(684,908)	10,252,127
Balance at 1 January 2010	11,574,387	451,000	138,300	(6,617,427)	1,535,374	(64,307)	3,919,708	(684,908)	10,252,127
Ordinary shares issued	2,621,864	-	-	-	-	-	-	-	2,621,864
Shares issuance expenses	(177,888)	-	-	-	-	-	-	-	(177,888)
Profit attributable to members of the parent entity	-	-	-	1,763,228	-	-	-	-	1,763,228
Profit attributable to Non-controlling interest	-	-	-	-	-	-	1,170,337	-	1,170,337
Transfers to retained earnings from investment revaluation reserve	-	-	-	(64,307)	-	64,307	-	-	-
Total other comprehensive income for the year	-	-	-	-	-	-	(156,237)	(262,640)	(418,877)
Balance at 31 December 2010	14,018,363	451,000	138,300	(4,918,506)	1,535,374	-	4,933,808	(947,548)	15,210,791

6. **e-pay Asia Limited**
Consolidated Statement of Cash Flows for the year ended 31 December 2010

	Notes	2010 \$	2009 \$
Cash flows from operating activities			
Receipts from customers		609,892,288	621,423,938
Payments to suppliers and employees		(603,878,188)	(615,144,694)
Interest received		149,989	175,798
Finance costs		(177,705)	(397,269)
Income tax paid		(76,711)	(93,745)
Net cash provided by operating activities	6(b)	5,909,673	5,964,028
Cash flows from investing activities			
Proceeds from sale of plant and equipment		1,359	7,736
Purchase of plant and equipment		(612,589)	(181,114)
Proceeds from sale of financial assets		148,838	-
Purchase of financial assets		-	(22,969)
Net cash used in investing cash flows		(462,392)	(196,347)
Cash flows from financing activities			
Proceeds from issuance of shares		2,383,976	-
Repayments of borrowings		(3,056,759)	(4,492,306)
Net cash used in financing cash flows		(672,783)	(4,492,306)
Net increase in cash held		4,774,498	1,275,375
Cash at beginning of financial year		7,723,220	11,994,673
Effect of currency translation difference		(285,968)	(5,546,828)
Cash at end of financial year	6(a)	12,211,750	7,723,220

e-pay Asia Limited

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 statement of financial position as follows:

	Consolidated 2010 \$	Consolidated 2009 \$
Cash and cash equivalents	5,891,298	2,402,190
Term deposits	6,320,452	5,321,030
Total cash in statement of cash flows	12,211,750	7,723,220

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

	Consolidated 2010 \$	Consolidated 2009 \$
Profit after income tax	2,933,565	2,168,156
Adjustments for non cash items:		
- Depreciation and amortisation	852,291	1,128,555
- Foreign exchange differences	-	(42,875)
- Provision for impairment of trade receivables	68,731	53,094
- (Gain)/ Loss on disposal of plant and equipment	(1,359)	3,286
- (Gain) on disposal of financial assets	(38,145)	-
- Impairment of plant and equipment	52,417	2,916
- Non-cash in issuance of shares	60,000	-
- Amortisation of borrowing costs	-	304,526
- Other reconciling items	9,555	(3,328)
Increase/ (Decrease) in liabilities:		
- Trade payables and accruals	5,699,639	2,686,064
- Income taxes payable	(1,990)	(12,559)
- Deferred tax liabilities	49,247	-
- Provisions	(59,565)	(35,797)
(Increase)/ Decrease in assets:		
- Trade and other receivables	(812,191)	907,875
- Prepaid airtime value	(2,902,522)	(1,195,885)
Cash flow from operations	5,909,673	5,964,028

e-pay Asia Limited

7. Operating Segments

(i) Segment performance				
	Prepaid Top-up	Software Solutions	Corporate/ unallocated	Total
2010	\$	\$	\$	\$
Revenue				
External sales	10,382,700	70,847	-	10,453,547
Interest revenue	105,554	-	44,435	149,989
Other revenue	162,694	-	102,235	264,929
Total segment revenue	10,650,948	70,847	146,670	10,868,465
Reconciliation of segment results to group profit before tax				
Amount not included in segment result but reviewed by the Board:				
- Depreciation and amortisation	(842,508)	(9,783)	-	(852,291)
Unallocated items:				
- Finance cost	(194,676)	-	-	(194,676)
- Others	(6,171,227)	(201,952)	(390,786)	(6,763,965)
Net profit before tax from continuing operations	3,442,537	(140,888)	(244,116)	3,057,533
2009				
Revenue				
External sales	10,098,927	39,573	-	10,138,500
Interest revenue	140,816	-	34,983	175,799
Other revenue	95,663	-	17,505	113,168
Total segment revenue	10,335,406	39,573	52,488	10,427,467
Reconciliation of segment results to group profit before tax				
Amount not included in segment result but reviewed by the Board:				
- Depreciation and amortisation	(1,120,308)	(8,247)	-	(1,128,555)
Unallocated items:				
- Finance cost	(302,357)	-	(364,766)	(667,123)
- Others	(5,097,204)	(226,292)	(1,058,951)	(6,382,447)
Net profit before tax from continuing operations	3,815,537	(194,966)	(1,371,229)	2,249,342

7. Operating Segments (continued)

(ii) Segment Assets	Prepaid Top-up \$	Software Solutions \$	Corporate/ unallocated \$	Total \$
2010				
Segment assets	28,919,464	58,734	2,019,293	30,997,491
Segment asset increases for the year:				
- capital expenditure	697,231	34,231	-	731,462
Total group assets	29,616,695	92,965	2,019,293	31,728,953
2009				
Segment assets	23,884,306	44,074	452,206	24,380,586
Segment asset increases for the year:				
- capital expenditure	86,064	-	-	86,064
Total group assets	23,970,370	44,074	452,206	24,466,650

(iii) Segment Liabilities	Prepaid Top-up \$	Software Solutions \$	Corporate/ unallocated \$	Total \$
2010				
Segment liabilities	16,102,979	13,457	401,726	16,518,162
Total group liabilities	16,102,979	13,457	401,726	16,518,162
2009				
Segment liabilities	13,563,399	1,472	649,652	14,214,523
Total group liabilities	13,563,399	1,472	649,652	14,214,523

(iv) Revenue by geographical region	2010 \$	2009 \$
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Malaysia	10,721,795	10,374,979
Australia	146,670	52,488
Total revenue	10,868,465	10,427,467
(v) Assets by geographical region	2010 \$	2009 \$
The location of segment assets is disclosed below by geographical location of the assets:		
Malaysia	29,709,660	24,014,444
Australia	2,019,293	452,206
Total Assets	31,728,953	24,466,650

8. Dividends

8.1 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	-	- ¢	- ¢	- ¢
	Previous year	-	- ¢	- ¢	- ¢

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

⁺Ordinary securities

Current year	Previous year
- ¢	- ¢

9. NTA backing

	Current year	Previous year
Net tangible asset backing per ordinary security	27 cents	36 cents

10. Control gained

10.1 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	

11. 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 year	Previous year	Current year	Previous year
e-pay Pakistan (Private) Limited	30%	30%	-	-
Electronic Payment Network (Thailand) Co. Ltd	10%	18%	-	-

12. Foreign entities

Details of origin of accounting standards used in compiling the report

In compliance with the International Financial Reporting Standards

13.

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



Sign here:
(Director/~~Company Secretary~~)

25/2/2011
Date:

Print name:
Simon Loh