

10 August 2011

Dear e-pay Asia Limited shareholder

E-PAY ASIA LIMITED (EPY) – SALE OF OPERATING SUBSIDIARIES

Background:

The directors of e-pay Asia Limited (**E-pay**) or (the **Company**) have decided to put on record a historical chronology for the sale of its operating subsidiaries, given the interest shown at the Company's AGM last Friday and the letter sent to shareholders by Euronet.

E-pay is currently undertaking the sale of its operating subsidiaries and main assets, E-Pay Asia Holdings and Mobiepay SDN BHD, after receiving an unsolicited offer of \$8,550,000 from Tobikiri Capital Limited, a company controlled by Mr Simon Loh, Executive Chairman and Chief Executive Officer of E-pay.

Heads of Agreement

To this end, the Company entered into a Heads of Agreement with Tobikiri Capital Limited and advised the market on 13 April 2011. That Heads of Agreement was formalised in a Share Sale Agreement announced on 4 May 2011.

The Tobikiri contract was and is unconditional, except for conditions for the benefit of the Company.

Shareholder Protection Mechanism

In those Heads of Agreement as outlined in the Company's 13 April announcement and subsequently, in the formal agreement with Tobikiri as outlined in the Company's 4 May 2011 announcement, there was clear provision for a mechanism whereby any competing proposal for the Company's operating subsidiaries could be matched by Tobikiri, thus maximising the return to shareholders. This mechanism effectively opened the door to expressions of interest and provided a safeguard so that the Company's subsidiaries could be sold at the best available terms, for the benefit of shareholders.

No expressions of Interest

Between 13 April 2011, when the Company's announced its intention to sell the subsidiaries (and the price matching mechanism) and 27 June 2011, when the Company first became aware of the Euronet offer, no expressions of interest were received for the Company's subsidiaries and in particular, there was no communication from Euronet. By this time, in the absence of expressions of interest, the Company had commissioned an independent expert to express an opinion on the fairness and reasonableness of Tobikiri's \$8,550,000 offer. That opinion in draft form, expressed the view that the Tobikiri offer was fair and reasonable.

Ground Rules to Protect Shareholders

When the Company received Euronet's conditional competing proposal for \$10 million, the independent directors resolved on implementing a set of ground rules for managing competing proposals, to:

1. put a reasonable timeline on the process;
2. prevent a situation where neither proposal would proceed; and
3. ensure that speculative bidders or bidders without genuine intent or ability to complete, were filtered out.

To this end, the independent directors asked both Tobikiri and Euronet to pay a 30% deposit on their offered purchase price, to pre-pay the balance of the purchase price before the

planned EGM and in the case of Euronet, to formalise its offer in a binding agreement by close of business on 29 July 2011.

The Company also asked Euronet to put its best offer on the table.

These conditions were put to Euronet's lawyers on 8 July 2011 and given that Euronet's offer expressly stated that it was to be on the same terms and conditions as the Tobikiri contract except as expressly otherwise stated, the independent directors considered this a more than reasonable time frame.

Tobikiri agreed to the ground rules, matched the \$10 million offer from Euronet, amended its contract accordingly and paid the deposit.

Euronet's Actions

While Euronet did pay the initial deposit, it failed to pay the top-up deposit on its increased conditional offer of \$11.5 million; it failed to enter into a confidentiality deed relating to Euronet's proposed due diligence on E-pay and it failed to formalise its offer into a binding contract, when requested by E-pay.

Euronet is a competitor of E-pay

Shareholders will be aware that Euronet and the Company, through one of its subsidiaries, have a joint venture in Malaysia. As a result, Euronet has access to the information it could assess for its offer, without formal due diligence, in relation to E-pay Asia Holdings.

However, in relation to Mobiepay, Euronet is a competitor and in order to protect the Company and shareholders from the obvious detriment of making sensitive, confidential commercial information available to a competitor, the Company insisted that such sensitive information would not be made available to Euronet. Instead, the Company suggested appropriate warranties to Euronet, which suggestion did not elicit any meaningful response.

Euronet refused to give an indemnity for misuse of the Company's confidential information

Despite the Company's efforts, Euronet insisted on full access to sensitive commercial confidential information, but refused to give the Company an indemnity for any misuse of that confidential information, when requested by E-pay.

Euronet refused to enter into an agreement

Euronet declined to comment on, propose amendments to, negotiate concerning or execute the agreement given to it by the Company based on Euronet's offer to enter into an agreement on substantially the same terms as the Tobikiri agreement.

Status of Euronet offer

The current status of the Euronet offer is:

1. The offer is conditional and is not binding on Euronet;
2. The Euronet conditional offer is subject to entering into a contract, while Euronet has shown what the independent directors believe is a lack of genuine commitment to proceed to a formal contract;
3. The offer is conditional on due diligence by Euronet, which condition allows Euronet to withdraw from its offer at its sole discretion and in particular, to withdraw after it has gained access to the Company's sensitive commercial confidential information;
4. Euronet expects the Company to give it access to sensitive commercial confidential information in circumstances where it refuses to give the Company an indemnity for disclosure or misuse of that information; this could place the Company at a disadvantage, going forward;
5. Euronet did not pay a top-up deposit on its conditional offer above \$10 million, despite request;
6. Euronet, despite its supposed interest in the Company's subsidiaries, has requested a refund of its deposit and the Company has therefore repaid it; and
7. Euronet refused to abide by the Company's reasonable timeframe to enter into a formal agreement.

Euronet Letter

The independent directors consider Euronet's letter to shareholders dated 2 August 2011 as imbalanced and self-serving, in that it fails to reflect the efforts to which the Company has gone, to accommodate Euronet.

The independent directors consider it important that shareholders have a proper understanding of the Company's response to Euronet's conditional offer and to this end, the independent directors have dealt below with assertions in Euronet's letter to shareholders:

1. Euronet stated that E-pay's directors failed to "accept" Euronet's conditional \$11.5 million offer. The correct position is that Euronet failed to formalise that offer, despite a request by E-pay and being provided with a draft contract. At no time did the Company reject Euronet's conditional offer.
2. Euronet's letter created the impression that it had paid a deposit on its conditional \$11.5 million offer. The correct position is that this money was never made available to the Company's lawyers to hold on trust, as requested and hence was never paid to the Company.
3. Euronet's letter asserted that the Company had maintained "unreasonable negotiation positions".
 - a. The independent directors are under an obligation to protect the Company's sensitive commercial confidential information from competitors, especially in circumstances where Euronet is not under any obligation to complete an agreement with the Company and Euronet refused to give the Company an indemnity for misuse of that confidential information. The independent directors are of the view that protecting the valuable intellectual property of the Company is not an "unreasonable negotiating position".
 - b. The independent directors consider it reasonable that a timeframe be put in formalising Euronet's non-binding, conditional offer, so as to avoid a situation where the Tobikiri offer does not proceed and Euronet simply withdraws. The independent directors consider that ensuring that Euronet's non-binding, conditional offer be formalised in a binding contract is not an "unreasonable negotiating position".

Euronet as a Genuine Bidder?

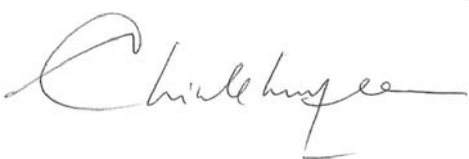
The independent directors believe that Euronet, in refusing to enter into an agreement with the Company to formalise its offer, refusing to enter into a Confidentiality Deed to protect the Company's confidential information and by ignoring reasonable timeframes proposed to manage the bidding process, has not demonstrated a genuine commitment to purchase the Company's operating subsidiaries. Euronet's withdrawal of the deposit for its \$10 million bid, instead of topping it up for its \$11.5 million second bid, further supports this view.

Moving Forward to Protect Shareholders

The Company's independent directors now intend to again engage an independent expert to determine whether Tobikiri's current unconditional offer for the purchase of the Company's operating subsidiaries for \$10 million is fair and reasonable, which determination will take into account Euronet's uncontracted, conditional offer for \$11.5 million.

The independent directors intend to call an EGM in due course allowing shareholders to vote on the sale of the subsidiaries with that opinion attached, so that shareholders can make a fully informed decision.

Yours Faithfully,



CY Chin

Independent Director, e-pay Asia Limited