



NOTES TO THE QUARTERLY REPORT

PART A - EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING

A1. Accounting policies and methods of computation

The interim financial statements are audited and have been prepared in accordance with Financial Reporting Standards (“FRS”) 134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). No comparative figures are available for the preceding year’s individual and cumulative corresponding quarter as this is the first interim financial report being announced by ManagePay Systems Berhad (“ManagePay” or the “Company”).

The interim financial statements should be read in conjunction with the proforma consolidated financial information and the Accountants’ Report for the financial period ended 31 October 2010 as disclosed in the Prospectus of the Company dated 22 February 2011 and the accompanying explanatory notes attached to the interim financial report.

The accounting policies and methods of computation adopted by ManagePay and its subsidiaries (“Group”) for these interim financial statements are in compliance with the new and revised FRSs issued by the Malaysian Accounting Standards Board.

A2. Adoption of new and revised accounting policies

The accounting policies and methods of computation adopted by the Group in these condensed consolidated financial statements are consistent with those adopted in the proforma consolidated financial statements for the financial period ended 31 October 2010 as disclosed in the Prospectus of the Company dated 22 February 2011. The Company has not applied the following new/revised to FRSs, amendments to FRSs and interpretations that have been issued by the MASB but not yet effective:

FRSs, Interpretations and amendments effective for financial periods beginning on or after 1st March 2010

Amendments to FRS 132

Classification of Rights Issues



FRSs, Interpretations and amendments effective for financial periods beginning on or after 1st July 2010

FRS 1	First-time Adoption of Financial Reporting Standards (revised)
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

FRSs, Interpretations and amendments effective for financial periods beginning on or after 1st January 2011

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
Amendments to FRSs	'Improvements to FRSs (2010)'

FRSs, Interpretations and amendments effective for financial periods beginning on or after 1st July 2011

Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

FRSs, Interpretations and amendments effective for financial periods beginning on or after 1st January 2012

FRS 124	Related Party Disclosures (revised)
IC Interpretation 15	Agreements for the Construction of Real Estate

The abovementioned standards which are applicable will be adopted by the Company on their respective effective dates.

The above new/revised FRSs, Amendments to FRSs and IC Interpretations are not expected to have significant impact on the financial statements of the Group/Company upon their initial application except for the presentation requirements in FRS 101 as discussed below:

FRS 101 – Presentation of Financial Statements

FRS 101 requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. Comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 4, FRS 7, FRS 139 and IC Interpretation 12 where applicable, are not disclosed by virtue of the exemptions given in these respective FRSs.

A3. Qualification on the Auditors' Report of preceding annual financial statements

There were no audit qualification to the annual audited financial statements of the Company's subsidiaries for the financial year ended 31 December 2009. No comparative figures are available for the preceding year's individual and cumulative corresponding quarter as it was incorporated on 26 January 2010.

A4. Seasonal or cyclical factors

The business operations within the industry are not affected by seasonal and cyclical factors.

A5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial quarter under review and financial year-to-date.

A6. Changes in estimates of amounts reported

There were no material changes in estimates of amounts reported in the Company's subsidiaries in prior financial years that have a material effect on the current financial quarter under review and financial year-to-date.



A7. Issuance or repayment of debt and equity securities

Save as disclosed below, there were no issuance or repayment of debt or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current financial quarter under review and financial year-to-date:

Date of allotment	No. of shares	Par Value (RM)	Consideration	Total (RM)
23.3.2010	137,273,090	0.10	Acquisition of subsidiary companies, Multimedia Prospect Sdn Bhd Sina Technologies Sdn Bhd Whatdevice (Malaysia) Sdn Bhd	13,727,309

A8. Dividend paid

There was no dividend paid nor declared for the current financial quarter under review.

A9. Segmental information

The Group is organised into the following operating segments:

- (a) Terminal services “Terminal”
- (b) Payment services “Payment”
- (c) Business Processing Outsourcing “BPO”
- (d) Loyalty management services “Loyalty”
- (e) Software, security and ICT services “ICT”

Period ended	Terminal	Payment	BPO	ICT	Loyalty	Total
31 December 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	3,024	296	222	2,768	173	6,483
Segment result	2,922	297	216	2,610	3	6,048
Other unallocated income						1,191
Unallocated corporate expenses						(3,402)
Profit from operations						3,837
Finance costs						(95)
Profit before taxation						3,742
Income tax expenses						(87)
Profit for the period						3,655

Information on the Group’s operation by geographical segment is not provided as the Group’s operation is primarily in Malaysia.



A10. Valuation of property, plant and equipment

The Company has not carried out valuation on its property, plant and equipment in the current financial quarter under review and financial year-to-date.

A11. Capital commitments

There are no material capital commitments in respect of property, plant and equipment as at 31 December 2010.

A12. Capital expenditure

The major addition and disposal of property, plant and equipment during the current financial quarter and year to date are as follows:

	Current Quarter Ended 31 December 2010 RM'000	Cumulative Year-to-date 31 December 2010 RM'000
Property, plant and equipment:		
Additions at cost	172	2,212 ^
Disposals at net book value	<u>(33)</u>	<u>(33)</u>

Note:

^ Inclusive the amount of RM0.53 million of property, plant and equipment which were transferred from inventories.

A13. Changes in the composition of the Group

In conjunction with and as an integral part of the Company's listing on the ACE Market of Bursa Securities, The Company undertook the following acquisitions during the current financial year-to-date:

- (a) On 10 March 2010, the Company had entered into a conditional share purchase agreement with the vendors of Multimedia Prospect Sdn Bhd for the acquisition of 3,017,738 ordinary shares of RM1.00 each, for total consideration of RM11,586,047. The purchase consideration was satisfied by the issuance of 115,860,470 new ordinary share of RM0.10 each in ManagePay ("Shares") to the vendors of Multimedia Prospects Sdn Bhd;
- (b) On 10 March 2010, the Company had entered into a conditional share purchase agreement with the vendors of Sina Technologies Sdn Bhd for the acquisition of 1,013,475 ordinary shares of RM1.00 each, for total consideration of RM1,209,783. The purchase consideration was satisfied by the issuance of 12,097,830 Shares to the Vendors of Sina Technologies Sdn Bhd; and
- (c) On 10 March 2010, the Company had entered into a conditional share purchase agreement with the vendors of Whatdevice (Malaysia) Sdn Bhd for the acquisition of 968,786 ordinary shares of RM1.00 each, for total consideration of RM931,479. The purchase consideration was satisfied by the issuance of 9,314,790 Shares to the vendors of Whatdevice (Malaysia) Sdn Bhd.



A14. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets arising since the last audited financial statements of ManagePay's subsidiaries for the financial year ended 31 December 2009.

A15. Subsequent material events

On 22 February 2011, the Company issued its prospectus for its Initial Public Offering ("IPO") in conjunction with its listing on the ACE Market of Bursa Securities involving the Public Issue of 45,758,000 new ordinary shares of RM0.10 each in ManagePay ("Shares") at an issue price of RM0.16 per Share comprising:

- (a) 32,946,000 Shares available for application by way of placement to identified investors;
- (b) 3,660,000 Shares available for application by the eligible employees of the Group; and
- (c) 9,152,000 Shares available for application by the Malaysian Public.

Upon completion of the Public Issue, the issued and paid-up share capital of the Company will increase from RM13,727,319 comprising 137,273,190 Shares to RM18,303,119 comprising 183,031,190. Upon completion of the Public Issue, the Company shall list its entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities.



A16. Significant related party transactions

- (a) Identities of related parties
- (i) the directors who are the key management personnel; and
 - (ii) entities controlled by certain key management personnel, directors and/or substantial shareholders
- (b) In addition to balances detailed elsewhere in the financial statements, the Group carried out the following transactions with its related parties during the interim financial period:

- (i) Key management personnel

**Year-to-date
31 December 2010
RM'000**

Short term employee benefits 738

- (ii) Entities controlled by key management personnel, directors and/or substantial shareholders

**Year-to-date
31 December 2010
RM'000**

Transaction with a director
Rental charged by director 102

PART B - ADDITIONAL INFORMATION REQUIRED PURSUANT TO THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

1. Review of performance

For the current financial quarter ended 31 December 2010, the Group recorded revenue and Profit Before Taxation (“PBT”) of approximately RM4.118 million and RM3.028 million respectively. On a year-to-date basis, the Group registered revenue of RM6.483 million and PBT of approximately RM3.742 million. This is mainly due to the completion of Small and Medium Enterprises online service delivery platform awarded by Multimedia Development Corporation Sdn Bhd and increase number of EDCPOS terminals deployed for EON Bank Berhad and Malayan Banking Berhad.

2. Material changes to the results of the preceding quarter

	Current Quarter 31 December 2010 RM’000	Preceding Quarter 30 September 2010 RM’000
Revenue	4,118	1,257
PBT	3,028	253

For the current financial quarter ended 31 December 2010, the Group has recorded higher revenue of approximately RM4.118 million, represents an increase of approximately RM2.861 million or 227.6% from the revenue of RM1.257 million during the preceding quarter. The Group’s PBT was RM3.028 million for the current quarter under review as compared to RM0.253 million in the preceding quarter.

The increase in revenue and PBT for the current quarter as compared to the preceding quarter was mainly due to the fact that the Group only invoiced Multimedia Development Corporation Sdn Bhd for the Small and Medium Enterprises online service delivery platform project at the current quarter 31 December 2010 although the progressive payment milestones span across three (3) quarters starting from May 2010 until the current quarter.

3. Prospects of the Group

The Group's current main focus is in smart card technology based electronic payment products and solutions, which include our core services comprising Payment, Terminal, and value added services comprising Loyalty, BPO and ICT. The bulk of shared resources that enable such solutions are the middleware and back-end services which consist of network nodes, encryption algorithms, software development as well as database management and switch routing capabilities. The Group's equipment and expertise to execute middleware and back-end services are versatile and can be easily adapted to accommodate solutions for mobile and internet payments.

The Board note that the Compounded Average Growth Rate ("CAGR") for the Electronic Payment Solutions industry in Malaysia is anticipated to be about 8.3% in the period 2010 to 2015, while the smart card personalisation market in Malaysia is expected to grow at a CAGR of 9.6% during the same period (*Source: Independent Market Research Report compiled and prepared by Frost & Sullivan*).

Barring any unforeseen circumstances, the Board is of the opinion that the Group is in a position to leverage on its internal capabilities and external reach to capture the growing demand for electronic payment products and services.

4. Profit forecast and profit estimate

The Group has not issued any profit forecast or profit estimate for the current financial quarter under review or in any public documents.

5. Income tax expense

The taxation figures are as follows:

	Current Quarter Ended 31 December 2010	Current Year-to-Date 31 December 2010
	RM'000	RM'000
Current tax	<u>(158)</u>	<u>(87)</u>

The effective tax rates of the Group for the current quarter under review and financial year to-date were lower than the statutory tax rates of 25% due to the fact that the Group has two (2) subsidiaries who are MSC Status companies which enjoy tax benefits as a pioneer status company.

6. Sales of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties for the current quarter under review and financial year to-date.

7. Purchase and/or disposal of quoted securities

The Company does not hold any quoted security nor was there any purchase or disposal of quoted securities during the current financial quarter under review and financial year-to-date.



8. Status of corporate proposal

(a) IPO

The details of IPO exercise are disclosed in Part A note 15 of the interim financial report.

(b) Utilisation of proceeds

The Company will receive proceeds of RM7.321 million from the public issue of 45,758,000 Shares, and the proceeds will be utilised in the following manner:

	RM'000	% of total proceeds	Expected utilisation period after listing
Purchase of equipment	3,750	51%	Within two (2) years
Working capital	1,071	15%	Within two (2) years
Research and development	1,000	14%	Within one (1) year
Estimated listing expenses	1,500	20%	Within three (3) months
	<u>7,321</u>	<u>100%</u>	

9. Borrowings

The Group's borrowings as at 31 December 2010 are as follows:

	RM'000
Long-term borrowings	
Term loans	<u>124</u>
Short-term borrowings	
Term loans	<u>37</u>

10. Off Balance Sheet financial instruments

There was no off balance sheet financial instruments as at the date of this interim report.

11. Material litigation

Save as disclosed below, there was no material litigation involving the Group as at the date of issuance of this announcement:

- (a) Multimedia Prospect Sdn Bhd (“MPSB”) has provided software development services to Deliberate Technologies Sdn Bhd. MPSB had commenced legal proceedings against Deliberate Technologies Sdn Bhd for a total sum of Ringgit Malaysia Four Hundred Seventy Four Thousand and Five Hundred (RM474,500.00) only pursuant to a letter of offer dated 22 June 2003 for non payment of services rendered to Deliberate Technologies Sdn Bhd.

MPSB had filed an application for summary judgment under Order 14 of the Rules of the High Court but the same was dismissed by the Senior Assistant Registrar on 13 April 2007. A notice of appeal was filed by MPSB to the judge in chambers on 16 April 2007 and the matter was fixed for hearing on 7 July 2010.

On 7 July 2010, the Court, in the absence of representative from Deliberate Technologies Sdn Bhd had allowed MPSB’s Notice of Appeal with costs of RM1,000.00. MPSB’s solicitor is currently waiting to extract the sealed copy of the judgment from the Court.

12. Dividend

There were no dividend declared and paid during the current quarter under review and financial year to-date.

13. Earnings per Share

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the period by the weighted average number of ordinary shares in issue during the financial period under review.

	Individual Quarter		Cumulative Quarter	
	Current Quarter 31 December 2010	Preceding Year Corresponding Quarter 31 December 2009	Current Year-to-date 31 December 2010	Preceding Year Corresponding Period 31 December 2009
Total comprehensive income attributable to owners of the Company (RM'000)	2,870	N/A	3,655	N/A
Weighted average number of ordinary shares in issue ('000)	115,002	N/A	115,002	N/A
Basic earnings per share (sen)	2.50	N/A	3.18	N/A

Note:
 N/A Not applicable

(b) Diluted

The Company does not have any convertible share or convertible financial instruments for the current quarter under review and financial year-to-date.

14. Realised and unrealised profits

On 25 March 2010, Bursa Securities issued a directive to all listed issuers which required all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period into realised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits to the directive, is as follows:

	Group Quarter Ended 31 December 2010 RM'000	Group Quarter Ended 30 September 2010 RM'000
Total retained profits of the Group:		
- Realised	12,328	9,453
- Unrealised (in respect of deferred tax recognised in the income statement)	(161)	60
	<u>12,167</u>	<u>9,513</u>
Less: Consolidation adjustments	(8,512)	(8,727)
Total Group retained profits as per consolidated accounts	<u><u>3,655</u></u>	<u><u>786</u></u>

	Company Quarter Ended 31 December 2010 RM'000	Company Quarter Ended 30 September 2010 RM'000
Total accumulated losses of the Company:		
- Realised	(138)	(132)
- Unrealised (in respect of impairment loss on investment in subsidiary)	(216)	-
	<u>(354)</u>	<u>(132)</u>
Total Company's accumulated losses as per accounts	<u><u>(354)</u></u>	<u><u>(132)</u></u>

15. This interim financial report was authorised for issuance by the Board of Directors of ManagePay on 9 March 2011.