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 unaudited 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 second interim financial report being announced by ManagePay Systems Berhad ("ManagePay" or the "Company").

The interim financial statements should be read in conjunction with the Group's audited financial statement for the financial period ended 31 December 2010.

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 financial statements for the financial period ended 31 December 2010.

During the current financial period the Group has adopted all new accounting standards and interpretations (including the consequential amendments) which are applicable and effective for the Group that have been issued by MASB.

The adoption of the new accounting standards, interpretation (including the consequential amendments), did not have any material impact on the Group financial statements other than the following:

(i) FRS 101 (Revised) introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised standard also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of comprehensive income as other comprehensive income.

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 classification of items in the statement.

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 1 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 1 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.

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 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. Debt and equity securities

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.

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) Payment Related "Payment"
(b) Non Payment Related "Non Payment"

Period ended 31 March 2011	**Payment RM'000**	**Non Payment RM'000**	**Total RM'000**
Revenue from external customers	943	829	1,772
Segment result	943	829	1,772
Other unallocated income			23
Unallocated corporate expenses			(1,712)
Profit from operations			83
Finance costs			6
Profit before taxation			89
Income tax expenses			(64)
Profit for the period			25

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 March 2011.

A12. Capital expenditure

There are no material capital expenditure in respect of property, plant and equipment as at 31 March 2011.

A13. Changes in the composition of the Group

There were no changes in the composition of the company for the current quarter as at 31 March 2011.

A14. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at the last annual balance sheet date and the latest practicable date.

A15. Subsequent material events

There were no material events subsequent to the end of the current quarter that have not been reflected in the interim financial statement under review.

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

	Current Quarter 31 March 2011 RM'000
Short term employee benefits	185

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

	Current Quarter 31 March 2011 RM'000
Transaction	
Rental paid to related party.	45

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 March 2011, the Group recorded Revenue and Profit Before Taxation ("PBT") of approximately RM1.772 million and RM0.089 million respectively.

The Group recorded a lower profit before taxation due to significant increase in operational costs as the Group increased its research and development staff force to launch new products and services to capitalise on the Government push to modernise the wholesale and retails industries as demonstrated in the designation of wholesale and retails industries as National Key Economic Area (NKEA) by Pemandu (Performance Management and Delivery Unit). The Group has also increased its sales force in anticipation of securing sales with higher value such as e-Commerce solutions and business applications.

Payment segment were the key contributor to the Group's Revenue with Revenue contribution of RM0.943 million which constituted 53.2% of the Group's Revenue. The other contributor of the Group's Revenue is the Non Payment segment which registered revenue of RM0.829 million which constituted 46.8% of the Group's Revenue.

Notwithstanding the performance of the current financial quarter, the Board of Directors believes that the contribution of both Payment and Non Payment segments going forward will vary quarter to quarter due to the recurrent and project-based nature of the Payment and Non Payment segment respectively.

2. Material changes to the results of the preceding quarter

	Current Quarter 31 March 2011 RM'000	**Preceding Quarter 31 December 2010 RM'000**
Revenue	1,772	4,118
PBT	89	3,028

For the current financial quarter ended 31 March 2011, the Group has recorded revenue of approximately RM1.772 million, representing a decrease of approximately RM2.346 million or 56.9% from the revenue of RM4.118 million during the preceding quarter. The Group's PBT was RM0.089 million for the current quarter under review as compared to RM3.028 million in the preceding quarter.

3. Prospects of the Group

The Group's current main focus is in smart card technology based electronic payment products and solutions, and nonpayment based ICT value added services.

The Group was awarded by Multimedia Development Corporation (MDeC) last year to implement an online service delivery system (which is now called MDEX) for Malaysian SMI/SMEs to enable their business processes, such as quotations management, e-procurement, electronic invoices presentment and payments, electronically.

Apart from promoting our payment related products and services to conventional retail customers and enabling the SMEs to conduct their business online with MDEX project mentioned above, the Group will launch a series of nonpayment based ICT products and services such as Accounting Software, Integrated Point of Sales Systems, Internet Affiliate Referral programs and others before end of year 2011.

The Group holds firmly to the belief that contribution to the development of SMEs ICT adoption programs, no matter how small this might be, will improve the visibility of the Group to the SME community and indirectly increase the sales of the Group's Payment and Nonpayment products and services to the SMEs in coming years.

Thus, barring any unforeseen circumstances and in view of the positive developments mentioned above, the Board of Directors is cautiously positive of achieving satisfactory performance for the financial year ending 31 December 2011.

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 March 2011	Preceding Quarter Ended 31 December 2010
	RM'000	RM'000
Current tax	(64)	(158)

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 that 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 company has just successfully completed its IPO exercise on 15 March 2011 and there were no corporate proposals announced.

(b) Utilisation of proceeds

The Company received proceeds of RM7.321 million from the public issue of 45,758,000 ordinary shares of RM0.10 each, and the gross proceeds are proposed to be utilised in the following manner.

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Estimated timeframe for utilisation	Deviation RM'000	Explanation
Purchase of equipment	3,750	86	Within two (2) years	3,664	(1)
Working capital	1,071	-	Within two (2) years	1,071	
Research and development	1,000	-	Within one (1) year	1,000	
Estimated listing expenses	1,500	-	Within three (3) months	1,500	
	7,321	86		7,235	

Note:

(1) As at 31 March 2011, RM 86,000 was utilised to buy the EDCPOS terminals as tabled above.

The IPO proceeds are expected to be utilised within the estimated time frame given and the Group does not expect any material deviation as at the date of this report.

9. Borrowings

The Company does not have any borrowings and debt securities in the current financial quarter under review.

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.

However, the Group had written off the sum of Ringgit Malaysia Four Hundred Seventy Four Thousand and Five Hundred (RM474,500.00) as bad debt in the financial year 2008 and thus the outcome of the legal proceedings against Deliberate Technologies Sdn Bhd will have no negative impact to the Group financial results.

12. Dividend

There were no dividends 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 March 2011	**Preceding Year Corresponding Quarter 31 March 2010**	**Current Year-to-date 31 March 2011**	**Preceding Year Corresponding Period 31 March 2010**
Total comprehensive income attributable to owners of the Company (RM'000)	25	N/A	25	N/A
Weighted average number of ordinary shares in issue ('000)	145,408	N/A	145,408	N/A
Basic earnings per share (sen)	0.02	N/A	0.02	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

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 March 2011 RM'000	**Group Quarter Ended 31 December 2010 RM'000**
Total retained profits of the Group:		
- Realised	12,222	12,328
- Unrealised (in respect of deferred tax recognised in the income statement)	(30)	(161)
	12,192	12,167
Less: Consolidation adjustments	(8,512)	(8,512)
Total Group retained profits as per consolidated accounts	3,680	3,655

	Company Quarter Ended 31 March 2011 RM'000	**Company Quarter Ended 31 December 2010 RM'000**
Total accumulated losses of the Company:		
- Realised	58	(138)
- Unrealised (in respect of impairment loss on investment in subsidiary)	-	(216)
Total Company's accumulated losses as per accounts	58	(354)

15. This interim financial report is dated 25 May 2011.