



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 for the current quarter 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 third interim financial report being announced by ManagePay Systems Berhad (“ManagePay” or the “Company”).

The interim financial statements should be read in conjunction with the latest audited financial statement for the financial period ended 31 December 2010. These explanatory notes attached to the quarterly financial report provide an explanation on events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2010.

The accounting policies and methods of computation adopted by the Company and its subsidiaries (“Group”) for these interim financial statements are in compliance with the new and revised Financial Reporting Standards (“FRSs”) that are 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 audited financial statements for the financial period ended 31 December 2010 except for the current period ended 30 June 2011, the Group adopted the following new and revised FRSs, new and revised FRSs, IC interpretations and amendments to FRSs and IC Interpretations which are applicable to its financial statements:

FRS 1	First- time Adoption of the Financial Reporting Standards
FRS 2	Amendments to FRS 2, Share-based Payment
FRS 3	Business Combinations
FRS 5	Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Amendments to FRS 7, Improving Disclosures about Financial Instruments
FRS 127	Consolidated & Separate Financial Statements
FRS 132	Financial Instruments: Presentation
FRS 134	Amendment to FRS 134, Interim Financial Reporting
FRS 138	Amendments to FRS 138, Intangible Assets
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 12	Service Concession Arrangements

The adoption of the above FRSs, amendments and interpretations are not expected to have any significant impact on the financial statements of the Group.



The Group has not applied the following new/revised 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 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 Group 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 Group 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 of the Group 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 previous quarter that have a material effect on the result of the Group for the current 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 or declared in 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"

Quarter ended 30 June 2011	Payment RM'000	Non Payment RM'000	Total RM'000
Segment revenue	1,108	1,893	3,001
Other unallocated income			70
Unallocated expenses			(3,421)
Loss from operations			(350)
Finance costs			(3)
Loss before taxation			(353)
Income tax expenses			34
Loss for the period			(319)

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 Group 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 30 June 2011.

A12. Capital expenditure

There are no material capital expenditure in respect of property, plant and equipment as at 30 June 2011.

A13. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter as at 30 June 2011.

A14. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets of the Group in the current financial quarter under review and financial year-to-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 30 June 2011 RM'000
Rental expenses	45
Short term employee benefits	108
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PART B - ADDITIONAL INFORMATION REQUIRED PURSUANT TO THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

1. Review of performance

The Group recorded revenue of RM3.001 million and loss before taxation (“LBT”) of RM0.353 million for the current financial quarter under review. The Group’s revenue for the current quarter increased by approximately RM1.229 million as compared to the Group’s revenue recorded for the preceding quarter. However, the Group recorded LBT of RM0.353 million for the current quarter as compared to the profit before tax of RM0.089 million recorded in the preceding quarter mainly due to the increase in the operating expenses of approximately RM0.255 million contributed mainly by the increase in headcount for business development and business expansion of our Group.

2. Material changes to the results of the preceding quarter

	Current Quarter 30 June 2011 RM’000	Preceding Quarter 31 March 2011 RM’000
Revenue	3,001	1,772
(LBT)/Profit before taxation	(353)	89

During the current financial quarter ended 30 June 2011, the Group has recorded revenue of RM3.001 million, this represents an increase of RM1.229 million or 69.36% as compared to the revenue of RM1.772 million during the preceding quarter ended 31 March 2011. The Group recorded a loss before taxation of RM0.353 million in the current financial quarter ended 30 June 2011, as compared to a profit before taxation of RM0.089 million in the previous quarter ended 31 March 2011. The increase in the loss is due to the increase in the operating expenses contributed mainly by the increase in headcount for business development and business expansion of our Group.

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 increases the sales of the Group’s Payment and Nonpayment products and services to the SMEs in coming years.



3. Prospects of the Group-cont'd

In addition, the Group is pursuing a few projects on the supply of EDCPOS Terminal and merchant acquisition services to two (2) financial institutions.

Thus, barring any unforeseen circumstances and in view of the positive developments mentioned above, the Board of Directors is cautiously positive of achieving a 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 30 June 2011	Preceding Quarter Ended 31 March 2010
	RM'000	RM'000
Current tax	<u>34</u>	<u>(64)</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 pioneer status companies.

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 Group 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) Corporate Proposal

There is no corporate proposal announced and not completed as at the date of this announcement.

(b) Utilisation of proceeds

The Group received proceeds of RM7.321 million from the public issue of 45,758,000 Shares, and the gross proceeds are proposed to be utilised in the following manner.



(b) Utilisation of proceeds –cont’d

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Estimated timeframe for utilisation	Deviation RM'000	Explanation
Purchase of equipment	3,750	186	Within two (2) years	3,564	(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	<u>1,500</u>	<u>1,369</u>	Within three (3) months	<u>131</u>	(2)
	<u>7,321</u>	<u>1,555</u>		<u>5,766</u>	

Notes:

- (1) As at 30 June 2011, RM186,000 was utilised to buy the EDCPOS terminals as tabled above.
(2) As at 30 June 2011, the remaining amount of RM131,000 will be utilised for our Group working capital purposes.

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 Group 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”) had 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 has written off the sum of Ringgit Malaysia Four Hundred Seventy Four Thousand and Five Hundred (RM474,500.00) as bad debt since 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 dividend declared and paid during the current quarter under review and financial year to-date.

13. Earnings per Share

(a) Basic

The loss per share is calculated by dividing the loss after taxation of the Group with the period by the weighted average number of ordinary shares in issue during the financial period under review.

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30 June 2011 RM'000	Preceding Year Corresponding Quarter 30 June 2010 RM'000	Current Year-to-date 30 June 2011 RM'000	Preceding Year Corresponding Period 30 June 2010 RM'000
Total comprehensive income attributable to owners of the Company (RM'000)	(319)	N/A	(294)	N/A
Weighted average number of ordinary shares in issue ('000)	164,234	N/A	164,234	N/A
Loss per share (sen)	(0.19)	N/A	(0.18)	N/A

Note:

N/A Not applicable

(b) Diluted

The Group 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 30 June 2011 RM'000	Group Quarter Ended 31 March 2011 RM'000
Total retained profits of the Group:		
- Realised	11,834	12,222
- Unrealised (in respect of deferred tax recognised in the income statement)	39	(30)
	11,873	12,192
Less: Consolidation adjustments	(8,512)	(8,512)
Total Group retained profits as per consolidated accounts	3,361	3,680



14. Realised and unrealized profits – cont'd

	Company Quarter Ended 30 June 2011 RM'000	Company Quarter Ended 31 March 2010 RM'000
Total accumulated losses of the Company:		
- Realised	454	58
- Unrealised (in respect of impairment loss on investment in subsidiary)	-	-
Total Company's accumulated losses as per accounts	454	58

15. This interim financial report is dated 26 August 2011.