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 fifth 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 statements 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 period 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") 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 31 December 2011, the Group adopted the following new and revised FRSs, IC interpretations and amendments to FRSs and IC Interpretations which are applicable to its financial statements:

FRS 1	Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
FRS 2	Amendments to FRS 2, Share-based Payment
FRS 3	Amendments to FRS 3, Business Combinations
FRS 7	Amendments to FRS 7, Improving Disclosures about Financial Instruments
FRS 101	Amendments to FRS 101, Presentation of Financial Statements
FRS 132	Amendments to FRS 132, Financial Instruments: Presentation
FRS 134	Amendments to FRS 134, Interim Financial Reporting
FRS 139	Amendments to FRS 139, Financial Instruments: Recognition and Measurement
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 14	Amendment to IC 14, Prepayments of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

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 January 2012

FRS 1	Amendments to FRS 1- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
FRS 7	Amendments to FRS 7- Disclosure –Transfers of Financial Assets
FRS 9	Financial Instruments
FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosures of Interests in Other Entities
FRS 13	Fair Value Measurements
FRS 101	Presentations of Items of Other Comprehensive Income
FRS 112	Amendments to FRS 112 - Deferred Taxes: Recovery of Underlying Assets
FRS 119	Amendments to FRS 119- Employee Benefits
FRS 124	Related Party Disclosures (revised)
FRS 127	Amendments to FRS 127- Separate Financial Statements
FRS 128	Amendments to FRS 128 - Investments in Associates and Joint Ventures
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 20	Stripping costs in the Production Phase of a Surface Mine

Convergence of the FRSs with the International Financial Reporting Standards

On 19 November 2011, the MASB issued a new Malaysian Financial Reporting Standards ("MFRS") framework, consisting of accounting standards which are in line with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The MFRS framework is effective for annual periods beginning on or after 1 January 2012. The Group will be required to prepare financial statements using the MFRS framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the financial position as at 1 January 2012 and the comparatives as at 1 January 2011 to amounts reflecting the applications of MFRS framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS framework for the financial year ending 31 December 2012.

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 31 December 2011	**Payment RM'000**	**Non Payment RM'000**	**Total RM'000**
Segment revenue	1,257	927	2,184
Other unallocated income			34
Unallocated expenses			(2,726)
Loss from operations			(508)
Finance costs			(11)
Loss before taxation			(519)
Income tax expenses			197
Loss after taxation			(322)

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 31 December 2011.

A12. Capital expenditure

There are no material capital expenditure in respect of property, plant and equipment as at 31 December 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 31 December 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 31 December 2011 RM'000
Rental expenses	45
Short term employee benefits	100

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

1. Review of performance

The Group recorded revenue of RM2.184 million and Loss Before Taxation ("LBT") of RM0.519 million for the current financial quarter under review. The Group's revenue for the current quarter of RM2.184 million as compared to RM2.480 million recorded for the preceding quarter, represented a decrease of 11.94%. The decrease of the Group's revenue was mainly due to the reduction of non payment services revenue registered by the Group as compared to the preceding quarter, i.e. by RM0.349 million or a decrease of 27.35% from RM1.276 million to RM0.927 million. The main reason for the reduction was due to cancellation of a software development project in the current quarter.

The payment services revenue has recorded growth of 4.40% from RM1.204 million to RM1.257 million. This positive growth in payment services revenue is encouraging to the Group. As reported in the preceding quarterly report, the Group has redeployed its sales force to focus on EDCPOS sales from medium and large enterprises which require relatively longer sales cycle for both payment and non-payment business as the growth in acquiring EDCPOS sales from small retailers has been off-set by the termination made from the existing small retailer customers of the Group due primarily to the slowdown in retail business.

To date, the Group has increased the internal sales force by an additional 10 staff and the Group is planning to increase by at least another 40 staff by the 2nd quarter of financial year 2012. The increase of sales force is important for the Group to focus on payment services revenue as the Group has successfully obtained the appointment in principle as Master Merchant for RHB Bank Berhad and Synergy Cards pending User Acceptance Test for the EDCPOS Terminal. Both projects will be rolled out by end of 1st quarter of financial year 2012.

The Group recorded a lower LBT of RM0.519 million or 22.42% for the current quarter as compared to the LBT of RM0.669 million as recorded in the preceding quarter. 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 gather strength due to the recurrent nature of the Payment Services segment and the launch of MDEX, MPAY and EDCPOS Point of Sales System as described in Note 3 below.

2. Material changes to the results of the preceding quarter

	Current Quarter 31 December 2011 RM'000	**Preceding Quarter 30 September 2011 RM'000**
Revenue	2,184	2,480
Loss before taxation	(519)	(669)

During the current financial quarter ended 31 December 2011, the Group has recorded revenue of RM2.184 million, this represents a decrease of RM0.296 million or 11.94% as compared to the revenue of RM2.480 million during the preceding quarter ended 30 September 2011. The Group recorded a LBT of RM0.519 million in the current financial quarter ended 31 December 2011, as compared to a LBT of RM0.669 million in the previous quarter ended 30 September 2011.

2. Material changes to the results of the preceding quarter – cont'd

The decrease in revenue was due to the reduction of non payment services registered by the Group compared to the preceding quarter. The main reason for the reduction was due to a cancellation of a software development project in the current quarter. However, the payment services revenue has grown by 4.40% from RM1.204 million to RM1.257 million. The growth in payment services is encouraging as the Group has redeployed its sales force to focus on EDCPOS sales from medium and large enterprises. As a result, the Group recorded a lower LBT of RM0.519 million.

3. Prospects of the Group

The payments industry is fast evolving to reflect and incorporate the changing habits of consumers. On top of being able to use conventional channels such as personal computers, notebooks, kiosks, automated teller machines etc., consumers today are equipped with cards, smartphones, tablets, and are ready for the convergence of online and offline transactions. This explosion of new commerce channels and devices is creating something totally revolutionary – an environment where buyers and sellers will literally be able to conduct business anytime, anywhere and in any way they like.

At ManagePay Group, we believe that we are in a better position to take a leadership role in facilitating electronic payments as we have developed the necessary technologies and products. However, in the past, these products were rolled out mostly on a stand-alone basis until recently where we have further enhanced our product application that has enabled us to deliver a truly integrated product and multi-facetted value payment services that we deemed as essential ingredients to place us at the forefront as our products offered (as set out below) are now able to cut across physical, online and mobile environments, all ready to be launched by first quarter 2012 (a Universal Commerce or also known as "U Commerce"):-

i. **Physical Environment** – EDCPOS Terminals, Sinatec "EDCPOS" Point of Sales System & Sinatec Enterprise Resource Planning (ERP) Accounting System

ii. **Online Environment** – B2B and B2C e-commerce on Malaysia Digital Enterprise Exchange (MDEX) platform, providing SMEs a package of B2B e-commerce tools such as quotations management, e-procurement, electronic invoices presentment and payment.

iii. **Mobile Environment** – Mobile MDEX m-commerce, MPAY EDCPOS solution & Near Field Communication (NFC) that allows consumers with smartphones to browse and purchase goods while on the move. MPAY EDCPOS solution will empower SMEs and individual traders to accept credit card payments on their iPhones and Android smartphones anytime, anywhere.

iv. **Core components** – MPAY for payments and CardGain Loyalty Management solution represents the final building block towards delivering a complete, total "last-mile connectivity" in the physical, online and mobile commerce space. Our range of payment gateway and services will be branded under the "MPAY" umbrella of payment service offerings that will become the Group's proprietary and sustainable asset, going forward.

With our CardGain Loyalty Management solution, we offer a 3-in-1 hosted loyalty system that will glue customers to SMEs in terms of attracting and retaining customers through a comprehensive inbuilt gift card, loyalty card & cashback and redemption mechanism. The powerful data collected from the system is a key to SMEs and businesses in terms of

3. Prospects of the Group-cont'd

identifying their loyal and profitable clients and designing programs to keep them coming back for repeat purchases.

Underpinning all the above payment service offerings, what is important is that all of these can be integrated seamlessly with payment gateway services and other value add-ons to deliver a truly unique and compelling proposition to SMEs and individual traders. Clearly, our Group has the expertise and capability to design the necessary platforms and service offerings to be flexible and complementary as well as to accommodate a clearly-defined strategic roadmap that will give us a solid footprint in the payments space of the future.

Our strategic collaborations with financial institutions and relevant Government agencies such as MDeC and SMECORP combined with our existing portfolio of integrated payments service offerings and our experience in engaging the SME community, will provide us with an expedient platform to roll out an even more enhanced range of online and offline payments and business applications for Malaysian Small Medium Industries/Small Medium Enterprises ("SMI/SMEs") was launched in early January 2012.

In 2012, the Group believes the payment sector will continue to do well on the back of continuous demand growth. Although the Group is mindful of potential economic weakness, the Group intends to keep investing sizeable R&D for the payment industry, and in this respect, based on the industry prospect described above, the Group believes it has the right strategies, know-how and resources in place to support this ambition.

ManagePay Group aims to launch MDEX U-commerce and MPAY ePayment services as early as practically possible to support our ambition to gain the first mover advantage for payment industry. Being close to financial institutions and relevant Government agencies such as MDeC and SMECORP, the Group has significant leverage to be realised in terms of commercialising new technologies, applications and services upgrades.

ManagePay's priorities in the short to medium term are to expand its retail merchant base, continue to leverage on the cost effective support structure to maintain high service margins going forward as well as optimising government agencies collaboration to strengthen competitiveness. ManagePay aims to reverse the loss making trend to deliver strong profits to its shareholders.

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. Loss before taxation

	Individual Quarter		Cumulative Quarter	
	Current Quarter 31 December 2011 RM'000	**Preceding Year Corresponding Quarter 31 December 2010 RM'000**	**Current Year-to-date 31 December 2011 RM'000**	**Preceding Year Corresponding Period 31 December 2010 RM'000**
Interest income	(50)	N/A	(161)	N/A
Depreciation & amortization	627	N/A	2,499	N/A
Provision for and written off of receivables	-	N/A	88	N/A
Gain on foreign exchange	1	N/A	1	N/A

Note:
N/A Not applicable

6. Taxation

The taxation figures are as follows:

	Current Quarter Ended 31 December 2011	Preceding Quarter Ended 30 September 2011
	RM'000	**RM'000**
Tax income/(expense)	197	(111)

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 enjoyed tax benefits during part of the year as pioneer status companies. During the current quarter, the Group shows a negative amount in income tax expenses, mainly due to deferred tax movement in one (1) subsidiary.

7. 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.

7. Status of corporate proposal – cont'd

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Estimated timeframe for utilisation	Amount Unutilised RM'000	Explanation
Purchase of equipment	3,750	1,360	Within two (2) years	2,390	(1)
Working capital	1,071	1,202	Within two (2) years	-	(2) and (3)
Research and development	1,000	237	Within one (1) year	763	(4)
Estimated listing expenses	1,500	1,369	Within three (3) months	-	(3)
	7,321	4,168		3,153	

Notes:

(1) As at 31 December 2011, RM1.360 million was utilised to buy the EDCPOS terminals and Point-of-sales system as tabled above. The other future projects being pursued have been delayed.

(2) Working capital expenses related to selling and distribution and administrative expenses.

(3) In view that the actual listing expenses were lower than estimated, the excess has been utilised for working capital.

(4) The Company had on 22 February 2012 announced the extension of time for a six months period for the utilisation of proceeds raised from the initial public offering.

8. Borrowings

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

9. 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) 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.

9. Material litigation – cont'd

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. 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) 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's financial results.

10. Dividend

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

11. 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 31 December 2011 RM'000	Preceding Year Corresponding Quarter 31 December 2010 RM'000	Current Year-to-date 31 December 2011 RM'000	Preceding Year Corresponding Period 31 December 2010 RM'000
Total comprehensive income attributable to owners of the Company (RM'000)	(322)	N/A	(1,397)	N/A
Weighted average number of ordinary shares in issue ('000)	173,880	N/A	173,880	N/A
Loss per share (sen)	(0.19)	N/A	(0.80)	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.

12. 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 December 2011 RM'000	Group Quarter Ended 30 September 2011 RM'000
Total retained profits of the Group:		
- Realised	10,796	10,994
- Unrealised (in respect of deferred tax recognised in the income statement)	(25)	99
	10,771	11,093
Less: Consolidation adjustments	(8,512)	(8,512)
Total Group retained profits as per consolidated accounts	2,259	2,581

	Company Quarter Ended 31 December 2011 RM'000	Company Quarter Ended 30 September 2011 RM'000
Total accumulated losses of the Company:		
- Realised	1,233	1,209
- Unrealised (in respect of impairment loss on investment in subsidiary)	-	-
Total Company's accumulated losses as per accounts	1,233	1,209

13. Other Disclosures Items to the Statement of Comprehensive Income

Save as disclosed above in the Statement of Comprehensive Income, the following items are not applicable to the Group:-

(i) Other income including investment income;
(ii) Interest expense;
(iii) Provision for and write off of inventories;
(iv) Impairment of assets;
(v) Gain or loss on disposal of quoted or unquoted investments or properties;
(vi) Gain or loss on derivatives; and
(vii) Exceptional items.

14. This interim financial report is dated 22 February 2012.