

---

## 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 the requirements outlined in the Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the latest audited financial statements for the financial year ended 31 December 2011. 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 2011.

The Group has adopted MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards. The transition to MFRS framework does not have any financial impact to the financial statements of the Group.

#### 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 year ended 31 December 2011 except for the newly-issued accounting framework – MFRS and IC Interpretations to be applied by all Entities other than Private Entities for the financial period beginning on 1 January 2012:-

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combination
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 9	Financial Instruments
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 13	Fair Value Measurement
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events After the Reporting Period
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment

---

**A2. Adoption of new and revised accounting policies – cont'd**

MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 124	Related Party Disclosures
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investment in Associates
MFRS 132	Financial Instruments: Presentation
MFRS 133	Earnings Per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments: Recognition and Measurement
Improvements to MFRSs	

The adoption of the above did not have any significant effects on the interim financial statements upon their initial application.

**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 2011.

**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 2012	Payment RM'000	Non Payment RM'000	Total RM'000
Segment revenue	1,247	174	1,421
Other unallocated income			259
Unallocated expenses			(1,710)
Loss from operations			(30)
Finance costs			(3)
Loss before taxation			(33)
Income tax expenses			(10)
Loss after taxation			(43)

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 2012.

**A12. Capital expenditure**

There are no material capital expenditure in respect of property, plant and equipment as at 30 June 2012.

**A13. Changes in the composition of the Group**

There were no changes in the composition of the Group for the current financial quarter under review and financial year-to-date.

**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**

Save for the following, 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:

The renounceable rights issue of 183,031,190 new ordinary shares of RM0.10 each in ManagePay Systems Berhad (“ManagePay”) (“Rights Shares”) together with 183,031,190 free new detachable warrants (“Warrants”) at an issue price of RM0.12 per Rights Share on the basis of one (1) Rights Share together with one (1) free Warrant for every one (1) existing ordinary share of RM0.10 each held in ManagePay (“Rights Issue With Warrants”) was completed on 10 August 2012 following the listing of and quotation for the 183,031,190 Rights Shares together with 183,031,190 Warrants on the ACE Market of Bursa Malaysia Securities Berhad on even date.

#### **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

	<b>Current Quarter 30 June 2012 RM'000</b>
Rental expenses	45
Short term employee benefits	102
	<hr/>

**PART B - ADDITIONAL INFORMATION REQUIRED PURSUANT TO THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES**
**1. Review of performance**

The Group recorded revenue of RM1.421 million and Loss Before Taxation (“LBT”) of RM0.033 million for the current financial quarter under review. The Group’s revenue for the current financial quarter under review of RM1.421 million as compared to RM3.001 million recorded for the preceding year quarter, represented a decrease of RM1.580 million or 52.65%. The decrease of the Group’s revenue for the current financial quarter under review was mainly due to the decrease of revenue derived from the non payment segment, i.e. sales of electronic gadgets fell by RM1.380 million or 93.62% from RM1.474 million recorded for the preceding year quarter to RM0.094 million recorded for the current financial quarter under review. However, this decrease was partly off-set by the increase in revenue derived from the payment services of RM0.113 million or 13.20% from RM0.856 million recorded for the preceding year quarter to RM0.969 million recorded for the current financial quarter under review.

The Group recorded a LBT of RM0.033 for the current financial quarter under review as compared to the LBT of RM0.353 million as recorded in the preceding year quarter. The Board of Directors remains optimistic of the Group’s financial performance for the current financial year.

**2. Material changes to the results of the preceding quarter**

	<b>Current Quarter 30 June 2012 RM’000</b>	<b>Preceding Quarter 30 June 2011 RM’000</b>
Revenue	1,421	3,001
Loss before taxation	(33)	(353)

During the current financial quarter under review, the Group has recorded revenue of RM1.421 million, representing a decrease of RM1.580 million or 52.65% as compared to RM3.001 million during the preceding year quarter. The Group recorded a LBT of RM0.033 million for the current financial quarter under review, as compared to the LBT of RM0.353 million in the preceding year quarter. The decrease in LBT was due to, amongst others, the decrease in administrative and general expenses of RM0.244 million from RM1.802 million for the preceding year quarter to RM1.558 million for the current financial quarter under review. The decrease in administrative and general expenses was mainly attributed to the decrease in depreciation of property, plant and equipment, and allowance for doubtful debts.

### 3. Prospects of the Group

The electronic payment solutions landscape in Malaysia remains fragmented but competitive. Due to ongoing price competition, terminal rental margins came under pressure and this has the effect of eroding profitability and return on investment. Amid these challenging conditions, the Group sought to leverage on its expertise as an end-to-end payment services provider by looking out for 'blue ocean' opportunities and to move up the value chain.

On 21 June 2012, with the presence of the Prime Minister of Malaysia, the Group launched the project 'MPAY Mobile Payment Solution'. This project aims to provide small and medium enterprises and micro enterprises with a mobile acceptance solution that is low-cost, secure and simple to use.

Moving forward, the Group intends to roll out its new product, 'MPAY ECPOS', a mobile device based card payment acceptance solution that allows any business owner or individual trader to accept credit/ debit card payments and provides e-payment processing with greater mobility and ease. This product is expected to be rolled out by the fourth quarter of calendar year 2012.

In view of the above and barring unforeseen circumstances, the Board of Directors expects its business prospects for the remaining financial year ending 31 December 2012 to be favourable.

### 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. Profit before taxation

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30 June 2012 RM'000	Preceding Year Corresponding Quarter 30 June 2011 RM'000	Current Year-to-date 30 June 2012 RM'000	Preceding Year Corresponding Period 30 June 2011 RM'000
Interest income	(41)	(48)	(84)	(63)
Other income, excluding interest income	(218)	(22)	(882)	(30)
Depreciation & amortisation	558	623	1,159	1,243
Interest expenses	2	1	18	1

## 6. Taxation

The taxation figures are as follows:

	<b>Current Quarter Ended 30 June 2012 RM'000</b>	<b>Preceding Quarter Ended 30 June 2011 RM'000</b>
Tax (expense)/income	<u>(10)</u>	<u>34</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 one (1) subsidiary which holds MSC Status which enjoyed tax benefits during part of the year as a pioneer status company.

## 7. Status of corporate proposal

### (a) Corporate Proposal

On 10 August 2012, OSK Investment Bank Berhad on behalf of ManagePay announced that the Rights Issue With Warrants has been completed following the listing of and quotation for the 183,031,190 Rights Shares together with 183,031,190 Warrants on the ACE Market of Bursa Malaysia Securities Berhad on even date.

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

### (b) Utilisation of proceeds

#### (i) Proceeds from public issue

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>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Estimated timeframe for utilisation</b>	<b>Amount Unutilised RM'000</b>	<b>Explanation</b>
Purchase of equipment	3,750	2,102	Within two (2) years	1,648	(1)
Working capital	1,071	1,202	Within two (2) years	-	(2) and (3)
Research and development	1,000	906	Within one (1) year	94	(4)
Estimated listing expenses	<u>1,500</u>	<u>1,369</u>	Within three (3) months	-	(3)
	<u>7,321</u>	<u>5,579</u>		<u>1,742</u>	

## Notes:

- (1) As at 30 June 2012, RM2.102 million was utilised to purchase Electronic Data Capture Point Of Sales (“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 the utilisation of proceeds raised from the initial public offering for research and development until 22 August 2012. As at 30 June 2012, RM906,000 was utilised for research and development. The remaining balance of RM94,000 had been fully utilised as at 22 August 2012.

## (ii) Proceeds from Rights Issue With Warrants

The Rights Issue With Warrants was completed on 10 August 2012. The gross proceeds of RM21.963 million raised from the Rights Issue With Warrants remains unutilised as at the date of issuance of this announcement as follows:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Expected timeframe for utilisation	Amount Unutilised RM'000
Capital expenditure	14,821	-	Within two (2) years	14,821
Working capital	6,352	-	Within two (2) years	6,352
Estimated expenses in relation to the Rights Issue With Warrants	790	-	Within three (3) months	790
	<u>21,963</u>	<u>-</u>		<u>21,963</u>

The proceeds are expected to be utilised within the estimated timeframe given and the Group does not expect any material deviation as at the date of issuance of this announcement.

## 8. Borrowings

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

## 9. Material litigation

There were no material litigations pending as at the date of issuance of this announcement.

## 10. Dividend

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



## 11. Earnings per Share

### (a) Basic

The earnings per share is calculated by dividing the profit after taxation of the Group 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 30 June 2012	Preceding Year Corresponding Quarter 30 June 2011	Current Year-to-date 30 June 2012	Preceding Year Corresponding Period 30 June 2011
Total comprehensive income attributable to owners of the Company (RM'000)	(43)	(319)	193	(294)
Weighted average number of ordinary shares in issue ('000)	183,031	164,234	183,031	164,234
(Loss)/ Profit per share (sen)	(0.02)	(0.19)	0.11	(0.18)

### (b) Diluted

The Group does not have any convertible share or convertible financial instruments for the current financial 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 30 June 2012 RM'000	Group Quarter Ended 30 June 2011 RM'000
Total retained profits of the Group:		
- Realised	10,968	11,834
- Unrealised	-	39
(in respect of deferred tax recognised in the income statement)		
	10,968	11,873
Less: Consolidation adjustments	(8,512)	(8,512)
Total Group retained profits as per consolidated accounts	2,456	3,361

	Company Quarter Ended 30 June 2012 RM'000	Company Quarter Ended 30 June 2011 RM'000
Total (accumulated loss)/retained profit of the Company:		
- Realised	(780)	454
- Unrealised (in respect of impairment loss on investment in subsidiary)	-	-
Total Company's (accumulated loss)/retained profits as per accounts	(780)	454

**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:-

- (a) Provision for and write off of receivables;
- (b) Provision for and write off of inventories;
- (c) Impairment of assets;
- (d) Gain or loss on disposal of quoted or unquoted investments or properties;
- (e) Foreign exchange gain or loss;
- (f) Gain or loss on derivatives; and
- (g) Exceptional items.

**14. This interim financial report is dated 29 August 2012.**