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## 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**

Save for the following, 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:

- (a) Issuance of 183,031,190 new ordinary shares of RM0.10 each in ManagePay("Rights Shares") at an issue price of RM0.12 per Rights Share together with 183,031,190 free detachable warrants at an exercise price of RM0.20, pursuant to the Rights Issue with Warrants which was completed on 10 August 2012.

**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”)

<b>Quarter ended 30 September 2012</b>	<b>Payment RM’000</b>	<b>Non Payment RM’000</b>	<b>Total RM’000</b>
Segment revenue	1,592	28	1,620
Other unallocated income			87
Unallocated expenses			(1,468)
Profit from operations			<u>239</u>
Finance costs			(5)
Profit before taxation			<u>234</u>
Income tax expenses			(130)
Profit after taxation			<u><u>104</u></u>

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 September 2012.

**A12. Capital expenditure**

There are no material capital expenditure in respect of property, plant and equipment as at 30 September 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**

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

	<b>Current Quarter 30 September 2012 RM'000</b>
Rental expenses	45
Short term employee benefits	102
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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 RM1.620 million and Profit Before Taxation (“PBT”) of RM0.234 million for the current financial quarter under review. The Group’s revenue for the current financial quarter under review of RM1.620 million as compared to RM2.480 million recorded for the preceding year quarter, represented a decrease of RM0.86 million or 34.68%. The decrease of the Group’s revenue for the current financial quarter under review was mainly due to the decrease in revenue derived from the non payment segment, i.e. there were no sales for electronic gadgets 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 RM0.388 million or 32.23% from RM1.204 million recorded for the preceding year quarter to RM1.592 million recorded for the current financial quarter under review.

The Group recorded a PBT of RM0.234 million for the current financial quarter under review as compared to the Loss Before Taxation (“LBT”) of RM0.669 million as recorded in the preceding year quarter. The Board of Directors remain optimistic that the Group will be profitable for the current financial year.

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

	<b>Current Quarter 30 September 2012 RM’000</b>	<b>Preceding Quarter 30 September 2011 RM’000</b>
Revenue	1,620	2,480
Profit/(Loss) before taxation	234	(669)

During the current financial quarter under review, the Group recorded a revenue of RM1.620 million, representing a decrease of RM0.86 million or 34.68% as compared to RM2.480 million during the preceding year quarter. The Group recorded a PBT of RM0.234 million for the current financial quarter under review, as compared to the LBT of RM0.669 million in the preceding year quarter. This was due to, amongst others, the decrease in administrative and general expenses of RM0.548 million from RM1.910 million for the preceding year quarter to RM1.362 million for the current financial quarter under review and the decrease in direct cost of RM1.214 million or 91.97% from RM1.320 million for the preceding year quarter to RM0.106 million for the current financial quarter under review. The decrease in direct costs was in line with the reduction in revenue derived from non payment services.

### 3. Prospects of the Group

On 21 June 2012, with the presence of the Prime Minister of Malaysia, the Group launched the project 'MPAY Mobile Payment Solution' which aims to provide small and medium enterprises ("SMEs") and micro enterprises with a mobile acceptance solution that is low-cost, secure and simple to use. As reported earlier, the project is scheduled to be launched by the fourth quarter of calendar year 2012.

In addition, this MPAY Mobile Payment Solution has since won an accolade for the Frost & Sullivan Asia Pacific New Product Innovation Award for the financial year 2012. The Group has also obtained the letter of approval from EMVCo for MPAY Europay, MasterCards and Visa ("EMV") Level 2 Terminal Type Approval application for this MPAY Mobile Payment Solution. For further information on EMV, kindly refer to <http://www.emvco.com/>.

In view of the above and barring unforeseen circumstances, the Board of Directors believe the Group will be profitable for the financial year ending 31 December 2012.

### 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/(loss) before taxation

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30 September 2012 RM'000	Preceding Year Corresponding Quarter 30 September 2011 RM'000	Current Year-to-date 30 September 2012 RM'000	Preceding Year Corresponding Period 30 September 2011 RM'000
Interest income	(73)	(48)	(157)	(111)
Other income, excluding interest income	(14)	(50)	(896)	(80)
Depreciation & amortisation	565	629	1,724	1,872
Interest expenses	5	17	25	15

## 6. Taxation

The taxation figures are as follows:

	<b>Current Quarter Ended 30 September 2012</b>	<b>Preceding Quarter Ended 30 September 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Tax expense	<u>(130)</u>	<u>(111)</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.

### (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	3,750	Within two (2) years	-	(1)
Working capital	1,071	1,202	Within two (2) years	-	(2) and (3)
Research and development	1,000	1,000	Within one (1) year	-	(4)
Estimated listing expenses	<u>1,500</u>	<u>1,369</u>	Within three (3) months	-	(3)
	<u>7,321</u>	<u>7,321</u>		-	

Notes:

- (1) As at 30 September 2012, RM3.750 million was fully utilised to purchase Electronic Data Capture Point Of Sales ("EDCPOS") terminals and point-of-sales system as tabled above. As at the date of this announcement, this amount has been fully utilised.
- (2) Working capital expenses related to selling and distribution and administrative expenses. As at the date of this announcement, this amount has been fully utilised.
- (3) In view that the actual listing expenses were lower than estimated, the excess has been utilised for working capital. As at the date of this announcement, this amount has been fully utilised.

(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 the date of this announcement, this amount has been fully utilised.

(ii) Proceeds from Rights Issue With Warrants

The Rights Issue With Warrants was completed on 10 August 2012. The gross proceeds received was RM21.964 million. The gross proceeds raised from the Rights Issue With Warrants 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>
Capital expenditure	14,822	2,141	Within two (2) years	12,681	(1)
Working capital	6,352	1,367	Within two (2) years	4,985	(2) and (3)
Estimated expenses in relation to the Rights Issue With Warrants	790	698	Within three (3) months	92	(3)
	<u>21,964</u>	<u>4,206</u>		<u>17,758</u>	

Notes:

- (1) As at 30 September 2012, RM2.141 million was utilised to develop new payment technologies and products to deliver an integrated and multi-faceted payment services that serve multiple platform i.e. physical, online and mobile, to assist businesses, particularly SMEs, and expand their sales across multiple channels.
- (2) The proceeds will be utilised for additional working capital requirements in respect of the Group's day-to-day operations to support its existing business operations which shall include but not limited to, the payment of trade and other payables, salaries, marketing expenses in relation to the ePayment Project.
- (3) In view that the actual expenses in relation to the Rights Issue With Warrants were lower than estimated, the excess will be utilised for working capital.

## 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/(loss) per Share

### (a) Basic

The earnings/ (loss) per share is calculated by dividing the profit/ (loss) 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 September 2012	Preceding Year Corresponding Quarter 30 September 2011	Current Year-to-date 30 September 2012	Preceding Year Corresponding Period 30 September 2011
Total comprehensive income attributable to owners of the Company (RM'000)	104	(780)	297	(1,074)
Weighted average number of ordinary shares in issue ('000)	217,767	170,628	217,767	170,628
Earnings/(loss) per share (sen)	0.05	(0.46)	0.14	(0.63)

### (b) Diluted

There is no potential dilution for earnings/(loss) per share given that the average market price of ordinary shares during the period is less than exercise price of the warrants.

## 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 directors, is as follows:

	Group Quarter Ended 30 September 2012 RM'000	Group Quarter Ended 30 September 2011 RM'000
Total retained profits of the Group:		
- Realised	11,072	10,994
- Unrealised (in respect of deferred tax recognised in the income statement)	-	99
	11,072	11,093
Less: Consolidation adjustments	(8,512)	(8,512)
Total Group retained profits as per consolidated accounts	2,560	2,581



**12. Realised and unrealised profits-cont'd**

	Company Quarter Ended 30 September 2012 RM'000	Company Quarter Ended 30 September 2011 RM'000
Total accumulated loss of the Company:		
- Realised	(961)	(1,209)
- Unrealised (in respect of impairment loss on investment in subsidiary)	-	-
Total Company's accumulated loss as per accounts	<u>(961)</u>	<u>(1,209)</u>

**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 23 November 2012.**