



NOTES TO THE QUARTERLY REPORT

PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 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 issued by Malaysian Accounting Standards Board (“MASB”) and Rule 9.22 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 2012. 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 2012.

The Group has adopted the MFRS framework issue by MASB with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to full converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. The transition from the previous FRSs to the new MFRSs has no impact on the Group financial position, financial performance, cash flows and the notes to the financial statements.

The Group has also adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 October 2012. The adoption of these new and revised MFRSs and IC Interpretations have not resulted in any material impact on 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 2012 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 2013:-

- Amendments to MFRS 101, Presentation of items of Other Comprehensive Income
- Amendments to MFRS 7, Financial Instruments: Disclosure – offsetting Financial Assets and Financial Liabilities
- MFRS 3, Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- Amendments to MFRS 10, MFRS 11 and MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance



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

- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits
- MFRS 127, Separate Financial Statements
- MFRS 127, Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- MFRS 128, Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- Annual Improvements 2009-2011 Cycle

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 2012.

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”)

The segment information for the quarter ended 31 March 2013 is as follows:

Quarter ended 31 March 2013	Payment RM’000	Non Payment RM’000	Total RM’000
Segment revenue	1,733	364	2,097
Other unallocated income			138
Unallocated expenses			(1,552)
Profit from operations			683
Finance costs			(1)
Profit before taxation			682
Income tax expenses			(203)
Profit after taxation			479
Segment assets	19,387	703	20,090
Unallocated corporate assets			25,067
			45,157
Segment liabilities	129	-	129
Tax liabilities			9
Unallocated corporate liabilities			1,064
			1,202

The segment information for the quarter ended 31 March 2012 is as follows:

Quarter ended 31 March 2012	Payment RM’000	Non Payment RM’000	Total RM’000
Segment revenue	1,017	756	1,773
Other unallocated income			707
Unallocated expenses			(2,216)
Profit from operations			264
Finance costs			(17)
Profit before taxation			247
Income tax expenses			(11)
Profit after taxation			236
Segment assets	12,757	847	13,604
Tax assets			27
Unallocated corporate assets			9,412
			23,043
Segment Liabilities	157	-	157
Tax liabilities			41
Unallocated corporate liabilities			521
			719

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 March 2013.

A12. Capital expenditure

There are no material capital expenditure in respect of property, plant and equipment as at 31 March 2013.

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 other than incorporation of three (3) new subsidiaries.

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 was no material event subsequent to the end of the current financial quarter and financial year-to-date up to the date of this report that has not been reflected in the interim financial statements.

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

		Individual Quarter	
		Current Quarter	Preceding Year
		31 March 2013	Corresponding
		RM'000	Quarter
			31 March 2012
			RM'000
Rental expenses		45	45
Short term employee benefits		102	99

		Cumulative Quarter	
		Current Quarter	Preceding Year
		31 March 2013	Corresponding
		RM'000	Quarter
			31 March 2012
			RM'000
Rental expenses		45	45
Short term employee benefits		102	99

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

The Group recorded revenue of RM2.097 million and Profit Before Taxation (“PBT”) of RM0.682 million for the current financial quarter under review. The Group’s revenue for the current financial quarter under review of RM2.097 million as compared to RM1.773 million recorded for the preceding year corresponding quarter, represented an increase of RM0.324 million or 18.27%. The increase in the Group’s revenue for the current financial quarter under review was due to the increase in revenue derived from the payment segment. The revenue derived from the payment segment increased by RM0.716 million or 70.40% from RM1.017 million recorded for the preceding year corresponding quarter to RM1.733 million recorded for the current financial quarter arising from the increase in revenue derived from the managed payment services, namely the reimbursement income from the ePayment Project. However, the revenue derived from the non-payment segment decreased by RM0.392 million or 51.85% from RM0.756 million recorded for the preceding year corresponding quarter to RM0.247 million recorded for the current financial quarter. The decrease was mainly due to the decrease in sales of computer gadgets, hardware and accessories, software and maintenance.

The Group recorded a PBT of RM0.682 million for the current financial quarter under review as compared to the PBT of RM0.247 million as recorded in the preceding year corresponding quarter in tandem with the higher revenue and operating margins for the current financial quarter.

2. Material changes to the results of the preceding quarter

	Current Quarter 31 March 2013 RM’000	Preceding Quarter 31 December 2012 RM’000
Revenue	2,097	1,775
Profit before taxation	682	37

During the current financial quarter under review, the Group recorded revenue of RM2.097 million, representing an increase of RM0.322 million or 18.14% as compared to RM1.775 million during the immediate preceding quarter. The Group recorded a PBT of RM0.682 million for the current financial quarter under review, an increase of RM0.645 million or 1,743.24% as compared to the PBT of RM0.037 million in the immediate preceding quarter. This was mainly due to the increase in revenue derived from the payment segment which provided higher gross and operating margins. This is in line with the Group’s implementation of its e-Payment Project which begun since the end of last year.

3. Prospects of the Group

ManagePay Services Sdn Bhd (“MPSB”) (formerly known as Multimedia Prospect Sdn Bhd), a wholly-owned subsidiary of the Company, had on 25 January 2013 received a letter of notification from Bank Negara Malaysia that MPSB has complied with the requirements of section 5(3) of the Payment Systems Act 2003 to operate its payment systems.

The notification of compliance from Bank Negara Malaysia has added a significant advantage in expanding the Group's business reach to acquire Small and Medium-sized Enterprises (SMEs) and Micro Enterprises (MEs). It will aid the Group to fulfill its obligation to SME Corporation Malaysia (SMECORP) for the appointment MPSB as the Third Party Acquirer ("TPA") for the ePayment Project. The ePayment Project has set a target of 1,125,000 SMEs and MEs to be enabled to accept electronic payment services via means of a simplified merchant acquisition process at lower costs by 2020.

Our target customers are merchants who operate retail outlets and/or online stores as well as mobile business enterprises with a requirement to collect payments on the go.

In view of the above and the increase in revenue generated from the managed payment services, the Board of Directors are of the view that, barring any unforeseen circumstances, the Group is moving towards developing a sustainable source of income stream in the coming years by providing TPA services through signing up new merchants in relation to the acceptance of electronic payment services.

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 31 March 2013 RM'000	Preceding Year Corresponding Quarter 31 March 2012 RM'000	Current Year-to-date 31 March 2013 RM'000	Preceding Year Corresponding Period 31 March 2012 RM'000
Interest income	(135)	(43)	(135)	(43)
Other income, excluding interest income, gain on disposal of plant and equipment and loss/(gain) on foreign exchange	(1)	(658)	(1)	(658)
Depreciation & amortisation	596	601	596	601
Gain on disposal of plant and equipment	(2)	-	(2)	-
Loss/(gain) on foreign exchange	8	(6)	8	(6)

6. Taxation

The taxation figures are as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter 31 March 2013	Preceding Year Corresponding Quarter 31 March 2012	Current Year-to-date 31 March 2013	Preceding Year Corresponding Period 31 March 2012
Tax expense	(203)	(11)	(203)	(11)

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

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

(b) Utilisation of proceeds

(i) 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:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Estimated timeframe for utilisation	Amount Unutilised RM'000	Explanation
Capital expenditure	14,822	4,359	Within two (2) years	10,463	(1)
Working capital	6,352	4,057	Within two (2) years	2,295	(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>9,114</u>		<u>12,850</u>	

Notes:

- (1) As at 31 March 2013, RM4.359 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 small and medium enterprises (“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 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 31 March 2013	Preceding Year Corresponding Quarter 31 March 2012	Current Year-to-date 31 March 2013	Preceding Year Corresponding Period 31 March 2012
Total comprehensive income attributable to owners of the Company (RM'000)	479	236	479	236
Weighted average number of ordinary shares in issue ('000)	366,062	183,031	366,062	183,031
Earnings per share (sen)	0.13	0.13	0.13	0.13

(b) Diluted

There is no potential dilution for earnings 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 directive, is as follows:

Group	As at 31 March 2013 RM'000	As at 31 March 2012 RM'000
Total retained profits of the Group:		
- Realised	11,562	11,011
- Unrealised (in respect of deferred tax recognised in the income statement)	(186)	-
	11,376	11,011
Less: Consolidation adjustments	(8,512)	(8,512)
Total Group retained profits as per consolidated accounts	2,864	2,499
Company	As at 31 March 2013 RM'000	As at 31 March 2012 RM'000
Total accumulated loss of the Company:		
- Realised	(1,630)	(732)
- Unrealised (in respect of impairment loss on investment in subsidiary)	-	-
Total Company's accumulated loss as per accounts	(1,630)	(732)

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) Gain or loss on derivatives;
- (f) Interest expense; and
- (g) Exceptional items.

14. This interim financial report is dated 23 May 2013.