**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 January 2013. 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:-

- MFRS 1, First-time Adoption of Malaysian Financial Reporting Standard – Government Loans
- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (IAS 19 as amended by IASB in June 2011)
- MFRS 127, Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in May 2011)

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

- MFRS 128, Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standard – Annual Improvements 2009-2011 Cycle
- Amendments to MFRS 7, Financial Instruments : Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 11 and MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to MFRS 101, Annual Improvements 2009-2011 Cycle
- Amendments to MFRS 116, Annual Improvements 2009-2011 Cycle
- Amendments to MFRS 132, Annual Improvements 2009-2011 Cycle
- Amendments to MFRS 134, Annual Improvements 2009-2011 Cycle
- Amendment to IC Interpretation 2, Annual Improvements 2009-2011 Cycle
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine

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 30 June 2013 is as follows:

| Quarter ended 30 June 2013 | Payment RM'000 | Non Payment RM'000 | Total RM'000 |
|---|---|---|---|
| Segment revenue | 1,955 | 34 | 1,989 |
| Other unallocated income | | | 156 |
| Unallocated expenses | | | (1,849) |
| Profit from operations | | | 296 |
| Finance costs | | | (1) |
| Profit before taxation | | | 295 |
| Income tax expenses | | | (162) |
| Profit after taxation | | | 133 |
| | | | |
| Segment assets | 20,539 | 663 | 21,202 |
| Tax assets | | | 1 |
| Unallocated corporate assets | | | 24,816 |
| | | | 46,019 |
| | | | |
| Segment liabilities | 141 | - | 141 |
| Tax liabilities | | | 1 |
| Unallocated corporate liabilities | | | 1,789 |
| | | | 1,931 |

**A9. Segmental information – cont'd**

The segment information for the quarter ended 30 June 2012 is as follows:

| 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) |
| | | | |
| Segment assets | 13,410 | 826 | 14,236 |
| Tax assets | | | 27 |
| Unallocated corporate assets | | | 9,648 |
| | | | 23,911 |
| | | | |
| Segment Liabilities | 735 | - | 735 |
| Tax liabilities | | | 49 |
| Unallocated corporate liabilities | | | 846 |
| | | | 1,630 |

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 2013.

**A12. Capital expenditure**

There are no material capital expenditure in respect of property, plant and equipment as at 30 June 2013 except for an amount of RM0.357 million mainly for computer hardware.

**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 the 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 30 June 2013 RM'000 | Preceding Year Corresponding Quarter 30 June 2012 RM'000 |
| Rental expenses | 45 | 45 |
| Short term employee benefits | 135 | 102 |

| | Cumulative Quarter | |
|---|---|---|
| | Current Quarter 30 June 2013 RM'000 | Preceding Year Corresponding Quarter 30 June 2012 RM'000 |
| Rental expenses | 90 | 90 |
| Short term employee benefits | 237 | 201 |

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

**1. Review of performance**

ManagePay and its subsidiaries ("Group") recorded revenue of RM1.989 million and Profit Before Taxation ("PBT") of RM0.295 million for the current financial quarter under review. The Group's revenue for the current financial quarter under review of RM1.989 million as compared to RM1.421 million recorded for the preceding year corresponding quarter, represented an increase of RM0.568 million or 39.97%. 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 RM0.708 million or 56.78% from RM1.247 million recorded for the preceding year corresponding quarter to RM1.955 million recorded for the current financial quarter. The increase was mainly due to the increase in sales of managed payment services. However, the revenue derived from the non-payment segment decreased by RM0.140 million or 80.46% from RM0.174 million recorded for the preceding year corresponding quarter to RM0.034 million recorded for the current financial quarter. The decrease was mainly due to the decrease in sales of computer gadgets and software and maintenance.

The Group recorded a PBT of RM0.295 million for the current financial quarter under review as compared to the Loss Before Taxation ("LBT") of RM0.033 million as recorded in the preceding year corresponding quarter.

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

| | **Current Quarter 30 June 2013 RM'000** | **Preceding Quarter 31 March 2013 RM'000** |
|---|---|---|
| Revenue | 1,989 | 2,097 |
| Profit before taxation | 295 | 682 |

During the current financial quarter under review, the Group recorded revenue of RM1.989 million, representing a decrease of RM0.108 million or 5.15% as compared to RM2.097 million recorded during the immediate preceding quarter as a result of increased competition in the provision of e-payment services. The Group recorded a PBT of RM0.295 million for the current financial quarter under review, a decrease of RM0.387 million or 56.74% as compared to the PBT of RM0.682 million recorded in the immediate preceding quarter. This was mainly due to the increase in direct costs and administrative and general expenses such as, amongst others professional fees and staff costs, attributable to the e-payment project .

**3. Prospects of the Group**

The Group has seen lower profit in the 2nd quarter of the financial year ending 2013 as a result of increased competition in the provision of e-payment services much like ManagePay's Mobile Point Of Sales ("MPOS") solution by various other parties aimed at Small and Medium-sized Enterprises ("SMEs") and Micro Enterprises ("MEs"). Arising therefrom, the Group registered lower growth in its merchant acquisition business for the 2nd quarter of the financial year ending 2013.

The Group has stepped up its efforts in introducing Third Party Processing ("TPP") services by Q1 2014 which will enable the Group to offer end-to-end payment services vide the issuance of payment instruments, such as Visa or MasterCard powered payment cards to business communities. The introduction of TPP services will increase the Group's ability to offer payment services which is beyond the reach of competitors who are only able to offer merchant acquisition services, commonly known as Third Party Acquiring ("TPA") services.

In view of the abovementioned new payment service offered, the Board of Directors is 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 both TPP and TPA services in relation to the acceptance of electronic payment services in Malaysia.

**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 2013 RM'000 | Preceding Year Corresponding Quarter 30 June 2012 RM'000 | Current Year-to-date 30 June 2013 RM'000 | Preceding Year Corresponding Period 30 June 2012 RM'000 |
| Interest income | (152) | (41) | (287) | (84) |
| Other income, excluding interest income, gain on disposal of plant and equipment and gain on foreign exchange | (4) | (203) | (5) | (861) |
| Depreciation & amortisation | 611 | 558 | 1,207 | 1,159 |
| Gain on disposal of plant and equipment | - | - | (2) | - |
| Loss/(Gain) on foreign exchange | - | (15) | 8 | (21) |

**6. Taxation**

The taxation figures are as follows:

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | Current Quarter 30 June 2013 RM'000 | Preceding Year Corresponding Quarter 30 June 2012 RM'000 | Current Year-to-date 30 June 2013 RM'000 | Preceding Year Corresponding Period 30 June 2012 RM'000 |
| Income tax charge | 3 | (10) | (14) | (21) |
| Deferred taxation | (165) | - | (351) | - |
| Tax expense | (162) | (10) | (365) | (21) |

## 6. Taxation-cont'd

The effective tax rates of the Group for the current quarter under review and financial year-to-date were higher than the statutory tax rates of 25% due to origination of taxable temporary differences arising from excess of carrying amount against tax written down value of property, plant and equipment.

## 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 | 5,101 | Within two (2) years | 9,721 | (1) |
| Working capital | 6,352 | 5,435 | Within two (2) years | 917 | (2) and (3) |
| Estimated expenses in relation to the Rights Issue With Warrants | 790 | 698 | Within three (3) months | 92 | (3) |
| | 21,964 | 11,234 | | 10,730 | |

Notes:

(1) As at 30 June 2013, RM5.101 million was utilised to develop new payment technologies and products to deliver an integrated and multi-facetted payment services that serve multiple platforms 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 June 2013 | Preceding Year Corresponding Quarter 30 June 2012 | Current Year-to-date 30 June 2013 | Preceding Year Corresponding Period 30 June 2012 |
| Total comprehensive income/(expense) attributable to owners of the Company (RM'000) | 133 | (43) | 612 | 193 |
| Weighted average number of ordinary shares in issue ('000) | 366,062 | 183,031 | 366,062 | 183,031 |
| Earnings/(loss) per share (sen) | 0.04 | (0.02) | 0.17 | 0.11 |

### (b) Diluted

The 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 directive, is as follows:

| **Group** | **As at 30 June 2013 RM'000** | **As at 30 June 2012 RM'000** |
|---|---|---|
| Total retained profits of the Group: | | |
| - Realised | 11,860 | 10,968 |
| - Unrealised (in respect of deferred tax recognised in the income statement) | (351) | - |
| | 11,509 | 10,968 |
| Less: Consolidation adjustments | (8,512) | (8,512) |
| Total Group retained profits as per consolidated accounts | 2,997 | 2,456 |

| **Company** | **As at 30 June 2013 RM'000** | **As at 30 June 2012 RM'000** |
|---|---|---|
| Total accumulated loss of the Company: | | |
| - Realised | (1,609) | (780) |
| - Unrealised (in respect of impairment loss on investment in subsidiary) | - | - |
| Total Company's accumulated loss as per accounts | (1,609) | (780) |

**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 August 2013 .**