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 compliance 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 qualifications 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 issuances 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 December 2013 is as follows:

Quarter ended 31 December 2013	**Payment RM'000**	**Non Payment RM'000**	**Total RM'000**
Segment revenue	3,103	16	3,119
Other unallocated income			100
Unallocated expenses			(2,614)
Profit from operations			605
Finance costs			(1)
Profit before taxation			604
Income tax expenses			(180)
Profit after taxation			424
Segment assets	26,012	593	26,605
Tax assets			17
Unallocated corporate assets			19,818
			46,440
Segment liabilities	136	-	136
Tax liabilities			89
Unallocated corporate liabilities			1,797
			2,022

A9. Segmental information – cont'd

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

Quarter ended 31 December 2012	Payment RM'000	Non Payment RM'000	Total RM'000
Segment revenue	1,403	372	1,775
Other unallocated income			163
Unallocated expenses			(1,898)
Profit from operations			40
Finance costs			(3)
Profit before taxation			37
Income tax expenses			(212)
Profit after taxation			(175)
Segment assets	17,938	745	18,683
Tax assets			21
Unallocated corporate assets			26,050
			44,754
Segment Liabilities	139	-	139
Tax liabilities			7
Unallocated corporate liabilities			1,132
			1,278

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

The Group has entered into commitments in respect of purchasing of a building together with furniture & fitting amounting to RM2.5 million and at the same time disposed off the furniture & fitting of the building to third party amounting to RM0.4 million. Hence the net capital commitment as at 31 December 2013 amount to RM2.1 million.

A12. Capital expenditure

There are no material capital expenditure in respect of property, plant and equipment as at 31 December 2013 except for an amount of RM0.64 million mainly for motor vehicle, computer hardware and software.

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 four (4) 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 31 December 2013 RM'000	**Preceding Year Corresponding Quarter 31 December 2012 RM'000**
Rental expenses	45	45
Short term employee benefits	135	102

	Cumulative Quarter	
	Current Quarter 31 December 2013 RM'000	**Preceding Year Corresponding Quarter 31 December 2012 RM'000**
Rental expenses	180	180
Short term employee benefits	507	405

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 RM3.119 million and Profit Before Taxation ("PBT") of RM0.604 million for the current financial quarter under review. The Group's revenue for the current financial quarter under review of RM3.119 million as compared to RM1.775 million recorded for the preceding year corresponding quarter represented an increase of RM1.344 million or 75.7%. The increase in the Group's revenue for the current financial quarter under review was mainly due to the increase in revenue derived from the payment segment as the Group had begun delivering credit cards terminals for its Teksi 1Malaysia ("TEKS1M") project.

The Group recorded a PBT of RM0.604 million for the current financial quarter under review as compared to RM0.037 million as recorded in the preceding year corresponding quarter as result of higher revenue recorded and higher profit margins derived from the payment segment in the quarter.

For the financial year ended 2013, the Group is maintaining a relatively healthy balance sheet with with a current ratio of 29.09 times and a cash and cash equivalents balance of RM16.814 million. Furthermore, the Group has maintained a zero gearing position for the financial year ended 31 December 2013. Despite the relatively large trade receivables amount of RM7.925 million, the Group is of the opinion that the risk of non-payment is low as the trade receivables comprises mainly of financial institutions and government related corporations are collectable.

2. Material changes to the results of the preceding quarter

	Current Quarter 31 December 2013 RM'000	**Preceding Quarter 30 September 2013 RM'000**
Revenue	3,119	1,617
Profit before taxation	604	25

During the current financial quarter under review, the Group recorded revenue of RM3.119 million, representing an increase in revenue of RM1.502 million or 92.9% as compared to RM1.617 million recorded during the immediate preceding quarter as a result of increase in managed payment services. The main contributing factor for the increase in revenue was the successful delivery of credit cards terminals for TEKS1M project for the current quarter. The Group's PBT of RM0.604 million for the current financial quarter under review, represented an increase of RM0.579 million as compared to the PBT of RM0.025 million recorded in the immediate preceding quarter. The increase in PBT was in line with the increase in revenue and profit margin for the quarter.

3. Prospects of the Group

The Group has successfully launched the Mobile Point Of Sales ("MPOS") with Bank Islam Malaysia Berhad in December 2013 and successfully deliver the credit card terminals for TEKS1M project meanwhile, the launch of MPOS with Malayan Banking Berhad ("Maybank") is pending approval from Maybank's procurement division. The Group has increased the headcount for both senior managers and sales staffs on the ground last quarter to facilitate the launch of MPOS solution services. Arising therefrom, the Group registered better growth in its merchant acquisition business for the fourth (4th) quarter.

In December 2013, the Group had acquired a 50% equity stake in ManagePay GTF Sdn Bhd ("MPAY GTF"). The remaining shareholders were Global Tax Free Company Limited ("GTF"), an Approved Refund Agency ("ARA") based in Korean with 30% equity stake and eTRS GTF Systems Sdn Bhd ("eTRS"), a bumiputera controlled company specialising in retail consulting services, operations, marketing and technology application specifically in the retail services industry with the remaining 20% equity stake.

The intended business activity of MPAY GTF is to become an Approved Refund Agent ("ARA") under Tourist Refund Scheme ("TRS"). An ARA is an agent appointed by the Government (vide a tender process) who will process and refund goods and services tax claims made by outbound tourists. The main stream of revenue for the ARA is derived through the administrative fees for processing the abovementioned goods and services tax claims refunds.

A tender to appoint an ARA under the TRS has been called by Jabatan Kastam Diraja Malaysia (Royal Malaysian Customs Department (RMCD)) and we have submitted a proposal for the tender in December 2013. The results for the tender is still pending as at the date of this announcement.

The Group also plans to invest in e-Money system development project in year 2014. The Group has viewed the e-Money business segment as a viable opportunity to establish itself in the segment in view of the shift from traditional payment practices to electronic payment and e-Money in the developed countries. As this segment is relatively under-developed in Malaysia, the Board intends to leverage on its current expertise in electronic payment systems to develop and to empower e-Money related projects in Malaysia.

The Board of Directors are of the view that, barring any unforeseen circumstances, the Group is moving towards developing a sustainable multiple source of income streams in the coming years by providing Third Party Processor, Third Party Acquirer, ARA and e-Money 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			
	Current Quarter 31 December 2013 RM'000	Preceding Year Corresponding Quarter 31 December 2012 RM'000	Cumulative 12 months to date 31 December 2013 RM'000	Audited Results 31 December 2012 RM'000
Interest (income)/ expenses	-	(146)	(554)	(315)
Other income, excluding interest income, gain on disposal of plant and equipment and gain on foreign exchange	(100)	(16)	(134)	(190)
Depreciation & amortisation	260	551	2,026	2,276
Gain on disposal of plant and equipment	-	(1)	(2)	(2)
Loss/(Gain) on foreign exchange	(14)	-	(14)	(26)

6. Taxation

The taxation figures are as follows:

	Individual Quarter			
	Current Quarter 31 December 2013 RM'000	Preceding Year Corresponding Quarter 31 December 2012 RM'000	Cumulative 12 months to date 31 December 2013 RM'000	Audited Results 31 December2012 RM'000
Income tax charge	(57)	25	(99)	6
Deferred taxation	(123)	(237)	(566)	(369)
Tax expense	(180)	(212)	(665)	(363)

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

Save as disclosed below, there are no corporate proposals announced but not completed as at the date of this announcement:

(i) Proposed private placement of up to ten percent (10%) of the issued and paid-up share capital of ManagePay to third party Bumiputra investor(s) ("Proposed Private Placement"). A listing application has been submitted to Bursa Malaysia Securities Berhad for listing of and quotation for up to 54,909,357 new ordinary shares of RM0.10 in ManagePay pursuant to the Proposed Private Placement.

(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	8,168	Within two (2) years	6,654	(1)
Working capital	6,352	6,352	Within two (2) years	-	(2) and (3)
Estimated expenses in relation to the Rights Issue With Warrants	790	698	Within three (3) months	-	(3)
	21,964	15,218		6,654	

Notes:

(1) As at 31 December 2013, RM8.168 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 proposed utilisation for working capital has been fully utilized.

(3) In view that the actual expenses in relation to the Rights Issue With Warrants were lower than estimated, the excess of RM92,000 was 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			
	Current Quarter 31 December 2013	**Preceding Year Corresponding Quarter 31 December 2012**	**Cumulative 12 months to date 31December 2013**	**Audited Result 31 December 2012**
Total comprehensive income/(expense) attributable to owners of the Company (RM'000)	424	(175)	941	122
Weighted average number of ordinary shares in issue ('000)	366,062	255,043	366,062	255,043
Earnings/(loss) per share (sen)	0.12	(0.07)	0.26	0.05

(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 directive, is as follows:

Group	**As at 31 December 2013 RM'000**	**Audited Result as at 31 December 2012 RM'000**
Total retained profits of the Group:		
- Realised	13,265	11,266
- Unrealised (in respect of deferred tax recognised in the income statement)	(933)	(369)
	12,332	10,897
Less: Consolidation adjustments	(9,006)	(8,512)
Total Group retained profits as per consolidated accounts	3,326	2,385

Company	**As at 31 December 2013 RM'000**	**Audited Result as at 31 December 2012 RM'000**
Total accumulated loss of the Company:		
- Realised	(1,664)	(1,610)
- Unrealised (in respect of impairment loss on investment in subsidiary)	-	-
Total Company's accumulated loss as per accounts	(1,664)	(1,610)

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 28 February 2014.