



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 2013. 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 2013.

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 2013. The Group will adopt all new accounting standards issued by MASB upon its effective date:-

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

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	To be announced by MASB
<u>Amendments/Improvements to MFRSs</u>		
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 8	Operating Segments	1 July 2014
MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures	To be announced by MASB
MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 116	Property, Plant and Equipment	1 July 2014
MFRS 119	Defined Benefit Plans: Employee Contributions	1 July 2014
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
MFRS 138	Intangible Assets	1 July 2014
MFRS 140	Investment Property	1 July 2014
<u>New IC Int</u>		
IC Int 21	Levies	1 January 2014

The adoption of the above standards is not expected to 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 2013.

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 March 2014 is as follows:

Quarter ended 31 March 2014	Payment RM'000	Non Payment RM'000	Total RM'000
Segment revenue	2,847	37	2,884
Other unallocated income			106
Unallocated expenses			(2,156)
Profit from operations			834
Finance costs			(10)
Profit before taxation			824
Income tax expenses			(64)
Profit after taxation			760
Segment assets	25,825	610	26,435
Tax assets			24
Unallocated corporate assets			26,481
			52,940
Segment liabilities	183	-	183
Tax liabilities			1078
Unallocated corporate liabilities			819
			2,080

A9. Segmental information – cont'd

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

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 March 2014 amount to RM2.1 million.

A12. Capital expenditure

The Group has capitalised terminals, computers and office equipment amounting to RM2.5 million according to the company policies as at 31 March 2014 from:

- Inventories RM2.4 million
- Acquisition RM0.1 million

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	Preceding Year
		31 March 2014	Corresponding
		RM'000	Quarter
			31 March 2013
			RM'000
Rental expenses		45	45
Short term employee benefits		109	102

		Cumulative Quarter	
		Current Quarter	Preceding Year
		31 March 2014	Corresponding
		RM'000	Period
			31 March 2013
			RM'000
Rental expenses		45	45
Short term employee benefits		109	102

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 RM2.884 million and Profit Before Taxation (“PBT”) of RM0.824 million for the current financial quarter under review. The Group’s revenue for the current financial quarter under review of RM2.884 million as compared to RM2.097 million recorded for the preceding year corresponding quarter represented an increase of RM0.787 million or 37.53%. 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 with the increase in sales of managed payment services and delivered credit cards terminals for its Teksi 1Malaysia (“TEKS1M”) project.

The Group recorded a PBT of RM0.824 million for the current financial quarter under review as compared to RM0.682 million as recorded in the preceding year. The increase in PBT was in line with the increase in revenue for the quarter.

2. Material changes to the results of the preceding quarter

	Current Quarter 31 March 2014	Preceding Quarter 31 December 2013
	RM’000	RM’000
Revenue	2,884	3,119
Profit before taxation	824	604

During the current financial quarter under review, the Group recorded revenue of RM2.884 million, representing a decrease in revenue of RM0.235 million or 7.53% as compared to RM3.119 million recorded during the immediate preceding quarter as a result of decrease delivered credit cards terminals for TEKS1M in the current financial quarter under review as compared to preceding quarter. The Group’s PBT of RM0.824 million for the current financial quarter under review, represented an increase of RM0.220 million as compared to the PBT of RM0.604 million recorded in the immediate preceding quarter. The increase in PBT was due to higher sales mix of managed payment services which have a higher profit margin.

3. Prospects of the Group

The Mobile Point Of Sales (“MPOS”) launched with Bank Islam Malaysia Berhad and Malayan Banking Berhad (“Maybank”) has assisted the Group to register better growth in its merchant acquisition business for the first (1st) quarter.

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 and Third Party Acquirer 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 31 March 2014 RM'000	Preceding Year Corresponding Quarter 31 March 2013 RM'000	Current Year-to-date 31 March 2014 RM'000	Preceding Year Corresponding Period 31 March 2013 RM'000
Interest income	(106)	(135)	(106)	(135)
Other income, excluding interest income, gain on disposal of plant and equipment and gain on foreign exchange	-	(1)	-	(1)
Depreciation & amortisation	649	596	649	596
Gain on disposal of plant and equipment	-	(2)	-	(2)
Loss/(Gain) on foreign exchange	7	8	7	8

6. Taxation

The taxation figures are as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter 31 March 2014 RM'000	Preceding Year Corresponding Quarter 31 March 2013 RM'000	Cumulative 12 months to date 31 March 2014 RM'000	Preceding Year Corresponding Period 31 March 2013 RM'000
Income tax charge	(0)	(17)	(0)	(17)
Deferred taxation	(64)	(186)	(64)	(186)
Tax expense	(64)	(203)	(64)	(203)

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 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) Private placement of up to ten percent (10%) of the issued and paid-up share capital of ManagePay to third party Bumiputra investor(s) (“Private Placement”). A listing application was 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 Private Placement. Subsequently on 10 March 2014, Bursa Malaysia Securities Berhad had, vide its letter dated 7 March 2014, approved the listing of and quotation for up to 54,909,357 new ManagePay Shares to be issued pursuant to the Private Placement. The Company had, on 13 March 2014, issued 36,606,200 new ManagePay Shares at an issuance price of RM0.156 per ManagePay Share pursuant to the 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	11,228	Within two (2) years	3,594	(1)
Working capital	6,352	6,444	Within two (2) years	-	(2) and (3)
Estimated expenses in relation to the Rights Issue With Warrants	790	698	Within three (3) months	-	(3)
	<u>21,964</u>	<u>18,370</u>		<u>3,594</u>	

Notes:

- (1) As at 31 March 2014, RM11.228 million was utilised to develop new payment technologies and products to deliver an integrated and multi-faceted 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

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 31 March 2014	Preceding Year Corresponding Quarter 31 March 2013	Cumulative 12 months to date 31 March 2014	Preceding Year Corresponding Period 31 March 2013
Total comprehensive income/(expense) attributable to owners of the Company (RM'000)	760	479	760	479
Weighted average number of ordinary shares in issue ('000)	371,757	366,062	371,757	366,062
Effect of Conversion of Warrants ('000)	183,031	- (*)	183,031	- (*)
Diluted Earning Per share (sen)	0.14	- (*)	0.14	- (*)
Earnings per share (sen)	0.20	0.13	0.20	0.13

* There is no dilution for earnings per share in the quarter / period given that the average market price of ordinary shares during the period is less than the 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 2014 RM'000	As at 31 March 2013 RM'000
Total retained profits of the Group:		
- Realised	14,173	11,562
- Unrealised (in respect of deferred tax recognised in the income statement)	(999)	(186)
	13,174	11,376
Less: Consolidation adjustments	(9,088)	(8,512)
Total Group retained profits as per consolidated accounts	4,086	2,864

Company

	As at 31 March 2014 RM'000	As at 31 March 2013 RM'000
Total accumulated loss of the Company:		
- Realised	(1,692)	(1,630)
- Unrealised (in respect of impairment loss on investment in subsidiary)	-	-
Total Company's accumulated loss as per accounts	(1,692)	(1,630)

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 2014.