

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 fully comply with 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 30 June 2014 is as follows:

Quarter ended 30 June 2014	Payment RM'000	Non Payment RM'000	Total RM'000
Segment revenue	1,609	200	1,809
Other unallocated income			477
Unallocated expenses			(2,099)
Profit from operations			187
Finance costs			(2)
Profit before taxation			185
Income tax expenses			(105)
Profit after taxation			80
Non-Controlling Interest			2
Profit attributable to Owners of the company			82
Segment assets	30,563	462	31,025
Tax assets			27
Unallocated corporate assets			22,415
			53,467
Segment liabilities	132	-	132
Tax liabilities			1,092
Unallocated corporate liabilities			1,303
			2,527

A9. Segmental information – cont'd

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			<u>296</u>
Finance costs			(1)
Profit before taxation			<u>295</u>
Income tax expenses			(162)
Profit after taxation			<u><u>133</u></u>
Segment assets	20,539	663	21,202
Tax assets			1
Unallocated corporate assets			24,816
			<u><u>46,019</u></u>
Segment Liabilities	141	-	141
Tax liabilities			1
Unallocated corporate liabilities			1,789
			<u><u>1,931</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 June 2014.

A12. Capital expenditure

The Group has incurred capital expenditures for renovation, computers, office equipment and building in the current quarter amounting to RM4 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
		30 June 2014	Corresponding
		RM'000	Quarter
			30 June 2013
			RM'000
Rental expenses		44	45
Short term	employee	135	135
benefits			

		Cumulative Quarter	
		Current Quarter	Preceding Year
		30 June 2014	Corresponding
		RM'000	Period
			30 June 2013
			RM'000
Rental expenses		89	90
Short term	employee	244	237
benefits			

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 RM1.809 million and Profit Before Taxation (“PBT”) of RM0.185 million for the current financial quarter under review. The Group’s revenue for the current financial quarter under review of RM1.809 million as compared to RM1.989 million recorded for the preceding year corresponding quarter represented a decrease of RM0.180 million or 9.05%. The decrease in the Group’s revenue for the current financial quarter under review was mainly due to the decrease of RM0.346 million in revenue derived from the payment segment. However this was partially offset by the increase of RM0.166 million in revenue derived from non payment services.

The Group recorded a PBT of RM0.185 million for the current financial quarter under review as compared to RM0.295 million as recorded in the preceding year corresponding quarter as result of higher operating cost incurred for the current financial quarter.

2. Material changes to the results of the preceding quarter

	Current Quarter 30 June 2014 RM’000	Preceding Quarter 31 March 2014 RM’000
Revenue	1,809	2,884
Profit before taxation	185	824

During the current financial quarter under review, the Group recorded revenue of RM1.809 million, representing a decrease in revenue of RM1.075 million or 37.27% as compared to RM2.884 million recorded during the immediate preceding quarter as a result of decrease in managed payment services. The Group’s PBT of RM0.185 million for the current financial quarter under review, represented a decrease of RM0.639 million as compared to the PBT of RM0.824 million recorded in the immediate preceding quarter. The decrease in PBT was in line with decrease in revenue for the current financial quarter.

3. Prospects of the Group

The ManagePay Group has successfully raised funds through a private placement in first quarter of the financial year 2014 to pursue the electronic money business (“e-Money Project”). The e-Money Project involves the development of electronic payment instrument which is complimentary to the current e-Payment products and services namely Mobile Point Of Sales (MPOS) offered by the ManagePay Group. The Group has worked on a number of projects that require e-Money issuing capabilities such as gift card solution to large retailers, shopping complexes and business communities.

Besides, the Group has also rolled out more MPOS services to Small and Medium-sized Enterprises (SMEs) and Micro Enterprises (MEs) in second quarter of the financial year 2014. The Group believes it will register higher revenue growth in merchant acquisition activities in coming quarters.

In view of the above mentioned new payment service offering, 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 both e-Payment and e-Money services in relation to the acceptance of electronic payment services in Malaysia and in the region.

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 2014 RM'000	Preceding Year Corresponding Quarter 30 June 2013 RM'000	Current Year-to-date 30 June 2014 RM'000	Preceding Year Corresponding Period 30 June 2013 RM'000
Interest income	(149)	(152)	(255)	(287)
Other income, excluding interest income, gain on disposal of plant and equipment and gain on foreign exchange	(327)	(4)	(327)	(5)
Depreciation & amortisation	798	611	1,447	1,207
Gain on disposal of plant and equipment	-	-	-	(2)
Loss/(Gain) on foreign exchange	-	-	7	8

6. Taxation

The taxation figures are as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30 June 2014 RM'000	Preceding Year Corresponding Quarter 30 June 2013 RM'000	Current Year-to-date 30 June 2014 RM'000	Preceding Year Corresponding Period 30 June 2013 RM'000
Income tax charge	(0)	3	(0)	(14)
Deferred taxation	(105)	(165)	(169)	(351)
Tax expense	(105)	(162)	(169)	(365)

The effective tax rates of the Group for the financial year-to-date under review 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) Proposed establishment of an Employees' Share Option Scheme (ESOS) for eligible directors and employees of ManagePay and its subsidiary Companies. Reference is made to the announcements dated 22 April 2014 and 30 April 2014 in relation to the Proposed ESOS. Bursa Securities had, vide its letter dated 6 May 2014, approved the listing of such number of ManagePay Shares representing up to 15% of the issued and paid-up share capital of ManagePay (excluding treasury shares) to be issued pursuant to the exercise of ESOS Options under the Proposed ESOS. The effective date for implementation of the ESOS is yet to be determined by the Board.

(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	13,156	Within two (2) years	1,666	(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>20,298</u>		<u>1,666</u>	

Notes:

- (1) As at 30 June 2014, RM13.156 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 utilised.
- (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.

(ii) Proceeds from Private Placement

The Private Placement was completed on 18 June 2014. The gross proceeds received was RM5.711 million. The gross proceeds raised from the Private Placement 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	4,200	-	Within two (2) years	4,200	
Other Operating expenses	1,391	-	Within one (1) year	1,391	
Estimated expenses in relation to the Private Placement	<u>120</u>	<u>29</u>	Within one (1) month	<u>91</u>	(1)
	<u><u>5,711</u></u>	<u><u>29</u></u>		<u><u>5,682</u></u>	

Notes:

- (1) As at 30 June 2014, RM0.029 million was utilised for professional fees relating to the Private Placement.

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 30 June 2014	Preceding Year Corresponding Quarter 30 June 2013	Cumulative Year-to-date 30 June 2014	Preceding Year Corresponding Period 30 June 2013
Total comprehensive income attributable to owners of the Company (RM'000)	82	133	842	612
Weighted average number of ordinary shares in issue ('000)	402,669	366,062	402,669	366,062
Effect of Conversion of Warrants ('000)	183,031	-	183,031	-
Diluted Earning Per share (sen)	0.01	-	0.14	-
Earnings per share(sen)	0.02	0.04	0.21	0.17

(b) Diluted

There is potential dilution for earnings/(loss) per share 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 30 June 2014 RM'000	As at 30 June 2013 RM'000
Total retained profits of the Group:		
- Realised	14,360	11,860
- Unrealised (in respect of deferred tax recognised in the income statement)	(1,104)	(351)
	13,256	11,509
Less: Consolidation adjustments	(9,088)	(8,512)
Total Group retained profits as per consolidated accounts	4,168	2,997

Company

	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000
Total accumulated loss of the Company:		
- Realised	(1,662)	(1,609)
- Unrealised (in respect of impairment loss on investment in subsidiary)	-	-
Total Company's accumulated loss as per accounts	(1,662)	(1,609)

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 26 August 2014.