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## 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 2014. 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**

		<b>Effective for financial periods beginning on or after</b>
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 Jan 2018
<u>Amendments/Improvements to MFRSs</u>		
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 7	Financial Instruments: Disclosure	1 Jan 2016
MFRS 8	Operating Segments	1 July 2014
MFRS 9	Financial Instruments	1 Jan 2018
MFRS 10 and MFRS 12	Investment Entities	1 Jan 2016
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 101	Presentation of Financial Statements	1 Jan 2016
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 138	Intangible Assets	1 July 2014
MFRS 140	Investment Property	1 July 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 December 2014 is as follows:

<b>Quarter ended 31 December 2014</b>	<b>Payment RM'000</b>	<b>Non Payment RM'000</b>	<b>Total RM'000</b>
Segment revenue	3,177	52	3,229
Other unallocated income			111
Unallocated expenses			(2,494)
Profit from operations			846
Finance costs			(7)
Profit before taxation			839
Income tax expenses			(367)
Less : Minority Interest			(1)
Profit after taxation			471
Segment assets	36,356	447	36,803
Tax assets			-
Unallocated corporate assets			17,892
			54,695
Segment liabilities	127	-	127
Tax liabilities			1,263
Unallocated corporate liabilities			1,792
			3,182

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

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

<b>Quarter ended 31 December 2013</b>	<b>Payment RM'000</b>	<b>Non Payment RM'000</b>	<b>Total RM'000</b>
Segment revenue	3,103	16	3,119
Other unallocated income			100
Unallocated expenses			(2,614)
Profit from operations			<u>605</u>
Finance costs			(1)
Profit before taxation			<u>604</u>
Income tax expenses			(180)
Profit after taxation			<u><u>424</u></u>
Segment assets	26,010	593	26,603
Tax assets			17
Unallocated corporate assets			19,835
			<u>46,455</u>
Segment Liabilities	136	-	136
Tax liabilities			1,020
Unallocated corporate liabilities			881
			<u>2,037</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 31 December 2014

**A12. Capital expenditure**

There are no material capital expenditure in respect of property, plant and equipment as at 31 December 2014 except for purchase of land and buildings purchasing of a building together with furniture & fitting amounting to RM2.5 million and at the same time disposed of the furniture & fitting of the building to third party amounting to RM0.4 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

		<b>Individual Quarter</b>	
		<b>Current Quarter</b>	<b>Preceding Year</b>
		<b>31 December</b>	<b>Corresponding</b>
		<b>2014</b>	<b>Quarter</b>
		<b>RM'000</b>	<b>31 December</b>
			<b>2013</b>
			<b>RM'000</b>
Rental expenses		45	45
Short term	employee	146	135
benefits			
		<b>Cumulative Quarter</b>	
		<b>Current Quarter</b>	<b>Preceding Year</b>
		<b>31 December</b>	<b>Corresponding</b>
		<b>2014</b>	<b>Period</b>
		<b>RM'000</b>	<b>31 December</b>
			<b>2013</b>
			<b>RM'000</b>
Rental expenses		180	180
Short term	employee	524	507
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 RM3.229 million and Profit Before Taxation (“PBT”) of RM0.839 million for the current financial quarter under review. The Group’s revenue for the current financial quarter under review of RM3.229 million as compared to RM3.119 million recorded for the preceding year corresponding quarter represented an increase of RM0.11 million or 3.5%. The increase in the Group’s revenue for the current financial quarter under review was mainly due to the increase of RM0.074 million in revenue derived from the payment segment.

The Group recorded a PBT of RM0.839 million for the current financial quarter under review as compared to RM0.604 million as recorded in the preceding year corresponding quarter as result of increase in revenue from payment segment offset by higher depreciation and personnel costs.

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

	<b>Current Quarter 31 December 2014 RM’000</b>	<b>Preceding Quarter 30 September 2014 RM’000</b>
Revenue	3,229	1,805
Profit before taxation	839	(57)

During the current financial quarter under review, the Group recorded revenue of RM3.229 million, representing an increase in revenue of RM1.424 million or 78.9% as compared to RM1.805 million recorded during the immediate preceding quarter as a result of increase in revenue generated from payment services. The Group’s PBT of RM0.839 million for the current financial quarter under review, represented a increase of RM0.896 million as compared to the LBT of RM0.57 million recorded in the immediate preceding quarter. The increase in PBT was in line with increase in revenue and profit margin for the current financial quarter.

**3. Prospects of the Group**

The Group has registered a noticeable growth in e-payment sales and strongly believes it will register higher revenue growth in e-Payment merchant acquisition activities (commonly referred to as “Third Party Acquiring” services) in the year 2015.

In 4th quarter, the Group has secured two business communities, each have thousands of sales agents, to use our MPOS solution to accept e-Payment such as VISA and MasterCard as a form of payment for their products and services. The projects are being implemented at different stages and the payment transactions shall start before middle of the year 2015. These large e-payment acquisition projects will contribute to enhance the Group's performance for the year 2015.

The Group has also started the Third Party Processing (“TPP”) certification process from VISA International after successfully obtained the MasterCard TPP certification in 3rd quarter 2014. Certification for the other card schemes such as MyDebit from MyClear and China Union Pay (CUP) are being scheduled to start from first quarter year 2015.

In view of the above mentioned, 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 Third Party Acquiring and Third Party Processing 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 31 December 2014 RM'000	Preceding Year Corresponding Quarter 31 December 2013 RM'000	Current Year-to-date 31 December 2014 RM'000	Audited Result 31 December 2013 RM'000
Interest income	(111)	-	(488)	(554)
Other income, excluding interest income, gain on disposal of plant and equipment and gain on foreign exchange	(1)	(100)	(487)	(100)
Depreciation & amortisation	1,021	260	3,233	2,025
Loss/(Gain) on disposal of plant and equipment	9	-	(7)	(2)
Loss/(Gain) on foreign exchange	(11)	(14)	(16)	(16)

## 6. Taxation

The taxation figures are as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter 31 December 2014 RM'000	Preceding Year Corresponding Quarter 31 December 2013 RM'000	Current Year-to-date 31 December 2014 RM'000	Audited Result Corresponding Period 31 December 2013 RM'000
Income tax charge	334	57	334	97
Deferred taxation	33	123	44	566
Tax expense	367	180	378	663

The effective tax rates of the Group for the financial year-to-date under review were slightly 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 has been fixed on 3 November 2014.

**(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:

	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Estimated timeframe for utilisation</b>	<b>Amount Unutilised RM'000</b>	<b>Explanation</b>
Capital expenditure	14,822	14,822	Within two (2) years	-	(1)
Working capital	6,352	6,444	Within two (2) years	-	(1) and (2)
Estimated expenses in relation to the Rights Issue With Warrants	<u>790</u>	<u>698</u>	Within three (3) months	-	(2)
	<u><u>21,964</u></u>	<u><u>21,964</u></u>		<u><u>-</u></u>	

Notes:

- (1) The proposed utilization for capital expenditure has been fully utilized.
- (2) The proposed utilization 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 utilized 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:

	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Estimated timeframe for utilisation</b>	<b>Amount Unutilised RM'000</b>	<b>Explanation</b>
Capital expenditure	4,200	1,143	Within two (2) years	3,057	
Other Operating expenses	1,391	1,425	Within one (1) year	-	(1)
Estimated expenses in relation to the Private Placement	<u>120</u>	<u>86</u>	Within one (1) month	-	(1)
	<u><u>5,711</u></u>	<u><u>2,654</u></u>		<u><u>3,057</u></u>	

Notes:

- (1) In view that the actual expenses in relation to Private Placement were lower than estimated, the excess of RM34,000 was utilized for other operating expenditure.

## 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 December 2014	Preceding Year Corresponding Quarter 31 December 2013	Cumulative Year-to-date 31 December 2014	Audited Result 31 December 2013
Total comprehensive income attributable to owners of the Company (RM'000)	471	424	1,414	941
Weighted average number of ordinary shares in issue ('000)	402,669	366,062	402,669	366,062

### (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 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:

<b>Group</b>	<b>As at 31 December 2014 RM'000</b>	<b>Audited Result As at 31 December 2013 RM'000</b>
Total retained profits of the Group:		
- Realised	15,007	13,267
- Unrealised (in respect of deferred tax recognised in the income statement)	(987)	(935)
	14,020	12,332
Less: Consolidation adjustments	(9,280)	(9,006)
Total Group retained profits as per consolidated accounts	4,740	3,326
<b>Company</b>		
	<b>As at 31 December 2014 RM'000</b>	<b>Audited Result As at 31 December 2013 RM'000</b>
Total accumulated loss of the Company:		
- Realised	(2,089)	(1,662)
- Unrealised (in respect of impairment loss on investment in subsidiary)	-	-
Total Company's accumulated loss as per accounts	(2,089)	(1,662)

## 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 25 February 2014.