

## **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 2014. 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 2014.

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 2015. 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 2014. The Group will adopt all new accounting standards issued by MASB upon its effective date:-



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**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
MFRS 15	Revenue from Contract with Customers	1 Jan 2017
<u>Amendments/Improvements to MFRSs</u>		
MFRS5	Non-current Asset Held for Sales and Discontinued Operations	1 Jan 2016
MFRS 7	Financial Instruments: Disclosure	1 Jan 2016
MFRS 9	Financial Instruments	1 Jan 2018
MFRS10	Consolidated Financial Statements	1 Jan 2016
MFRS 11	Joint Arrangements	1 Jan 2016
MFRS 12	Disclosures of Interests in Other Entities	1 Jan 2016
MFRS 116	Property, Plant and Equipment	1 Jul 2014/ 1 Jan 2016
MFRS 119	Employee Benefits	1 Jul 2014/ 1 Jan 2016
MFRS 127	Separate financial statements	1 Jan 2016
MFRS 128	Investments in Associates and Joint Ventures	1 Jan 2016
MFRS 138	Intangible Assets	1 Jul 2014/ 1 Jan 2016
MFRS 141	Agriculture	1 Jan 2016

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 2014.

**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 2015 is as follows:

<b>Quarter ended 31 March 2015</b>	<b>Payment RM’000</b>	<b>Non Payment RM’000</b>	<b>Total RM’000</b>
Segment revenue	3,206	96	3,302
Other unallocated income			98
Unallocated expenses			(2,997)
Profit from operations			403
Finance costs			(3)
Profit before taxation			400
Income tax expenses			(298)
Less : Minority Interest			0
Profit after taxation			<u>102</u>
Segment assets	37,773	412	38,385
Tax assets			14
Unallocated corporate assets			17,157
			<u>55,556</u>
Segment liabilities	128	-	128
Tax liabilities			2,473
Unallocated corporate liabilities			1,461
			<u>4,062</u>

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

The segment information for the quarter ended 31 March 2014 is as follows:

<b>Quarter ended 31 March 2014</b>	<b>Payment RM'000</b>	<b>Non Payment RM'000</b>	<b>Total RM'000</b>
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			<u>760</u>
Segment assets	25,825	610	26,435
Tax assets			24
Unallocated corporate assets			26,481
			<u>52,940</u>
Segment Liabilities	183	-	183
Tax liabilities			1,078
Unallocated corporate liabilities			819
			<u>2,080</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 March 2015

**A12. Capital expenditure**

There are no material capital expenditure in respect of property, plant and equipment as at 31 March 2015.

**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.



**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 31 March 2015 RM'000</b>	<b>Preceding Year Corresponding Quarter 31 March 2014 RM'000</b>
Rental expenses	44	45
Short term employee benefits	117	109

	<b>Cumulative Quarter</b>	
	<b>Current Quarter 31 March 2015 RM'000</b>	<b>Preceding Year Corresponding Period 31 March 2014 RM'000</b>
Rental expenses	44	45
Short term employee benefits	117	109

**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 RM3.302 million and Profit Before Taxation (“PBT”) of RM0.400 million for the current financial quarter under review. The Group’s revenue for the current financial quarter under review of RM3.302 million as compared to RM2.884 million recorded for the preceding year corresponding quarter represented an increase of RM0.418 million. The increase in the Group’s revenue for the current financial quarter under review was mainly due to the increase of revenue derived from the payment segment.

The Group recorded a PBT of RM0.400 million for the current financial quarter under review as compared to RM0.824 million as recorded in the preceding year corresponding quarter mainly due to increase in personnel cost and amortization of development cost.

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

	<b>Current Quarter 31 March 2015</b>	<b>Preceding Quarter 31 December 2014</b>
	<b>RM’000</b>	<b>RM’000</b>
Revenue	3,302	3,229
Profit before taxation	400	839

During the current financial quarter under review, the Group recorded revenue of RM3.302 million, representing an increase in revenue of RM0.073 million as compared to RM3.229 million recorded during the immediate preceding quarter as a result of increase in revenue generated from payment services. The Group’s PBT of RM0.4 million for the current financial quarter under review, represented a decrease of RM0.439 million as compared to the PBT of RM0.839 million recorded in the immediate preceding quarter. The decrease in PBT was due to increase in personnel cost and amortization for the current financial quarter.

**3. Prospects of the Group**

## 2. Prospects of the Group

The Group has registered a noticeable growth in e-Payment merchant acquisition activities (commonly referred to as “Third Party Acquiring” services). However, with BNM continues to drive measures to further enhance the security of payment cards by mandating the Chip and Pin implementation for both domestic debit card and international scheme card by 2016, the industry is caught in a transition period mobilising their technical team trying to roll out this new Chip & Pin specification, which requires major Card Management System host upgrade, re-carding of existing Chip and Sign card and replace or upgrade of existing 230,000 EDCPOS terminals that doesn't support the latest PIN security standard.

This may impact the Group’s earning in the next two quarters as the bank customers are busy preparing the internal purchasing procedure to upgrade the systems and procure the technical services required. Nevertheless, the industry vendors should be salivating over the industry's requirement on 100,000 units EDCPOS/MPOS/PIN PAD each year from end 2015 to 2019, which ManagePay Group is confident to win some of these banks’ projects.

The Group has announced on 24 February 2015 received the Letter Of Approval dated 18 February 2015 from BNM to issue electronic money (e-money) via the proposed online wallet (MPAY Balance) and prepaid card (MPAY MasterCard). With this approval, the Group has commenced to take the necessary steps to increase its cash position via a private placement exercise. As explained earlier, the Group also has to commit to invest in new Card Management System which is comply to Chip & Pin specifications, put the required resources and make the necessary spending and development activities for this e-Money issuing project in the next two (2) to three (3) quarters. All these activities may affect the Group performance in the short term. The Group expects the issuing business will be rolled out before end of this year. The Group has solicited a handful MasterCard issuing projects which we are confident to secure at least one or two projects by 3rd quarter this year.

Premised on the above mentioned paragraphs and the outlook of the industry aligning to the payment card reform framework advocated by BNM, and despite the material investment for the upgrade of Chip & Pin system as well as the development of the e-Money system (which we shall raise the necessary fund vide the Proposed Private Placement), the management expects the Group to be well positioned to capture the growth of the payment industry by offering end-to-end e-Payment and e-Money solutions to large retailers, shopping complexes, business communities in the next 5 years.

#### 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 2015 RM'000	Preceding Year Corresponding Quarter 31 March 2014 RM'000	Current Year-to-date 31 March 2015 RM'000	Preceding Year Corresponding Period 31 March 2014 RM'000
Interest income	(22)	(106)	(22)	(106)
Other income, excluding interest income, gain on disposal of plant and equipment and gain on foreign exchange	(75)	-	(75)	-
Depreciation & amortisation	1,015	649	1,015	649
Loss/(Gain) on disposal of plant and equipment	-	-	-	-
Loss/(Gain) on foreign exchange	(1)	7	(1)	7

## 6. Taxation

The taxation figures are as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter 31 March 2015 RM'000	Preceding Year Corresponding Quarter 31 March 2014 RM'000	Current Year-to-date 31 March 2015 RM'000	Preceding Year Corresponding Period 31 March 2014 RM'000
Income tax charge	298	-	298	-
Deferred taxation	-	(64)	-	(64)
Tax expense	298	(64)	298	(64)

The effective tax rates of the Group for the financial year-to-date under review were higher due to substantial capital allowance has been utilized in the previous periods.

## 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) Share Option Scheme (ESOS)

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.

On 20 April 2015, the Group announced that the Group has made an offer of options of a total of 40,050,000 at the option price of RM0.28 to eligible employees and Directors of the Company in accordance with the By-Laws of the ESOS.

The details of the offer of share options are as follows:-

No.	Description of Options under the ESOS
1. Date of offer of the options	20 April 2015
2. Exercise price of options offered	RM0.28





3. Number of options or shares offered	40,050,000
4. Market price of the Company's security on the date of offer	RM0.31
5. Number of options or shares offered to each director	<p><u>Executive Director:</u></p> <p>1. Mr. Chew Chee Seng 4,000,000</p> <p><u>Non-Executive Directors:</u></p> <p>1. Dato' Dr. Mohd Aminuddin Bin Mohd Rouse 1,000,000</p> <p>2. Dato' Mohamad Kamarudin Bin Hassan 1,000,000</p> <p>3. Cheong Chee Yun 1,000,000</p> <p>4. Chin Shea Fong 1,000,000</p>
6. Vesting period of the options or shares offered	<p>First 20%: 21 April 2016 Until end of the duration of the ESOS Scheme</p> <p>Second 20%: 21 April 2017 Until end of the duration of the ESOS Scheme</p> <p>Third 20%: 21 April 2018 Until end of the duration of the ESOS Scheme</p> <p>Fourth 20%: 21 April 2019 Until end of the duration of the ESOS Scheme</p> <p>Fifth 20%: 21 April 2020 Until end of the duration of the ESOS Scheme</p>

**(ii) Proposed Private Placement**

On 25 March 2015, Kenanga Investment Bank Berhad ("Kenanga IB") on behalf of the Board of Directors of ManagePay ("Board"), has made an announcement that the Company proposes to undertake a private placement of up to thirty (30%) of the existing issued and paid-up share capital of ManagePay.

An application has been submitted to Bursa Malaysia Securities Berhad ("Bursa Securities") as per ACE Market Listing Requirements.

The detail of the Private Placement is per the 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:

	<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	1,604	Within two (2) years	2,596	
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>3115</u></u>		<u><u>2,596</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 earnings per ordinary share

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 March 2015	Preceding Year Corresponding Quarter 31 March 2014	Cumulative Year-to-date 31 March 2015	Cumulative Year-to-date 31 March 2014
Total comprehensive income attributable to owners of the Company (RM'000)	102	760	102	760
Weighted average number of ordinary shares in issue ('000)	402,669	371,757	402,669	371,757
Basic earnings per ordinary share (sen)	0.03	0.20	0.03	0.20

### (b) Diluted earnings per ordinary share

Diluted earnings per share amounts are calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Individual Quarter		Cumulative Quarter	
	Current Quarter 31 March 2015	Preceding Year Corresponding Quarter 31 March 2014	Cumulative Year-to-date 31 March 2015	Cumulative Year-to-date 31 March 2014
Total comprehensive income attributable to owners of the Company (RM'000)	102	760	102	760
Weighted average number of ordinary shares in issue ('000)	402,669	371,757	402,669	371,757
Effect of dilution for Convertible warrants	151,590	* -	151,590	* -
	<u>554,261</u>	<u>371,757</u>	<u>554,261</u>	<u>371,757</u>

Diluted earnings per ordinary share (sen)	0.02	0.20	0.02	0.20
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\* There is no potential dilution for earning per share given that the average market price of ordinary shares during the period is less than the exercise price of the warrant.

## 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 2015 RM'000	As at 31 March 2014 RM'000
Total retained profits of the Group:		
- Realised	5,419	14,267
- Unrealised (in respect of deferred tax recognised in the income statement)	(1,004)	(999)
	4,415	13,268
Less: Consolidation adjustments	(9,138)	(9,088)
Total Group retained profits as per consolidated accounts	(4,723)	4,180

### Company

	As at 31 March 2015 RM'000	Audited Result As at 31 March 2015 RM'000
Total accumulated loss of the Company:		
- Realised	(2,204)	(1,692)
- Unrealised (in respect of impairment loss on investment in subsidiary)	(6)	-
Total Company's accumulated loss as per accounts	(2,210)	(1,692)

## 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 May 2015.