



NOTES TO THE QUARTERLY REPORT

PART A - EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS ("FRS") 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 Financial Reporting Standards ("FRS") 134: Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). No comparative figures are available for the preceding year's individual and cumulative corresponding quarter as this is the fourth interim financial report being announced by ManagePay Systems Berhad ("ManagePay" or the "Company").

The interim financial statements should be read in conjunction with the latest audited financial statement for the financial period ended 31 December 2010. 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 2010.

The accounting policies and methods of computation adopted by the Company and its subsidiaries ("Group") for these interim financial statements are in compliance with the new and revised Financial Reporting Standards ("FRSs") are issued by the Malaysian Accounting Standards Board.

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 period ended 31 December 2010 except for the current period ended 30 September 2011, the Group adopted the following new and revised FRSs, IC interpretations and amendments to FRSs and IC Interpretations which are applicable to its financial statements:

FRS 1	Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
FRS 2	Amendments to FRS 2, Share-based Payment
FRS 3	Amendments to FRS 3, Business Combinations
FRS 7	Amendments to FRS 7, Improving Disclosures about Financial Instruments
FRS 101	Amendments to FRS 101, Presentation of Financial Statements
FRS 132	Amendments to FRS 132, Financial Instruments: Presentation
FRS 134	Amendment to FRS 134, Interim Financial Reporting
FRS 139	Amendments to FRS 139, Financial Instruments: Recognition and Measurement
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 14	Amendment to IC 14, Prepayments of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above FRSs, amendments and interpretations are not expected to have any significant impact on the financial statements of the Group.

The Group has not applied the following new/revised FRSs, amendments to FRSs and interpretations that have been issued by the MASB but not yet effective:

FRSs, Interpretations and amendments effective for financial periods beginning on or after 1st January 2012

FRS 124	Related Party Disclosures (revised)
IC Interpretation 15	Agreements for the Construction of Real Estate

The abovementioned standards which are applicable will be adopted by the Group on their respective effective dates.

A3. Qualification on the Auditors' Report of preceding annual financial statements

There were no audit qualification to the annual audited financial statements of the Group for the financial year ended 31 December 2010.

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 issuance 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"

Quarter ended 30 September 2011	Payment RM'000	Non Payment RM'000	Total RM'000
Segment revenue	1,204	1,276	2,480
Other unallocated income			98
Unallocated expenses			(3,230)
Loss from operations			(652)
Finance costs			(17)
Loss before taxation			(669)
Income tax expenses			(111)
Loss for the period			(780)

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 September 2011.

A12. Capital expenditure

There are no material capital expenditure in respect of property, plant and equipment as at 30 September 2011.

A13. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter as at 30 September 2011.

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 were no material events subsequent to the end of the current quarter that have not been reflected in the interim financial statement under review.

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

	Current Quarter
	30 September 2011
	RM'000
Rental expenses	45
Short term employee benefits	130

PART B - ADDITIONAL INFORMATION REQUIRED PURSUANT TO THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES
1. Review of performance

The Group recorded revenue of RM2.480 million and Loss Before Taxation (“LBT”) of RM0.669 million for the current financial quarter under review. The Group’s revenue for the current quarter of RM2.480 million as compared to RM3.001 million recorded for the preceding quarter, represented a decrease of 17.36%. The decrease was mainly due to the longer sales cycle in non payment services currently pursued by the Group.

The Group has redeployed its sales force to focus on EDCPOS sales from medium and large enterprises which require relatively longer sales cycle for both payment and non-payment business as the growth in acquiring EDCPOS sales from small retailers has been compromised by the termination of existing small retailer customers of the Group due to the slowdown in retail business generally across Malaysia. In addition, the Group has also recorded decrease in the revenue contributed by the non payment services by 32.59% from RM1.893 million to RM1.276 million. As a result, the Group recorded a higher LBT for the current quarter as compared to the LBT as recorded in preceding quarter. In spite of the challenging economic environment, the Group’s payment services revenue has grown by 8.66% from RM1.108 million to RM1.204 million.

Nevertheless, the Group is currently at the stage of certifying the EDCPOS terminals with RHB Bank Berhad and AEON Credit Service (M) Berhad for future merchant acquisition business. In addition, we are also negotiating the terms and conditions of the Group’s products and services with a local retail business entity for the roll out of an enterprise e-commerce payment solution and pursuing a project with a government entity to develop and operate a payment system.

2. Material changes to the results of the preceding quarter

	Current Quarter 30 September 2011 RM’000	Preceding Quarter 30 June 2011 RM’000
Revenue	2,480	3,001
Loss before taxation	(669)	(353)

During the current financial quarter ended 30 September 2011, the Group has recorded revenue of RM2.480 million, this representing a decrease of RM0.521 million or 17.36% as compared to the revenue of RM3.001 million during the preceding quarter ended 30 June 2011. The Group recorded a loss before taxation of RM0.669 million in the current financial quarter ended 30 September 2011, as compared to a loss before taxation of RM0.353 million in the previous quarter ended 30 June 2011.

The decrease in revenue and higher LBT was mainly due to the longer sales cycle in non payment services currently pursued by the Group. The Group has redeployed its sales force to focus on EDCPOS sales from medium and large enterprises which require relatively longer sales cycle for both payment and non-payment business as the growth in acquiring EDCPOS sales from small retailers has been compromised by the termination of existing small retailer customers of the Group due to the slowdown in retail business generally across Malaysia.

3. Prospects of the Group

The Group experienced a slower growth in EDCPOS terminal deployment in the current quarter under review due to the harsh global economic condition and sluggish competition and business environment which has resulted in the termination of EDCPOS rental terminals from some of the existing small retailer customers of the Group and the longer sales cycle from medium and large enterprises for both the payment and non payment businesses. Arising from such circumstance, the management has strategised to move up the value chain to become an operator of payment services instead of the existing terminal installation, commission and maintenance contractor for the financial institutions. This is evident with the Group's participation in the Malaysia Digital Enterprise Exchange (MDEX) which was awarded by Multimedia Development Corporation (MDeC) last year.

The Group has progressed steadily in enhancing the business offerings of Malaysia Digital Enterprise Exchange (MDEX) and is ready to launch comprehensive online and offline business applications for Malaysian Small Medium Industries/Small Medium Enterprises ("SMI/SMEs") by early January 2012 which includes but not limited to the following:-

- 1) Information delivery: listing of SMI/SMEs business information such as corporate data and its products and services on MDEX which is endorsed by the Government.
- 2) Trade facilitation: to enable SMI/SMEs business processes, such as quotations management, e-procurement, electronic invoices presentment and point of sales system.
- 3) Payment solution: to facilitate the payment services by way of Business to Consumers ("B2C") and Business to Business ("B2B") arrangement, domestic or cross border.
- 4) Logistic: provide shipment management tool which allows the SMI/SMEs to manage the delivery cost and track the delivery status online.

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. Income tax expense

The taxation figures are as follows:

	Current Quarter Ended 30 September 2011	Preceding Quarter Ended 30 June 2011
	RM'000	RM'000
Income tax expense	<u>(111)</u>	<u>34</u>

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 the fact that the Group has two (2) subsidiaries who are MSC Status Companies which enjoy tax benefits as pioneer status companies. During the current quarter, the Group shows a negative amount in income tax expenses, mainly due to deferred tax movement in two (2) subsidiaries.

6. Sales of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties for the current quarter under review and financial year to-date.

7. Purchase and/or disposal of quoted securities

The Group does not hold any quoted security nor was there any purchase or disposal of quoted securities during the current financial quarter under review and financial year-to-date.

8. Status of corporate proposal

(a) Corporate Proposal

There is no corporate proposal announced and not completed as at the date of this announcement.

(b) Utilisation of proceeds

The Group received proceeds of RM7.321 million from the public issue of 45,758,000 Shares, and the gross proceeds 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
Purchase of equipment	3,750	186	Within two (2) years	3,564	(1)
Working capital	1,071	1,071	Within two (2) years	131	(2) and (3)
Research and development	1,000	-	Within one (1) year	1,000	
Estimated listing expenses	1,500	1,369	Within three (3) months	-	(3)
	<u>7,321</u>	<u>2,626</u>		<u>4,695</u>	

Notes:

- (1) As at 30 September 2011, RM0.186 million was utilised to buy the EDCPOS terminals as tabled above. The other future projects being pursued have been delayed.
- (2) Working capital expenses related to selling and distribution and administrative expenses.
- (3) In view that the actual listing expenses were lower than estimated, the excess will be utilised for working capital.

The IPO proceeds are expected to be utilised within the estimated time frame given and the Group does not expect any material deviation as at the date of this report.

9. Borrowings

The Group does not have any borrowings and debt securities in the current financial quarter under review.

10. Off Balance Sheet financial instruments

There were no off balance sheet financial instruments as at the date of this interim report.

11. Material litigation

Save as disclosed below, there was no material litigation involving the Group as at the date of issuance of this announcement:-

- (a) Multimedia Prospect Sdn Bhd (“MPSB”) had provided software development services to Deliberate Technologies Sdn Bhd. MPSB had commenced legal proceedings against Deliberate Technologies Sdn Bhd for a total sum of Ringgit Malaysia Four Hundred Seventy Four Thousand and Five Hundred (RM474,500) only pursuant to a letter of offer dated 22 June 2003 for non payment of services rendered to Deliberate Technologies Sdn Bhd. MPSB had filed an application for summary judgment under Order 14 of the Rules of the High Court but the same was dismissed by the Senior Assistant Registrar on 13 April 2007. A notice of appeal was filed by MPSB to the judge in chambers on 16 April 2007 and the matter was fixed for hearing on 7 July 2010.

On 7 July 2010, the Court, in the absence of representative from Deliberate Technologies Sdn Bhd had allowed MPSB’s Notice of Appeal with costs of RM1,000. MPSB’s solicitor is currently waiting to extract the sealed copy of the judgment from the Court.

However, the Group has written off the sum of Ringgit Malaysia Four Hundred Seventy Four Thousand and Five Hundred (RM474,500) as bad debt since financial year 2008 and thus the outcome of the legal proceedings against Deliberate Technologies Sdn Bhd will have no negative impact to the Group financial results.

12. Dividend

There were no dividend declared and paid during the current quarter under review and financial year to-date.

13. Earnings per Share

(a) Basic

The loss per share is calculated by dividing the loss after taxation of the Group with 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 September 2011 RM’000	Preceding Year Corresponding Quarter 30 September 2010 RM’000	Current Year-to-date 30 September 2011 RM’000	Preceding Year Corresponding Period 30 September 2010 RM’000
Total comprehensive income attributable to owners of the Company (RM’000)	(780)	N/A	(1,074)	N/A
Weighted average number of ordinary shares in issue (‘000)	170,628	N/A	170,628	N/A
Loss per share (sen)	(0.46)	N/A	(0.63)	N/A

Note:

N/A Not applicable

13. Earnings per Share-cont'd

(b) Diluted

The Group does not have any convertible share or convertible financial instruments for the current quarter under review and financial year-to-date.

14. 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 Quarter Ended 30 September 2011 RM'000	Group Quarter Ended 30 June 2011 RM'000
Total retained profits of the Group:		
- Realised	10,994	11,834
- Unrealised	99	39
(in respect of deferred tax recognised in the income statement)		
	<u>11,093</u>	<u>11,873</u>
Less: Consolidation adjustments	<u>(8,512)</u>	<u>(8,512)</u>
Total Group retained profits as per consolidated accounts	<u><u>2,581</u></u>	<u><u>3,361</u></u>
	Company Quarter Ended 30 September 2011 RM'000	Company Quarter Ended 30 June 2011 RM'000
Total accumulated losses of the Company:		
- Realised	1,209	866
- Unrealised	-	-
(in respect of impairment loss on investment in subsidiary)		
Total Company's accumulated losses as per accounts	<u><u>1,209</u></u>	<u><u>866</u></u>

15. This interim financial report is dated 18th November, 2011.