*All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.*

**THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

If you have sold or transferred all your Cuscapi Shares, you should at once hand this Abridged Prospectus together with the NPA and the RSF to the agent/ broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Corporate Exercises which are the subject of this Abridged Prospectus should be addressed to our Share Registrar, Securities Services (Holdings) Sdn Bhd (36869-T) at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Corporate Exercises or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus together with the NPA and the RSF have also been lodged with the Registrar of Companies, who takes no responsibility for the contents of these documents.

The approval from our shareholders for the Corporate Exercises was obtained at our EGM held on 21 February 2013. Approval from Bursa Securities has also been obtained vide its letter dated 16 January 2013 for the admission of the Warrants to the Official List and the listing of the Rights Shares, the Bonus Shares and the Warrants as well as the new Cuscapi Shares to be issued arising from the exercise of the Warrants. The official listing of and quotation for all the new securities will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to them.

Neither the SC nor Bursa Securities takes any responsibility for the correctness of statements made or opinions expressed in this Abridged Prospectus. Admission of the Warrants to the Official List and the listing of and quotation for the Rights Shares, the Bonus Shares and the Warrants as well as the new Cuscapi Shares to be issued arising from the exercise of the Warrants are in no way reflective of the merits of the Corporate Exercises.

Our Board has seen and approved all the documentation relating to the Corporate Exercises, including this Abridged Prospectus, together with the NPA and the RSF. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

This Abridged Prospectus together with the NPA and the RSF are only despatched to our Entitled Shareholders whose names appear on our Record of Depositors and have provided our Share Registrar with an address in Malaysia not later than 5.00 p.m. on 3 April 2013. This Abridged Prospectus together with the NPA and the RSF are not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Corporate Exercises complies with the laws of any countries or jurisdictions other than the laws of Malaysia. The Entitled Shareholders and/ or their renouncee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and other professional advisers as to whether the acceptance and/ or renunciation (as the case may be) of all or any part of their entitlements to the Corporate Exercises would result in a contravention of any laws of such countries or jurisdictions. Neither we, OSK nor any other professional advisers shall accept any responsibility or liability in the event that any acceptance and/ or renunciation made by the Entitled Shareholders and/ or their renouncee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions.

OSK, being our Adviser for the Corporate Exercises, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Corporate Exercises.

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, PLEASE REFER TO SECTION 6 OF THIS ABRIDGED PROSPECTUS.**

cuscapi®

# CUSCAPI BERHAD

(Company No. 43190-H)

(Incorporated in Malaysia under the Companies Act, 1965)

**I. RENOUNCEABLE RIGHTS ISSUE OF UP TO 146,749,640 NEW ORDINARY SHARES OF RM0.10 EACH IN CUSCAPI BERHAD ("CUSCAPI") ("CUSCAPI SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING CUSCAPI SHARES HELD AS AT 5.00 P.M. ON 3 APRIL 2013 AT AN ISSUE PRICE OF RM0.24 PER RIGHTS SHARE TOGETHER WITH UP TO 146,749,640 FREE DETACHABLE WARRANTS IN CUSCAPI ("WARRANT(S)") ON THE BASIS OF ONE (1) FREE WARRANT FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED FOR ("RIGHTS ISSUE WITH WARRANTS"); AND**

**II. BONUS ISSUE OF UP TO 73,374,820 NEW CUSCAPI SHARES ("BONUS SHARE(S)") ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY (2) RIGHTS SHARES SUBSCRIBED FOR PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS ("BONUS ISSUE")**

*Adviser*

**OSK Investment Bank Berhad** (14152-V)

(A member of RHB Banking Group)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

**IMPORTANT RELEVANT DATES AND TIME:-**

| | |
|---|---|
| Entitlement Date | : Wednesday, 3 April 2013 at 5.00 p.m. |
| Last date and time for sale of provisional allotment of rights | : Wednesday, 10 April 2013 at 5.00 p.m. |
| Last date and time for transfer of provisional allotment of rights | : Monday, 15 April 2013 at 4.00 p.m. |
| Last date and time for acceptance and payment | : Thursday, 18 April 2013 at 5.00 p.m.* |
| Last date and time for excess application and payment | : Thursday, 18 April 2013 at 5.00 p.m.* |

* or such later date and time as our Board may determine and announce not less than two (2) Market Days before the stipulated date and time

This Abridged Prospectus is dated 30 March 2013

Company No. 43190-H

*All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.*

THIS ABRIDGED PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE REGISTRATION OF THIS ABRIDGED PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE CORPORATE EXERCISES OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS ABRIDGED PROSPECTUS.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE WARRANTS TO THE OFFICIAL LIST AND THE LISTING OF THE RIGHTS SHARES, THE BONUS SHARES AND THE WARRANTS AS WELL AS THE NEW SHARES TO BE ISSUED ARISING FROM THE EXERCISE OF THE WARRANTS. HOWEVER, THIS IS NOT AN INDICATION THAT BURSA SECURITIES RECOMMENDS THE CORPORATE EXERCISES.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE CORPORATE EXERCISES FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus, the NPA and the RSF:-

| | | |
|---|---|---|
| "Act" | : | The Companies Act, 1965 |
| "Amendments" | : | The amendments to the Memorandum and Articles of Association of the Company |
| "Board" | : | The Board of Directors of Cuscapi |
| "Bonus Issue" | : | The bonus issue of up to 73,374,820 Bonus Shares to be credited as fully paid-up on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed for pursuant to the Rights Issue with Warrants |
| "Bonus Share(s)" | : | Up to 73,374,820 new Cuscapi Shares to be issued pursuant to the Bonus Issue |
| "Bursa Depository" | : | Bursa Malaysia Depository Sdn Bhd (165570-W) |
| "Bursa Securities" | : | Bursa Malaysia Securities Berhad (635998-W) |
| "CDS" | : | Central Depository System |
| "CDS Account" | : | A securities account established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depository) Act, 1991 and the Rules of Bursa Depository for the recording of deposits of securities and for dealings in such securities by the depositor |
| "Corporate Exercises" | : | The Rights Issue with Warrants and the Bonus Issue, collectively |
| "CMSA" | : | Capital Markets and Services Act, 2007 |
| "CSOS" | : | Customer Self Ordering System |
| "Cuscapi" or the "Company" | : | Cuscapi Berhad (43190-H) |
| "Cuscapi Group" or the "Group" | : | Cuscapi and its subsidiaries, collectively |
| "Cuscapi Share(s)" or "Share(s)" | : | Ordinary share(s) of RM0.10 each in Cuscapi |
| "Deed Poll" | : | The deed poll dated 20 March 2013 constituting the Warrants |
| "Director(s)" | : | A natural person who holds a directorship in the Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 4 of the Act |
| "EBITDA" | : | Earnings before interest taxation, depreciation and amortisation |
| "EGM" | : | Extraordinary General Meeting |
| "Entitled Shareholder(s)" | : | The shareholders of Cuscapi whose names appear in the Record of Depositors of the Company on the Entitlement Date |

## DEFINITIONS (CONT'D)

| | | |
|---|---|---|
| "Entitlement Date" | : | At 5.00 p.m. on 3 April 2013, being the time and date on which the names of the shareholders must appear in our Record of Depositors provided by Bursa Depository in order to participate in the Rights Issue with Warrants and the Bonus Issue |
| "EPS" | : | Earnings per Share |
| "ESOS" | : | Employees' share option scheme |
| "ESOS Option(s)" | : | The options granted pursuant to the existing ESOS of Cuscapi, which became effective on 24 January 2011 and valid for a period of three (3) years up to 23 January 2014 |
| "Excess Rights Shares" | : | Rights Shares with Warrants which are not taken up or not validly taken up by the Entitled Shareholders and/ or their renouncee(s) (if applicable) |
| "Foreign Entitled Shareholder(s)" | : | Entitled Shareholder(s) who have not provided an address in Malaysia for the service of documents to be issued for the purposes of the Rights Issue with Warrants |
| "F&B" | : | Food and beverage |
| "FPE" | : | Financial period ended |
| "FYE" | : | Financial year ended/ ending |
| "ICT" | : | Information and Communications Technology |
| "IT" | : | Information Technology |
| "Increase in Authorised Share Capital" | : | The increase in the authorised share capital of the Company from RM60,000,000 comprising 600,000,000 Cuscapi Shares to RM120,000,000 comprising 1,200,000,000 Cuscapi Shares |
| "KFCPM" | : | KFC (Peninsular Malaysia) Sdn Bhd (26388-T) |
| "Listing Requirements" | : | ACE Market Listing Requirements of Bursa Securities |
| "LPD" | : | 5 March 2013, being the latest practicable date prior to the printing of this Abridged Prospectus |
| "Market Day(s)" | : | Any day from Monday to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities |
| "MDeC" | : | Multimedia Development Corporation Sdn Bhd (389346-D) |
| "MSC" | : | Multimedia Super Corridor |
| "NA" | : | Net assets |
| "NPA" | : | Notice of provisional allotment of the Rights Shares with Warrants and the Bonus Shares pursuant to the Rights Issue with Warrants and the Bonus Issue |
| "Official List" | : | A list specifying all securities which have been admitted for listing on Bursa Securities and not removed |

## DEFINITIONS (CONT'D)

| | | |
|---|---|---|
| "OSK" | : | OSK Investment Bank Berhad (14152-V) |
| "PAT" | : | Profit after tax |
| "PBT" | : | Profit before tax |
| "POS" | : | Point-of-Sales |
| "PRC" | : | People's Republic of China |
| "Provisional Allotment" | : | Rights Shares together with the Warrants and the Bonus Shares provisionally allotted to the Entitled Shareholders pursuant to the Rights Issue with Warrants and the Bonus Issue |
| "R&D" | : | Research and development |
| "Record of Depositors" | : | A record of depositors established by Bursa Depository under the Rules of Bursa Depository |
| "Rights Issue with Warrants" | : | The renounceable rights issue of up to 146,749,640 Rights Shares on the basis of one (1) Rights Share for every two (2) existing Cuscapi Shares held together with up to 146,749,640 Warrants on the basis of one (1) free Warrant for every one (1) Rights Share subscribed for |
| "Rights Share(s)" | : | Up to 146,749,640 new Cuscapi Shares to be issued pursuant to the Rights Issue with Warrants |
| "RSF" | : | Rights Subscription Form for the Rights Issue with Warrants and the Bonus Issue |
| "SC" | : | Securities Commission Malaysia |
| "WAMP" | : | Weighted average market price |
| "Warrant(s)" | : | Up to 146,749,640 free detachable warrants to be issued pursuant to the Rights Issue with Warrants |

**CURRENCIES**

| | | |
|---|---|---|
| "IDR" | : | Indonesian Rupiah |
| "PHP" | : | Philippine Pesos |
| "RM" and "sen" | : | Ringgit Malaysia and sen, respectively |
| "RMB" | : | Chinese renminbi |
| "SGD" | : | Singapore Dollar |
| "THB" | : | Thai Baht |
| "USD" | : | United States Dollar |

All references to "our Company" and "Cuscapi" in this Abridged Prospectus are made to Cuscapi Berhad and references to "our Group" are made to our Company and our subsidiaries. All references to "we", "us", "our" and "ourselves" are made to the Company, or where the context requires, our Group or our subsidiaries. All references to "you" in this Abridged Prospectus are made to our Entitled Shareholders.

## DEFINITIONS (CONT'D)

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

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## TABLE OF CONTENTS

TABLE OF CONTENTS (CONT'D)

## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

| Name | Address | Nationality | Occupation |
|---|---|---|---|
| Dato' Gan Nyap Liou @ Gan Nyap Liow<br>*(Independent Non-Executive Chairman)* | 30, Lorong Kemaris 1<br>Bukit Bandaraya<br>Bangsar<br>59100 Kuala Lumpur | Malaysian | Company Director |
| Her Chor Siong<br>*(Chief Executive Officer)* | 1, Jalan Seri Damai 3<br>Taman Seri Damai<br>43000 Kajang<br>Selangor Darul Ehsan | Malaysian | Company Director |
| Teoh Hoay Ming<br>*(Chief Operating Officer)* | 39, Jalan USJ 17/3A<br>47630 Subang Jaya<br>Selangor Darul Ehsan | Malaysian | Company Director |
| Dato' Rosman bin Abdullah<br>*(Non-Independent Non-Executive Director)* | 17, Jalan Jelutong 3/16<br>Section 3<br>40000 Shah Alam<br>Selangor Darul Ehsan | Malaysian | Company Director |
| Ang Chin Joo<br>*(Independent Non-Executive Director)* | 30, Jalan USJ 5/4<br>UEP Subang Jaya<br>47610 Petaling Jaya<br>Selangor Darul Ehsan | Malaysian | Company Director |
| Tai Keat Chai<br>*(Independent Non-Executive Director)* | 17, Jalan SS 20/22<br>47400 Petaling Jaya<br>Selangor Darul Ehsan | Malaysian | Company Director |

### AUDIT COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Tai Keat Chai | Chairman | Independent Non-Executive Director |
| Dato' Rosman bin Abdullah | Member | Non-Independent Non-Executive Director |
| Ang Chin Joo | Member | Independent Non-Executive Director |

## CORPORATE DIRECTORY (CONT'D)

| | | |
|---|---|---|
| **COMPANY SECRETARIES** | : | Datuk Tan Leh Kiah (MAICSA 0719692)<br><br>95, Lorong Tamarind<br>Southern Park<br>41200 Kelang<br>Selangor Darul Ehsan<br>Tel: 03-2164 0206<br>Fax: 03-2164 0207<br><br>Chan Yoke Peng (MAICSA 7053966)<br><br>C-G07, Block C, Palm Spring @ Damansara<br>No. 1, Jalan PJU 3/29<br>Kota Damansara<br>47810 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel: 03-2164 0206<br>Fax: 03-2164 0207<br><br>Suzana binti Ahmad (Bar Council No: BC/S/356)<br><br>C12-06, Li Villas Condominium<br>No. 1, Jalan 16/20<br>46350 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel: 03-2164 0206<br>Fax: 03-2164 0207 |
| **REGISTERED OFFICE AND PRINCIPAL OFFICE** | : | Level 1, Block B, Peremba Square<br>Saujana Resort, Seksyen U2<br>40150 Shah Alam<br>Selangor Darul Ehsan<br>Tel No : 03-7623 7777<br>Fax No : 03-7622 1999<br>Website: www.cuscapi.com<br>Email: information@cuscapi.com |
| **SHARE REGISTRAR** | : | Securities Services (Holdings) Sdn Bhd (36869-T)<br><br>Level 7, Menara Milenium<br>Jalan Damanlela<br>Pusat Bandar Damansara<br>Damansara Heights<br>50490 Kuala Lumpur<br>Tel No: 03-2084 9000<br>Fax No: 03-2094 9940 |
| **AUDITORS AND REPORTING ACCOUNTANTS** | : | Baker Tilly Monteiro Heng (AF0117)<br><br>Baker Tilly MH Tower<br>Level 10, Tower 1, Avenue 5<br>Bangsar South City<br>59200 Kuala Lumpur<br>Tel No: 03-2297 1000<br>Fax No: 03-2282 9980 |

## CORPORATE DIRECTORY (CONT'D)

| | | |
|---|---|---|
| **PRINCIPAL BANKERS** | : | HSBC Bank Malaysia Berhad (127776-V)<br><br>3A Floor, North Tower<br>No 2, Leboh Ampang<br>50100 Kuala Lumpur<br>Tel: 03-2075 3454<br>Fax: 03-2031 0982<br><br>Standard Chartered Bank Malaysia Berhad (115793-P)<br><br>Level 13A, Annexe Building<br>Menara Standard Chartered<br>30 Jalan Sultan Ismail<br>50250 Kuala Lumpur<br>Tel: 03-2721 5341<br>Fax: 03-2721 5300 |
| **SOLICITORS** | : | Azman Davidson & Co.<br><br>Suite 13.03, 13th Floor<br>Menara Tan & Tan<br>207 Jalan Tun Razak<br>50400 Kuala Lumpur<br>Tel: 03-2164 0200<br>Fax: 03-2164 0280 |
| **ADVISER** | : | OSK Investment Bank Berhad (14152-V)<br><br>20th Floor, Plaza OSK<br>Jalan Ampang<br>50450 Kuala Lumpur<br>Tel No: 03-2333 8333<br>Fax No: 03-2175 3217 |
| **STOCK EXCHANGE LISTED AND LISTING SOUGHT** | : | ACE Market of Bursa Securities |

# CUSCAPI BERHAD

(Company No. 43190-H)
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office**

Level 1, Block B, Peremba Square
Saujana Resort, Seksyen U2
40150 Shah Alam
Selangor Darul Ehsan

30 March 2013

**Board of Directors**

Dato' Gan Nyap Liou @ Gan Nyap Liow *(Independent Non-Executive Chairman)*
Her Chor Siong *(Chief Executive Officer)*
Teoh Hoay Ming *(Chief Operating Officer)*
Dato' Rosman bin Abdullah *(Non-Independent Non-Executive Director)*
Ang Chin Joo *(Independent Non-Executive Director)*
Tai Keat Chai *(Independent Non-Executive Director)*

To: **Our Entitled Shareholders**

Dear Sir/ Madam,

**I. RENOUNCEABLE RIGHTS ISSUE OF UP TO 146,749,640 RIGHTS SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING CUSCAPI SHARES HELD AS AT 5.00 P.M. ON 3 APRIL 2013 AT AN ISSUE PRICE OF RM0.24 PER RIGHTS SHARE TOGETHER WITH UP TO 146,749,640 WARRANTS ON THE BASIS OF ONE (1) WARRANT FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED FOR; AND**

**II. BONUS ISSUE OF UP TO 73,374,820 BONUS SHARES ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY (2) RIGHTS SHARES SUBSCRIBED FOR PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS**

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## 1. INTRODUCTION

On 26 November 2012, OSK had, on behalf of our Board, announced that we propose to undertake, amongst others, the Corporate Exercises.

On 17 January 2013, OSK had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 16 January 2013, resolved to approve the following:-

i. Admission to the Official List and the listing of and quotation for up to 146,749,640 Warrants to be issued pursuant to the Rights Issue with Warrants;

ii. Listing of up to 146,749,640 Rights Shares to be issued pursuant to the Rights Issue with Warrants;

iii. Listing of up to 73,374,820 Bonus Shares to be issued pursuant to the Bonus Issue; and

iv. Listing of up to 146,749,640 new Cuscapi Shares to be issued arising from the exercise of the Warrants.

The approval by Bursa Securities for the Corporate Exercises is subject to the following conditions:-

| | Conditions | Status of compliance |
|---|---|---|
| i. | Cuscapi and OSK must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue with Warrants and the Bonus Issue; | Noted |
| ii. | Cuscapi and OSK to inform Bursa Securities upon the completion of the Rights Issue with Warrants and the Bonus Issue; | To be complied |
| iii. | Cuscapi to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants and the Bonus Issue are completed; | To be complied |
| iv. | Cuscapi to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of the Warrants as at the end of each quarter together with a detailed computation of listing fees payable; | To be complied |
| v. | Cuscapi and OSK are required to make the relevant announcements pursuant to Rules 6.36(2)(a) and (b), 6.36(3) and 6.36(5) of the Listing Requirements; and | To be complied |
| vi. | Inform Bursa Depository on the actual number of Bonus Shares to be issued and the latest issued and paid-up share capital of Cuscapi (after the Bonus Shares) when submitting the allotment information to Bursa Depository for the crediting of the new Bonus Shares. | To be complied |

On 30 January 2013, OSK had, on behalf of our Board, announced that the Controller of Foreign Exchange (via Bank Negara Malaysia) had, via its letter dated 30 January 2013, approved the allotment and issuance of the Warrants to our non-resident shareholders pursuant to the Rights Issue with Warrants.

On 21 February 2013, our shareholders had approved, amongst others, the Corporate Exercises at our EGM. A certified true extract of the resolutions pertaining to the Corporate Exercises, Increase in Authorised Share Capital and Amendments which were passed at the aforesaid EGM, is set out in Appendix I of this Abridged Prospectus.

On 20 March 2013, OSK had, on behalf of our Board, announced that the issue price of the Rights Shares and the exercise price of the Warrants have been fixed at RM0.24 per Rights Share and RM0.27 per Warrant, respectively.

On 20 March 2013, OSK had, on behalf of our Board, announced the Entitlement Date and other relevant dates pertaining to the Corporate Exercises.

The official listing of and quotation for the Rights Shares, the Bonus Shares and the Warrants to be issued pursuant to the Corporate Exercises will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to them.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with the Corporate Exercises and if given or made, such information or representation must not be relied upon as having been authorised by us or OSK.

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

## 2. DETAILS OF THE CORPORATE EXERCISES

### 2.1 Rights Issue with Warrants

#### 2.1.1 Details of the Rights Issue with Warrants

The Rights Issue with Warrants entails an issuance of up to 146,749,640 Rights Shares at an issue price of RM0.24 per Rights Share on a renounceable basis of one (1) Rights Share for every two (2) existing Cuscapi Shares held on the Entitlement Date together with up to 146,749,640 Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed for by the Entitled Shareholders and/ or their renouncee(s) (if applicable).

The Warrants will be immediately detached from the Rights Shares upon issuance and will be traded separately. The Warrants will be issued in registered form and constituted by the Deed Poll.

The renunciation of the Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares pursuant to the Rights Issue with Warrants. However, if the Entitled Shareholders decide to accept only part of their Rights Shares entitlements, they shall then be entitled to the Warrants in the proportion of their acceptance of their Rights Shares entitlements. Further, the renunciation of the Rights Shares by the Entitled Shareholders will simultaneously entail the renunciation of the Bonus Shares to be issued pursuant to the Bonus Issue. Further details on the Bonus Issue are set out in Section 2.2 of this Abridged Prospectus.

Any unsubscribed Rights Shares with attached Warrants will be made available to the other Entitled Shareholders and/ or their renouncee(s) (if applicable) under the Excess Rights Shares application. It is the intention of our Board to allocate the Excess Rights Shares, if any, on a fair and equitable manner, and on a basis as set out in Section 10.8 of this Abridged Prospectus.

Any fractional entitlements of the Rights Shares and Warrants arising from the Rights Issue with Warrants shall be disregarded and shall be dealt with in such manner as our Board shall in their absolute discretion think fit and expedient, and to be in the best interest of the Company.

The effects of the Rights Issue with Warrants and the Bonus Issue shall be based on the following two (2) scenarios:-

| | | |
|---|---|---|
| Minimum Scenario | : | Assuming none of the outstanding 48,164,213 ESOS Options are exercised prior to the Entitlement Date and the Rights Issue with Warrants is undertaken on a minimum subscription level basis as set out in Section 5 of this Abridged Prospectus. |
| Maximum Scenario | : | Assuming full granting and/ or exercise of the 48,164,213 ESOS Options prior to the Entitlement Date and the Entitled Shareholders and/ or their renouncee(s) fully subscribe for their entitlements under the Rights Issue with Warrants. |

As you are an Entitled Shareholder, your CDS Accounts will be duly credited with the number of Provisional Allotment, which you are entitled to subscribe for in full or in part under the terms of the Corporate Exercises. You will find enclosed in this Abridged Prospectus, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Provisional Allotment as well as to apply for the Excess Rights Shares if you choose to do so.

Any dealings in our securities will be subject to the provisions of the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares together with the Warrants and the Bonus Shares will be credited directly into the respective CDS Accounts of the successful applicants. However, no physical share or warrant certificates will be issued. Notices of allotment will be despatched to the successful applicants.

We will allot and issue the Rights Shares together with the Warrants and the Bonus Shares, despatch notices of allotment to the successful applicants and make an application for the quotation for the Rights Shares and the Warrants within eight (8) Market Days from the last date for acceptance and payment for the Rights Shares or such period as may be prescribed by Bursa Securities. The Rights Shares, the Bonus Shares and the Warrants will then be quoted two (2) Market Days after the application for quotation is made to Bursa Securities.

#### 2.1.2 Basis and justification of determining the issue price

On 20 March 2013, OSK had, on behalf of our Board, announced that the issue price of the Rights Shares has been fixed at RM0.24 per Rights Share. This represents a discount of approximately 11.11% to the theoretical ex-all price of Cuscapi Shares after the Corporate Exercises of RM0.27, based on the five (5)-day WAMP of Cuscapi Shares up to and including 19 March 2013, being the last transacted date of Cuscapi Shares immediately preceding the price-fixing date, of RM0.35.

The issue price of the Rights Shares was determined and fixed by our Board after taking into consideration the aforementioned theoretical ex-all price of Cuscapi Shares with a discount of not more than 30% and the par value of Cuscapi Shares of RM0.10 each.

#### 2.1.3 Basis of determination of and justification for the exercise price of the Warrants

The Warrants attached to the Rights Shares will be issued free to the Entitled Shareholders and/ or their renouncee(s) (if applicable) who subscribe for the Rights Shares.

On 20 March 2013, OSK had, on behalf of our Board, announced that the exercise price of the Warrants has been fixed at RM0.27 per Warrant. This represents the theoretical ex-all price of Cuscapi Shares after the Corporate Exercises based on the five (5)-day WAMP of Cuscapi Shares up to and including 19 March 2013, being the last transacted date of Cuscapi Shares immediately preceding the price-fixing date, of RM0.35.

The exercise price of the Warrants was determined and fixed by our Board after taking into consideration the aforementioned theoretical ex-all price of Cuscapi Shares with a premium/ discount of not more than 15% and the par value of Cuscapi Shares of RM0.10 each.

### 2.1.4 Ranking of the Rights Shares and the new Cuscapi Shares to be issued arising from the exercise of the Warrants

The Rights Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing Cuscapi Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Rights Shares.

The new Cuscapi Shares to be issued arising from the exercise of the Warrants will, upon allotment and issuance, rank *pari passu* in all respects with the existing Cuscapi Shares, save and except that the new Cuscapi Shares will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the said new Cuscapi Shares.

### 2.1.5 Principal terms of the Warrants

The principal terms of the Warrants are set out below:-

| | | |
|---|---|---|
| Issue size | : | Up to 146,749,640 Warrants to be issued in conjunction with the Rights Issue with Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed for by the Entitled Shareholders and/ or their renouncees(s) (if applicable). |
| Exercise rights | : | Each Warrant entitles the registered holder, at any time during the exercise period, to subscribe for one (1) new Cuscapi Share at the exercise price, subject to adjustments in accordance with the provisions of the Deed Poll. |
| Exercise period | : | The Warrants may be exercised at any time during the period of five (5) years commencing on and including the date of issuance of the Warrants. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid. |
| Mode of exercise | : | The registered holder of the Warrants is required to lodge a subscription form, as set out in the Deed Poll, with the Company's registrar, duly completed, signed and stamped together with payment of the exercise price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia. |
| Board lot | : | For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new Cuscapi Shares at any time during the exercise period, or such denomination as determined by Bursa Securities. |

| | | |
|---|---|---|
| Participating rights of the holders of Warrants in any distribution and/ or offer of further securities | : | The holders of the Warrants are not entitled to vote in any general meeting or to participate in any dividends, rights, allotments and/ or other forms of distribution other than on winding-up, compromise or arrangement of Cuscapi and/ or offer of further securities in the Company unless and until the holder of the Warrants becomes a shareholder of Cuscapi by exercising his Warrants into new Cuscapi Shares or unless otherwise resolved by Cuscapi in a general meeting. |
| Rights in the event of winding-up, liquidation, compromise and/ or arrangement | : | Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then every holder of the Warrants shall be entitled upon and subject to the provisions of the Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or six (6) weeks after the granting of the court order approving the compromise or arrangement, by irrevocable surrender of his Warrants to the Company, elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the exercise rights represented by his Warrants to the extent specified in the relevant subscription forms and be entitled to receive out of the assets of the Company which would be available in liquidation as if he had on such date been the holder of the new Cuscapi Shares to which he would have been entitled to pursuant to such exercise. |
| Adjustments in the exercise price and/ or number of Warrants | : | The exercise price and/ or number of unexercised Warrants may be adjusted by the Board, in consultation with its professional advisers, in the event of any alteration to the share capital of the Company, including but not limited to the consolidation or subdivision or conversion, issuance of shares by way of capitalisation of profits or reserves, capital distribution or rights issue of shares or convertible securities or any other events, in accordance with the provisions of the Deed Poll. |
| Modifications | : | Unless expressly provided in the Deed Poll, no modification, amendment, deletion or addition may be made to the provisions of the Deed Poll (including the warrant certificate) without the sanction of a special resolution. Any modification, amendment, deletion or addition to this deed may be effected only by a deed executed by the Company and expressed to be supplemented and subject to the approval of the relevant authority, if necessary. |
| Governing law | : | Laws and regulations of Malaysia. |

## 2.2 Bonus Issue

### 2.2.1 Details of the Bonus Issue

The Bonus Issue entails an issuance of up to 73,374,820 Bonus Shares to be credited as fully paid-up on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed for by the Entitled Shareholders and/ or their renouncee(s) (if applicable).

For avoidance of doubt, the Bonus Shares shall only be issued to the Entitled Shareholders and/ or their renouncee(s) (if applicable) who subscribe for the Rights Shares pursuant to the Rights Issue with Warrants.

Accordingly, the Entitled Shareholders who renounce their entitlements to the Rights Shares provisionally allotted to them under the Rights Issue with Warrants will simultaneously relinquish their entitlements to the Bonus Shares.

Any fractional entitlements of the Bonus Shares arising from the Bonus Issue shall be disregarded and shall be dealt with in such manner as our Board shall in their absolute discretion think fit and expedient, and in the best interest of the Company.

Any dealings in the Bonus Shares will be subject the provisions of the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Bonus Shares will be credited directly into the respective CDS Accounts of the successful applicants for the Rights Shares. No physical share certificates will be issued.

The Corporate Exercises have the same book closure date as both exercises are implemented concurrently. We will allot and issue the Rights Shares together with the Warrants and the Bonus Shares, despatch notices of allotment to the successful applicants and make an application for the quotation for the Rights Shares and the Warrants within eight (8) Market Days from the last date for acceptance and payment for the Rights Shares or such period as may be prescribed by Bursa Securities. The Rights Shares, the Bonus Shares and the Warrants will then be quoted two (2) Market Days after the application for quotation is made to Bursa Securities.

**For avoidance of doubt, the Bonus Shares will not be entitled to participate in the Rights Issue with Warrants.**

The Bonus Issue will not be implemented in stages over a period of time.

### 2.2.2 Capitalisation of reserves

The Bonus Issue shall be wholly capitalised from our share premium account. The capitalisation for the Bonus Issue based on our latest audited financial statements for the FYE 31 December 2011 at the Company level is set out below:-

| **Cuscapi (Company level)** | **Minimum Scenario RM'000** | **Maximum Scenario RM'000** |
|---|---|---|
| Audited share premium as at 31 December 2011 | 14,185 | 14,185 |
| Amount to be capitalised for the Bonus Issue | (2,311) | (7,337) |
| **After the Bonus Issue** | **11,874** | **6,848** |

The capitalisation for the Bonus Issue based on our latest unaudited financial statements for the FYE 31 December 2012 at the Company level is set out below:-

| **Cuscapi (Company level)** | **Minimum Scenario RM'000** | **Maximum Scenario RM'000** |
|---|---|---|
| Unaudited share premium as at 31 December 2012 | 14,317 | 14,317 |
| Amount to be capitalised for the Bonus Issue | (2,311) | (7,337) |
| **After the Bonus Issue** | 12,006 | 6,980 |

### 2.2.3 Ranking of the Bonus Shares

The Bonus Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing Cuscapi Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Bonus Shares.

### 2.3 Details of other corporate exercises

As at the LPD, save for the Corporate Exercises and as disclosed below, our Board confirms that there are no other outstanding corporate exercises which have been announced and/ or approved by the regulatory authorities but pending completion:-

On 26 November 2012, OSK had, on behalf of our Board, announced that we propose to undertake, amongst others, a transfer of the listing of and quotation for our entire issued and paid-up share capital from the ACE Market to the Main Market of Bursa Securities. The application for the transfer has been submitted to the SC on 28 February 2013 and is presently pending approval.

## 3. RATIONALE AND JUSTIFICATIONS FOR THE CORPORATE EXERCISES

### 3.1 Rights Issue with Warrants

After due consideration, our Board is of the view that the Rights Issue with Warrants is the most appropriate avenue for raising funds as the Rights Issue with Warrants shall:-

i. Enable us to raise funds without incurring interests expenses as compared to bank borrowings;

ii. Improve liquidity and financial flexibility as well as to optimise our Group's capital structure by strengthening our financial position; and

iii. Provide our shareholders with an opportunity to further increase their equity participation in our Company via the issuance of new Cuscapi Shares without diluting the existing shareholders' equity interest, assuming all Entitled Shareholders fully subscribe for their respective entitlements pursuant to the Rights Issue with Warrants.

The Warrants to be issued pursuant to the Rights Issue with Warrants will provide an incentive to our shareholders to subscribe for the Rights Shares. The Warrants will allow the Entitled Shareholders to benefit from the potential capital appreciation of the Warrants and increase their equity participation in our Company at a predetermined price over the tenure of the Warrants. In addition, we would also be able to raise further proceeds as and when the Warrants are exercised.

### 3.2 Bonus Issue

Our Board is of the view that the Bonus Issue, which will provide further incentive to the Entitled Shareholders to subscribe for the Rights Shares, is the most appropriate avenue of rewarding them while at the same time enhance our capital base as the Bonus Issue will:-

i. Increase our issued and paid-up share capital to a level which would be more reflective of our current scale of operations and assets employed;

ii. Enlarge the number of Cuscapi Shares held by our existing shareholders, albeit without increasing the percentage equity interest; and

iii. Be able to encourage trading liquidity of Cuscapi Shares on Bursa Securities and greater participation by investors as well as potentially broadening our shareholder base.

## 4. UTILISATION OF PROCEEDS

Based on the issue price of RM0.24 per Rights Share, the Rights Issue with Warrants is expected to raise gross proceeds of up to RM35.22 million and the intended utilisation are set out below:-

| | Timeframe for utilisation | Minimum Scenario RM'000 | Maximum Scenario RM'000 |
|---|---|---|---|
| Business expansion[*1] | Within 24 months | 9,594 | 33,720 |
| Estimated expenses in relation to the Corporate Exercises | Upon completion | 1,500 | 1,500 |
| **Total** | | **11,094** | **35,220** |

***Note:-***

[*1] *The proceeds for the business expansion will be utilised in the following manner:-*

| | Note | *Minimum Scenario RM'000* | *Maximum Scenario RM'000* |
|---|---|---|---|
| *Geographical expansion* | *i* | *7,594* | *23,720* |
| *R&D activities* | *ii* | *1,000* | *5,000* |
| *Purchase of equipments* | *iii* | *1,000* | *5,000* |
| ***Total*** | | ***9,594*** | ***33,720*** |

*i. Geographical expansion by further expanding and strengthening the presence of our Group in Asian countries such as the PRC, Hong Kong, Taiwan, Japan, Indonesia and India, and the Indo-China region such as Vietnam and Cambodia for an extensive customer base.*

*The allocated amount will be utilised to fund the following:-*

a. *Establishment of regional offices, which involves expenses such as rentals, deposits, renovations, equipment, and furniture and fittings as well as for travelling, recruitment and staff remuneration. The new offices are expected to be established in countries such as the PRC, Vietnam, Cambodia, Taiwan, Hong Kong and India where our Group already have customer presence or business dealing as the new offices will serve to provide greater support to its customers located there;*

b. *Setting up of joint venture companies with local partners. The joint venture companies are expected to be established mainly in countries where there are regulatory restrictions such as limitations to foreign shareholdings or when there is a need to have a strong local partner to penetrate countries such as Indonesia; and*

c. *Acquisition of established companies. This would serve to speed up the expansion of our Group into new markets especially in large markets such as the PRC and Indonesia.*

ii. *R&D activities in developing new solutions for our Group. The amount allocated will be utilised for the payment of the trainings and resources to be provided to the R&D team, purchase of tools and equipments and improvement of the existing products; and*

iii. *Purchase of equipments such as interactive tablets and computer hardware to be deployed at customers' premises*

The actual gross proceeds to be raised would depend on the actual number of Rights Shares to be issued. Any variation between the actual gross proceeds to be raised and the intended gross proceeds will be adjusted against the amount allocated for the business expansion of our Group.

Any variation to the amount of estimated expenses incurred in relation to the Corporate Exercises will be adjusted against the amount allocated for the business expansion of our Group.

The gross proceeds to be raised from the exercise of the Warrants are dependent on the total number of Warrants exercised during the tenure of the Warrants. The gross proceeds to be raised from the exercise of Warrants will be utilised as working capital of our Group.

Pending utilisation of the proceeds from the Rights Issue with Warrants for the above purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of our Group.

## 5. IRREVOCABLE UNDERTAKINGS AND UNDERWRITING ARRANGEMENTS

Our Board has determined to undertake the Rights Issue with Warrants on a minimum subscription level basis. The minimum subscription level has been determined by our Board after taking into consideration the minimum level of funds that we wish to raise from the Rights Issue with Warrants which will be channelled towards the proposed utilisation of proceeds as set out in Section 4 of this Abridged Prospectus.

Certain Directors and substantial shareholders of our Company, namely Dato' Gan Nyap Liou @ Gan Nyap Liow, Her Chor Siong, Teoh Hoay Ming, Ang Chin Joo and Transight Systems Sdn Bhd, had vide their letters dated 21 November 2012, provided their respective irrevocable undertakings to subscribe in full for their respective entitlements under the Rights Issue with Warrants based on their shareholdings.

A summary of the irrevocable undertakings is set out below:-

| | Shareholdings as at the LPD | | Entitlements and irrevocable undertakings under the Rights Issue with Warrants | |
|---|---|---|---|---|
| | **No. of Shares** | **%** | **No. of Shares** | **%*1** |
| Dato' Gan Nyap Liou @ Gan Nyap Liow | 14,500,000 | 5.91 | 7,250,000 | 4.94 |
| Her Chor Siong | 23,166,667*2 | 9.44 | 11,583,333 | 7.89 |
| Teoh Hoay Ming | 4,324,967*3 | 1.76 | 2,162,484 | 1.47 |
| Ang Chin Joo | 12,342,000 | 5.03 | 6,171,000 | 4.21 |
| Transight Systems Sdn Bhd | 38,120,000 | 15.54 | 19,060,000 | 12.99 |
| **Total** | **92,453,634** | **37.68** | **46,226,817** | **31.50** |

***Notes:-***

*1 *Computed based on the Maximum Scenario, where the maximum number of Rights Shares available for subscription amounts to 146,749,640*

*2 *Includes his indirect shareholdings in Cuscapi via Aura Fokus Sdn Bhd, which holds 8,000,000 Cuscapi Shares*

*3 *Includes his indirect shareholdings in Cuscapi via his spouse, who holds 127,800 Cuscapi Shares*

Based on the issue price of RM0.24 per Rights Shares, the funding requirements for the above-mentioned Directors and substantial shareholders pursuant to their irrevocable undertakings are approximately RM11.09 million. The above-mentioned Directors and substantial shareholders had also, on 21 November 2012, provided confirmations that they have sufficient financial resources to take up their respective entitlements as set out above. The said confirmations have been verified by OSK, the Adviser for the Corporate Exercises.

As the Rights Issue with Warrants will be undertaken on a minimum subscription level basis, we will not procure any underwriting arrangement for the balance of up to 100,522,823 Rights Shares, representing 68.50% of the total Rights Shares available for subscription under the Maximum Scenario.

The subscription of the Rights Shares and the subsequent exercise of the Warrants by the above-mentioned Directors and substantial shareholders pursuant to the Rights Issue with Warrants are not expected to trigger any mandatory take-over offer obligation under Part III of the Malaysian Code on Take-Overs and Mergers, 2010.

## 6. RISK FACTORS

In addition to other information contained elsewhere in this Abridged Prospectus, you and/ or your renouncees (if applicable) should consider carefully the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group before subscribing for or investing in the Rights Issue with Warrants.

## 6.1 Risks relating to our Group and the ICT industry in which we operate

### 6.1.1 Business risk

Our Group is principally involved in the provision of POS and business management solutions to the hospitality industry, primarily in the F&B segment. We also provide remedial and support services, project management and consultancy, outsourcing services and network services. Hence, our Group's business is subject to certain risks inherent in the ICT industry at large which includes, amongst others, changes in domestic and world economic conditions, entry of new players, shortage in skilled workforce and increase in cost of operations.

Whilst our Group seeks to limit these risks through our continued initiative in R&D for new innovative solutions and venturing into overseas markets with our own developed products, there is no assurance that any change to these risks will not adversely affect our Group's business.

### 6.1.2 Dependence on the hospitality industry

Our current business is mainly focused on the provision of POS and business management solutions to the hospitality industry, primarily F&B segment. Over the years, our Group has secured a prominent set of loyal customers in the hospitality industry, many of whose businesses have also grown significantly throughout the years that our Group has serviced them. Our Group's continued success is therefore dependent on the growth of its existing customers and our ability to secure new customers in this industry. For the FYE 31 December 2011 and the FYE 31 December 2012, the hospitality industry accounted for approximately 80.48% and 78.95% of our Group's revenue, respectively.

Further, the hospitality industry is very susceptible to the economic health and well being of the country. Any adverse situation may result in a downturn in the business of our customers which in turn may affect our business transactions with them.

Whilst we also serve other user industries such as retail, automotive, financial services, telecommunication and public services sectors, our Group intends to maintain our focus on the hospitality industry, where we have built our products strength and established a strong presence throughout the years. Our dependence on this industry in Malaysia is mitigated by our continuous efforts in diversifying our business geographically within the region as well as in exploring new synergistic growth areas such as networking, business intelligence system and loyalty programme application. This is in line with our vision of "Conquering New Markets Through Innovation".

However, there can be no assurance that any downturn in the hospitality industry will not adversely affect our Group's financial and operating performances.

### 6.1.3 Delays in product development

Our Group may face potential delay in product development caused by changes in design specifications and user requirements, human resource constraint, extended system testing time, quality related fixes and a variety of other causes. In addition, bigger and more complex projects are generally exposed to higher potential of delay.

To minimise such delays, our Group has adhered to stringent control on the product development life cycle through regular checkpoints review. We have also formed a focus group with key users who act as the domain experts to help ensure that our product specifications meet customer needs. Further, we maintain a clear and precise project documentation to minimise interruption and to ensure the projects are carried out smoothly despite changes in human resources. Our Group also provides regular trainings to equip the technical personnel with necessary knowledge and skills to perform their jobs.

Nevertheless, there can be no assurance that our Group will be able to continue to develop and deploy our business solutions in a timely and cost effective manner, and that any delay will not materially affect our Group's operating and financial performances.

### 6.1.4 Infringement of intellectual property rights

A substantial portion of our Group's revenue is derived from our own developed proprietary software. Hence, our commercial success is dependent to a certain degree on our ability to protect our intellectual property rights. Any infringement of such intellectual property rights and illegal copying of our proprietary software may adversely affect our business.

Our Group's exposure to such risk is mitigated through a combination of trademarks, copyrights and trade secret protection. In order to protect our existing and future business solutions, our Group has also put in place confidentiality agreements with our employees and issued other contracted agreements and licenses to our customers and strategic alliances. Nevertheless, the aforementioned steps can only offer limited protection and there can be no assurance that our proprietary rights will be fully protected against any misuse by unauthorised third party.

In addition, the protective steps which are undertaken by our Group may not be sufficient to establish effective ownership of intellectual property rights of our proprietary software solutions as our Group may have inadvertently omitted to execute certain assignments of our intellectual properties in our favour. Hence, third parties, including our former employees, may attempt to claim that our Group does not own such intellectual property rights and unlawfully pass-off our products as theirs. There is also a possibility that former employees may also misappropriate our Group's proprietary information and the proprietary information of our customers which are made available to us confidentially. On the other hand, there is no assurance that our products unwittingly infringe or will infringe other registered trademarks or intellectual property rights belonging to third parties.

The occurrence of any claims or litigation involving infringement of the intellectual property rights of third parties, whether with or without merit, could result in a diversion of our management's time and resources, and our reputation, competitive position and business operations may be materially and adversely affected. In addition, any successful claim against us arising out of such proceedings could result in substantial monetary liability and will materially affect our reputation and the continued sale of the affected products and consequently, our Group's financial performance.

As our ongoing efforts to protect intellectual property rights, our Group has registered trademarks, copyright ownership and implement trade secret protection in Malaysia and every foreign country we operate in. Nevertheless, there can be no assurance that such protection is adequate as effective protection of intellectual property could vary between countries.

It should be highlighted that the risk arising from software piracy is mitigated as our business solutions are customised to suit the specific needs of the users. Our customers will also require after-sales technical support, enhancements, modifications and maintenance services, which are not available with pirated software.

Our Group will also ensure that the design and development of our proprietary business solutions are entirely a result of our in-house efforts and not to avail itself of the source codes of others even in the rare event that such source codes are available to our R&D team. Nevertheless, there can be no assurance that any risk involving intellectual property rights and trademarks infringement will not adversely affect our reputation and business operations.

### 6.1.5 Dependence on major customer

Our Group's business is dependent, to a certain extent, on a major customer, namely KFCPM. Our relationship with KFCPM has spanned more than 30 years, during which our Group has built up goodwill through repeat orders. For the FYE 31 December 2011 and the FYE 31 December 2012, KFCPM has accounted for approximately 15.71% and 15.36% of our revenue, respectively. There is no assurance that our Group can retain this major customer and acquire new customers who would contribute a comparable amount of revenue to our business. Further, there is a risk that KFCPM may cease investing in new solutions. As a result, we will not be able to generate additional revenue from KFCPM but will be providing them with our support services.

Our dependence on KFCPM is partly mitigated by the fact that the solutions that we provide to them are developed in-house and are proprietary to our Group, which have formed an integral part of their current business operations and we have been providing them with continuous support to ensure smooth running of their operations. Thus, they may need to incur high switching cost associated with initial investment in capital expenditure and process development cost should they decide to adopt other solutions.

In addition, we are also constantly developing new business solutions to serve a wider clientele base while striving to maintain a strong rapport with our existing customers. For the FYE 31 December 2012, we have managed to acquire some new customers in the F&B industry, namely Qing Feng Baozi, Baker's Pizza, Musk Cat Coffee in the PRC and Marrybrown Sdn Bhd in Malaysia.

Nevertheless, there is no assurance that the termination of business relationship and cessation of certain product lines by KFCPM will not adversely affect our financial performance.

### 6.1.6 Dependence on Directors and key personnel

Our continued success will depend significantly on the ability, expertise and continued efforts of our Directors, key management and technical personnel. The departure of any of these individuals may, to a certain extent, affect our future business operations and financial performance. Our future success also depends on our ability to attract, hire, train and motivate sufficient skilled personnel.

Recognising the importance of our key management and technical personnel, we will continuously consider appropriate measures so as to attract and retain our key personnel. To avoid dependence on any key personnel, we strive to attract qualified and experienced personnel as well as to address our succession planning programme by grooming the junior personnel to complement our management team. We believe that offering a competitive salary package, training and conducive working environment should mitigate this risk further, which will in turn help to ensure continuity and competency of our management team.

### 6.1.7 Changes in or loss of MSC status

Three (3) of our subsidiaries, namely Cuscapi Innovation Lab Sdn Bhd, Cuscapi Solution Sdn Bhd and Cuscapi Outsourcing Sdn Bhd, were granted MSC status by MDeC in 2003, 2004 and 2009 respectively. The status accords the aforementioned companies with certain financial and non-financial incentives granted under the Malaysian Government's Bill of Guarantees, which include, amongst others, a five (5)-year exemption from Malaysian income tax commencing from the date when the company starts generating income and is renewable for another five (5) years, unrestricted employment of foreign knowledge workers, freedom to source capital for MSC infrastructure and rights to borrow funds globally with the general exemptions given by the Controller of Foreign Exchange (the Central Bank of Malaysia) from the exchange control requirements.

MDeC is the body that governs and monitors all MSC status designated companies and has the right to revoke any company's MSC status in the event of non-compliance of any term or condition imposed by MDeC. If the MSC status granted are revoked and/ or the pioneer status granted are revoked, not renewed or expired in either one of the aforementioned subsidiaries, our Group's business, operating and financial performance, particularly the PAT, will be adversely affected.

Nevertheless, our Group will continue to adopt prudent management policies to ensure our business activities are in compliance with the conditions imposed by MDeC and to minimise the risk of losing the MSC status in the above-mentioned subsidiaries.

### 6.1.8 Risk of expanding into new geographical market

A significant growth strategy of our Group is to expand into new geographical markets and to be the preferred business partner of F&B enterprises in Asia and the Middle East. Presently, we have eight (8) regional offices located in Singapore, Beijing, Shanghai, Suzhou, Guangzhou, Bangkok, Manila and Jakarta. The establishment of these offices represents the first phase of our plan to have 15 regional offices in Asia and the Middle East by 2015, paving the way for us to capture key markets and strengthen our delivery capabilities in the future. For the FYE 31 December 2012, our international revenue accounted for approximately RM22.89 million or 37.99% of our Group's revenue, representing an increase of 33.16% of the international revenue as compared to previous financial year.

Our continuous expansion in foreign markets could expose our Group to foreign political and regulatory risk, the costs and risks of customising software solutions for foreign markets, currency rate fluctuations or capital controls, difficulty on staffing, managing overseas operations and other risks. Any failure to accurately assess these issues could affect our Group's business, financial condition and operating results.

In mitigating the above, our Board will exercise prudence and care in implementing our business expansion plans. Our management will continue to monitor closely our Group's operating and financial performance and will only invest in the new markets after studies have been carried out to determine the viability of such investments.

### 6.1.9 Foreign exchange risk

Our Group is exposed to foreign exchange risks through our purchases of hardware equipments from Taiwan and revenue from countries such as the PRC, Singapore, Indonesia, Philippines and Thailand, where the transactions are mainly denominated in USD, RMB, SGD, IDR, PHP and THB. Our business is therefore exposed to foreign exchange risks, mainly from the fluctuations of the said currencies.

To mitigate such risk, our Group has adopted a prudent approach by tightening our control procedures for foreign currency transactions. Our Group's foreign currency sales and purchases provide a partial natural hedge against the fluctuations in the foreign currencies, whereby the sales and purchases are mainly denominated in the respective functional currencies of the countries which we are operating in. For the purchases that denominated in USD, approvals are required from Group Finance Department. In addition, we maintain part of our cash and bank balances in USD account to meet our future obligations in foreign currencies.

Nevertheless, there can be no assurance that any future material fluctuations in exchange rates will not have an impact on our Group's financial performance.

### 6.1.10 No assurance that our future plans will be commercially successful

In order to achieve our future plans, our Group relies on the availability of our management, financial, customer support, operational and other resources. The success of our future plans will largely depend on, amongst others, the market acceptance of our products as well as our ability to enhance our existing products and services, develop new business solutions, and implement strategic marketing plan and licensing arrangements on a timely basis and on favourable terms.

Further, to manage any future growth of our operations and personnel resulting from our business expansion, we need to improve and effectively utilise our existing operational, management, marketing and financial systems and to recruit, hire, train and manage additional personnel.

Whilst we may utilise significant resources in realising our future plans, there can be no assurance that our future plans will be successful or that unanticipated expenses, problems and/ or technical difficulties which would result in material delays in our implementation or even deviation from our original plans will not occur. Further, the actual results may deviate from our business plans due to rapid technological and market changes as well as competitive pressures.

### 6.1.11 Competition risks

The ICT industry is competitive and fragmented. We expect competition to persist and increase in the future as we face competition from existing operators and new entrants into the market, both locally and internationally who offer similar products and services. Increased competition from external parties could erode our market position or pricing power, hence our overall financial and operational performance could be adversely affected.

In view of this, our R&D team has put a greater emphasis on enhancing our existing software and developing new products with minimal cost and reasonable price to meet the changing market needs from time to time. We have also focused on building a strong sales force to assist us in garnering greater market share.

Whilst we have successfully established our position as a preferred supplier for POS solutions for more than 30 years, there can be no assurance that we would be able to sustain our competitiveness against current and future competitors.

### 6.1.12 Technological obsolescence

Our products and services are characterised by rapid technological developments of the ICT industry, constantly evolving industry standards, computer operating environments and software applications, swift changes in customer requirements and frequent new product introductions and enhancements. As such, our Group's future growth would depend on our ability to adapt to the ongoing advances in technology and to address the increasingly sophisticated needs of our customers.

The timely development of new or enhanced products and services is a complex and uncertain process. Although our Group believes that we will have adequate funding and skilled personnel to implement our business plan, there can be no assurance that our Group will be able to accurately anticipate the technological and market trends in the industry and continue to have sufficient resources to support the long development cycles. We may also experience design, marketing and other difficulties that could delay or prevent the development of existing or new products and services, and the introduction or marketing of new or enhanced products and services. Further, there is no assurance that the demand for our products and services will not decline as our competitors develop and introduce newer solutions, or solutions with better features and functionalities.

To mitigate these risks, our technical personnel have been continually kept abreast and updated with the relevant knowledge, skills and development in their respective fields of software development to ensure that they are proficient in performing their respective job responsibilities. Our Group is also actively engaging in R&D activities that focus on developing new products and services as well as enhancing our proprietary solutions based on the latest cost and operationally effective technological platform to meet the changing needs of the market. Nevertheless, there can be no assurance that we would be able to develop new products and services which meet the needs of our customers on a timely manner and cost effective basis.

### 6.1.13 Investment activities risks

As our Group is constantly expanding our business and venturing into new geographical market to increase our revenue base and ultimately enhance our shareholders' value, there is a potential risk that these new investments may have longer than expected gestation periods or may not be entirely successful. In this event, we may take time to recover or may be unable to recover our initial investments. In addition, new ventures may cause our Group to seek additional capital, which may or may not be available on satisfactory terms.

To mitigate this risk, we will exercise due care in the evaluation of any new ventures in the future. Nevertheless, there can be no assurance that such ventures will yield positive returns to our Group.

### 6.1.14 Political, economical and regulatory risks

Our financial and business prospects, and the industry in which we operate in, will depend to some degree on the developments in the political and regulatory front in Malaysia and other countries in which we operate in or source our input materials. Amongst the political, economic and regulatory factors that are beyond our control are changes in inflation rates, interest rates, war, terrorism activities, riots, expropriations, changes in political leadership and unfavourable changes in the governments' policies such as taxation and licensing regulations.

We will continue to adopt effective measures such as prudent management and efficient operating procedures to mitigate these factors. Nevertheless, there can be no assurance that any adverse economic, political and regulatory changes will not materially affect our Group's business.

## 6.2 Risks relating to the Corporate Exercises

### 6.2.1 Market risks for the Rights Shares, the Bonus Shares and the Warrants

The Issue Price of the Rights Shares and the Exercise Price of the Warrants have been determined, after taking into consideration, amongst others, the theoretical ex-all price of our Shares and the par value of our Share as set out in Sections 2.1.2 and 2.1.3 of this Abridged Prospectus.

The market price of our Shares is influenced by prevailing market sentiments, volatility of equity markets, outlook of the ICT industry and our financial performance. In view of this, there can be no assurance that the Shares will trade above the Issue Price or the theoretical ex-all price of our Shares upon or subsequent to the listing of and quotation for the Rights Shares and the Bonus Shares on the ACE Market of Bursa Securities.

You are also requested to consider that each Warrant derives its value by giving its holder the rights to subscribe for new Cuscapi Shares at the Exercise Price over the tenure of the Warrants of five (5) years from the date of its issuance. If the price of the Warrants is quoted and traded on the ACE Market of Bursa Securities and the Exercise Price is higher than the price of the underlying Cuscapi Shares, the Warrants are deemed to be "out-of-the-money" and hence, there may not be an incentive for the warrantholders to exercise their Warrants.

The value of the Warrants is dependent on the market price of our Shares, exercise price for the Warrants, remaining tenure of the Warrants, volatility of our share price, perceived risk-free rates applicable in the relevant market and dividend payments of our Company.

However, there is no assurance that the Exercise Price of the Warrants will correspond with the price at which the Warrants will be traded on Bursa Securities. There is also no assurance that an active market for the Warrants will develop upon their listing on Bursa Securities or if developed, that such market can be sustained upon or subsequent to the listing of the Warrants.

Furthermore, you are reminded that should the outstanding Warrants expire at the end of its tenure, it will cease thereafter to be valid for any purposes and hence, will no longer have any value.

### 6.2.2 Delay in or abortion of the Corporate Exercises

The Corporate Exercises are exposed to the risk that it may be aborted or delayed on the occurrence of any one (1) or more of the following events:-

i. Material adverse change of events/ circumstances such as changes in inflation rates, interest rates, political leadership and unfavourable changes in the governments' policies such as taxation and licensing regulations as well as other force majeure events, which are beyond the control of our Company and OSK, arising prior to or during the implementation of the Corporate Exercises;

ii. We are unable to meet the public spread requirement of the Listing Requirements, i.e. at least 25% of our issued and paid-up capital must be held by public shareholders holding not less than 100 Shares each; and

iii. We are unable to meet the public spread requirements of at least 100 holders of Warrants holding not less than one (1) board lot of the Warrants (i.e. 100 Warrants) each. In the event we do not meet the aforesaid public spread requirement, the Warrants will not be listed.

Nevertheless, our Group will endeavour to ensure the successful listing of the Rights Shares, the Bonus Shares and the Warrants. However, there can be no assurance that the above-mentioned events will not occur and cause a delay in or abortion of the Corporate Exercises. In the event the Corporate Exercises are aborted, our Group will repay without interest all monies received in respect of the accepted application for the subscription of the Rights Shares pursuant to the Rights Issue with Warrants and if such monies are not repaid within 14 days after it becomes liable, we will repay such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

## 6.3 Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical data, which may not be reflective of the future results and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on assumptions made by our management and although believed to be reasonable at that time, are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, the risk factors as set out in this section. In view of these and other uncertainties, the inclusion of a forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty by us on the achievability of our future plans and objectives.

# 7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS OF OUR GROUP

## 7.1 Overview and outlook of the Global Economy

The world economic landscape in the fourth quarter of 2012 was characterised mainly by the uneven performance between the advanced and emerging regions. Growth in the major advanced economies weakened while improvements were recorded in the emerging economies. Economic activity in several advanced economies was constrained by fiscal sustainability concerns while the slowdown in Japan was partly attributable to weak export performance. Several major central banks undertook easing measures to provide further support to economic activity and to boost sentiments.

*(Source: Bank Negara Malaysia Quarterly Bulletin – Fourth Quarter 2012)*

The global growth outlook is expected to improve in 2013. Financial and policy risks have receded compared to the situation over the recent two years. Policy measures introduced in the latter half of 2012 have reduced policy uncertainties and stress in the financial markets. In the advanced economies, the pace of recovery is likely to be weak, with the differential in national growth rates reflecting the degree of economic and financial stress in the individual economies. The outlook for the emerging economies is relatively more favourable, despite their vulnerability to external developments. For most of these economies, domestic demand remains the key driver of growth. Overall, the pace of global growth would be contingent on the strength of the revival in private sector activity in the United States of America, the commitment towards a credible and comprehensive set of crisis resolution policies in the euro area and the sustainability of domestic demand in the emerging economies.

Global inflation is expected to remain moderate in tandem with the modest improvement in global demand. In the advanced economies, underlying inflationary pressures are expected to be subdued, reflecting excess capacity and weak demand in these economies. There are, however, signs of demand-pull inflationary pressures in the emerging economies following the stronger domestic activity. Nevertheless, on the supply side, the risk of cost-push inflation is expected to remain restrained, given the expectations of modest increases in the prices of global commodities.

*(Source: Ministry of Finance Malaysia, Outlook and Policy in 2013)*

Growth in emerging market and developing economies is on track to build to 5.5% in 2013. Nevertheless, growth is not projected to rebound to the high rates recorded in 2010 to 2011. Supportive policies have underpinned much of the recent acceleration in activity in many economies. But weakness in advanced economies will weigh on external demand, as well as on the terms of trade of commodity exporters, given the assumption of lower commodity prices in 2013 in this update. Moreover, the space for further policy easing has diminished, while supply bottlenecks and policy uncertainty have hampered growth in some economies (for example, Brazil and India). Activity in Sub-Saharan Africa is expected to remain robust, with a rebound from flood-related output disruptions in Nigeria contributing to an acceleration in overall growth in the region in 2013.

Against this backdrop, the projections in this update imply that global growth will strengthen gradually through 2013, averaging 3.5% on an annual basis, a moderate uptick from 3.2% in 2012, but 0.1% lower than projected in the October 2012 World Economic Outlook. A further strengthening to 4.1% is projected for 2014, assuming recovery takes a firm hold in the euro area economy.

## 7.2 Overview and outlook of the Asian Economy

In Asia, growth improved at a modest pace across most economies in the fourth quarter. Resilient domestic demand continued to be the primary driver of growth in the region, particularly in Association of Southeast Asian Nations ("ASEAN"), where it served to partially offset the weak external demand. The strength of domestic demand was underpinned by favourable labour market conditions, sustained income growth and continued access to credit. The improvements in growth performance in several economies were also attributable partly to the recovery in regional demand. The PRC's economy has expanded by 7.9%, underpinned in part by a rise in infrastructure spending. In the Philippines and Indonesia, economic activity remained resilient 6.8% and 6.1% respectively with continued growth in consumption, investment and exports. Taipei expanded at a faster pace of 3.4% mainly on account of a rebound in investment and an improvement in exports. Growth in the Korean economy remained steady at 1.5% as the improvement in private consumption was offset by a larger decline in investment. In Singapore, growth improved to 1.1%, supported by an expansion in the services sector while the manufacturing sector remained in contraction.

With the exception of the PRC, Korea and Thailand, headline inflation moderated across most economies, following stable commodity prices. In most economies, core inflation remained stable. Amid a benign inflation environment, several regional central banks pursued further monetary policy easing to mitigate the weakness in the external sector. In October 2012, the Bank of Thailand and Bangko Sentral ng Pilipinas lowered their key policy rates by 25 basis points ("bps") each to 2.8% and 3.5% respectively to provide support to domestic economic activity. Other central banks in Asia kept their key policy rates unchanged during fourth quarter of 2012. In January 2013, the Reserve Bank of India reduced its policy repo rate by 25 bps to 7.8% to support growth amid lower inflationary pressures. The cash reserve ratio was also reduced by 25 bps to 4.0% to increase liquidity in the banking system. Several authorities highlighted signs of stabilisation in the global economic environment but remained vigilant to downside risks to the domestic economy.

Going forward, there are emerging signs of improvements in the global economy. Latest economic indicators also suggest further stabilisation in the growth performance in Asia. Notwithstanding these improvements, considerable structural challenges remain in the advanced economies, which would constrain the prospect for a stronger economic recovery. In particular, several advanced economies will continue to address the issues relating to fiscal sustainability and persistently weak labour market conditions. In the emerging markets, the highly accommodative monetary policy sustained in the major advanced economies requires close surveillance given the potential impact of excessive global liquidity on asset price inflation.

*(Source: Bank Negara Malaysia Quarterly Bulletin – Fourth Quarter 2012)*

Driven by greenfield investment opportunities and lower production costs, Foreign Direct Investment ("FDI") inflows to the developing regions of East Asia and Southeast Asia rose 14.0% to USD335.5 billion, accounting for 22.0% of the global inflows. Inflows to East Asia experienced a 9.0% increase to USD219 billion while FDI to Southeast Asia increased 26.0% to USD116.6 billion. Four (4) ASEAN economies, namely Brunei, Indonesia, Malaysia and Singapore saw a considerable rise in FDI inflows in 2011 reaching a combined total of USD96 billion. Malaysia's FDI inflows accelerated 31.5% to USD12 billion. As the PRC continues to experience rising wages and production costs, the relative competitiveness of ASEAN in manufacturing sector has been enhanced. Accordingly, some foreign investors in the PRC's coastal regions are relocating to Southeast Asia. FDI inflows to the PRC, the largest recipient among developing nations, reached USD124 billion in 2011. FDI flows to the services sector surpassed the manufacturing sector for the first time due to higher inflows to non-financial services.

*(Source: Ministry of Finance Malaysia, Economic Report 2012/ 2013)*

## 7.3 Overview and outlook of the Malaysian Economy

Despite the challenging global economic environment, the Malaysian economy recorded a higher growth of 6.4%, supported by the continued strength in domestic demand. Total investment remained robust and was the main driver of growth during the quarter. The growth of private consumption continued to remain strong although the pace of increase moderated. The growth during the quarter also benefited from a significantly lower negative contribution from net exports. On the supply side, most economic sectors recorded improvements in growth during the quarter. For the year as a whole, the Malaysian economy expanded by 5.6%.

Domestic demand continued to expand at the pace of 7.5% with gross fixed capital formation remaining strong, registering double-digit growth of 15.0% in the fourth quarter. Private sector investment advanced by 20.2%, supported by capital spending in the domestic-oriented manufacturing and consumer-related services sub-sectors namely, telecommunications, real estate and aviation and the on-going implementation of projects in the oil and gas sector. Investment was also supported by capacity expansion in the primary-related manufacturing cluster and capital spending in new growth areas such as medical and communications equipment. Public investment expanded by 11.1%, driven by capital spending by public enterprises in the transportation, utilities, oil and gas and communications sectors.

Private consumption registered a growth of 6.1% in the fourth quarter, supported by stable labour market conditions and improved consumer sentiments. The stronger growth in the first half of the year reflected the effects of the various government transfers to households disbursed during the period. Public consumption grew by 1.1%, attributable to continued spending on emoluments amidst lower spending on supplies and services.

For the Malaysian economy, the sustained expansion in domestic activity is expected to continue to drive growth, supported by the sustained private sector expansion. The stabilisation of external conditions is also expected to lend support to our economic growth prospects.

*(Source: Bank Negara Malaysia Quarterly Bulletin – Fourth Quarter 2012)*

## 7.4 Outlook of the ICT Industry

The ICT industry in Malaysia is projected to register significant growth in 2012, supported by the right domestic driver conditions. Persatuan Industri Komputer dan Multimedia Malaysia ("PIKOM") predicts that IT spending in Malaysia is poised to net a double-digit growth of at least 12.0% in 2012. International Data Corporation ("IDC") cited that Malaysia's economic growth is expected to remain cautiously optimistic, with IT spending forecasted to reach USD8.2 billion at the end of 2012. The other factor that is poised to catalyse the growth of IT spending are the government's strategic programmes such as the Economic Transformation Program ("ETP"), Government Transformation Programme ("GTP"), Digital Transformation Programme ("DTP"), Rural Transformation Programme ("RTP") and Political Transformation Programme ("PTP"), which are very much ICT-driven or ICT-enabled.

Similarly, in all the GTP initiatives, contemporary ICT has a critical role in ensuring their efficient and effective implementation. Needless to say, the DTP programme initiatives are pure ICT-based projects aimed at providing transformational changes in five broadly categorised dimensions, i.e. technological, economic, social, governance and environmental.

The implementation of the DTP will hinge on three (3) strategic thrusts. The first thrust is to move the country from ICT supply to demand-focused while leveraging on its existing infrastructure, economic activities, market trends and consumer behaviour. The second thrust is to shift from consumption to production-centric behaviour by leveraging opportunities available in digital technologies. The third and final thrust is to evolve from low knowledge-add to high knowledge-add by increasing the number of local talents, innovators and knowledge workers. An increasing number of Malaysians are leveraging on e-commerce to tap into the growing global marketplace. This, in turn, has helped to push up IT spending in the country.

In 2012, the government initiated the Digital Economy Satellite Account ("DESA") programme which is placed under the supervision of the Ministry of Finance, helmed by the Prime Minister. As such, DESA is given the requisite policy direction and allocation support as well as institutional and administrative clout. Indeed, DESA was initiated primarily for monitoring, measuring and evaluating the performance of Digital Malaysia Programme, whose goal is to generate an innovative digital economy alongside other strategic programmes. Through the national strategic transformational programmes, the government is also poised to increase the contribution of the ICT sector from its current level of 9.8% of the Gross National Income to 17.0% by 2020. The share of ICT sector is currently at 9.8% and the government plans to expand this share to 17.0% by 2020. To gauge progress, periodic monitoring, measuring and evaluation as well as timely policy and programme prescriptions are imperative. In support of this analysis, the DESA system also offers a centralised database, a single source for data reference, segmented dashboard to meet the needs of policy makers and development practitioners at various levels and across industries.

*(Source: PIKOM – ICT Strategic Review 2012/ 13 – Innovation for Digital Opportunities)*

The ICT sector will continue to be a key focus for Malaysia and is expected to gain greater momentum driven by the convergence of industries due to digitalisation. The contribution of the ICT industry to gross domestic product is targeted to increase to 10.2% by 2015. Greater use of ICT will not only support the growth of the sector but also boost productivity and raise the nation's overall competitiveness. However, to achieve growth, Malaysia needs to shift from being an average producer of general ICT products and services to a niche producer of selected ICT products and services, and progress from a net importer to a net exporter. Issues of lack of product acceptability, weak product branding and lack of cross-discipline expertise will be addressed.

*(Source: Economic Planning Unit – 10th Malaysian Plan)*

## 7.5 Future Prospects of our Group

The recent surge in popularity of mobile tablet devices such as the iPad and the various Android tablets have provided an opportunity for our Group to leverage on the strong adoption of these mobile devices to introduce a new innovative business solution known as CSOS which will be launched in the second quarter of 2013. The CSOS is a complete hardware and software solution developed by Cuscapi that runs on tablet devices which will allow restaurant diners to view an electronic menu and submit orders without the intervention of service personnel. In addition, it will offer numerous innovative features to increase restaurant revenue and customer engagement as well as further streamlining restaurant operations.

We have a strong customer base in Malaysia and regionally, which provides a strong platform for our Group to grow its international business further. Presently, our Group has offices in Indonesia and the PRC, with four (4) offices located in Beijing, Suzhou, Guangzhou and Shanghai to support our growth in the PRC. We had also recently acquired a 100% interest in Tills N Label Systems Marketing Inc, which provides a platform to enter the market in the Philippines. Our Group aims to replicate our successful business model in Malaysia to capture more market share in Asia.

In addition, our Group expects to implement the following strategies to grow its business further:-

i. Expand and strengthen its presence in more Asian countries, either by setting up new offices or acquiring established companies that provide similar solutions and services in the local market; and

ii. Continuously introducing new innovative solutions to the market to help its customers improve their operations and increase their revenue.

Our Board after having considered all the relevant aspects, including the above-mentioned prospects and industry outlook for ICT, is optimistic of the prospect of our Group's business in view that it is mainly operating in the Asian market and the ICT industry which is expected to continue to grow due to the relatively young population and large middle income group in Asia.

## 8. FINANCIAL EFFECTS OF THE CORPORATE EXERCISES

### 8.1 Issued and paid-up share capital

The proforma effects of the Rights Issue with Warrants and the Bonus Issue on our issued and paid-up share capital as at the LPD are set out below:-

| | **Minimum Scenario** | | **Maximum Scenario** | |
|---|---|---|---|---|
| | **No. of Shares** | **RM** | **No. of Shares** | **RM** |
| Issued and paid-up share capital | 245,335,067 | 24,533,507 | 245,335,067 | 24,533,507 |
| Assuming full granting and/ or exercise of the ESOS Options | - | - | 48,164,213 | 4,816,421 |
| | 245,335,067 | 24,533,507 | 293,499,280 | 29,349,928 |
| Shares to be issued pursuant to the Rights Issue with Warrants | 46,226,817 | 4,622,682 | 146,749,640 | 14,674,964 |
| | 291,561,884 | 29,156,189 | 440,248,920 | 44,024,892 |
| Shares to be issued pursuant to the Bonus Issue | 23,113,409 | 2,311,341 | 73,374,820 | 7,337,482 |
| | 314,675,293 | 31,467,530 | 513,623,740 | 51,362,374 |
| Assuming full exercise of the Warrants | 46,226,817 | 4,622,682 | 146,749,640 | 14,674,964 |
| **Enlarged issued and paid-up share capital** | **360,902,110** | **36,090,212** | **660,373,380** | **66,037,338** |

## 8.2 NA per Share and gearing

Based on the audited consolidated statements of financial position of our Group as at 31 December 2011, the proforma effects of the Rights Issue with Warrants and the Bonus Issue on the NA per Share and gearing of our Group are set out below:-

***Minimum Scenario***

| | | I | II | III | IV |
|---|---|---|---|---|---|
| | **Audited as at 31 December 2011 RM'000** | **Adjustments for subsequent events*1 RM'000** | **After I and the Rights Issue with Warrants RM'000** | **After II and the Bonus Issue RM'000** | **After III and assuming full exercise of Warrants RM'000** |
| Share capital | 24,443 | 24,533 | 29,156 | 31,467 | 36,090 |
| Share premium | 14,185 | 14,379 | 15,143*2 | 12,832*4 | 24,898*5 |
| Employees' share options reserve | 420 | 649 | 649 | 649 | 649 |
| Foreign currency translation reserve | 456 | 456 | 456 | 456 | 456 |
| Statutory reserve | 222 | 222 | 222 | 222 | 222 |
| Warrants reserve | - | - | 4,207*3 | 4,207 | - |
| Retained earnings | 19,317 | 16,225 | 16,225 | 16,225 | 16,225 |
| **Shareholders' funds/ NA** | **59,043** | **56,464** | **66,058** | **66,058** | **78,540** |
| Number of Shares in issue ('000) | 244,432 | 245,335 | 291,562 | 314,675 | 360,902 |
| NA per Share (RM) | 0.24 | 0.23 | 0.23 | 0.21 | 0.22 |
| Total borrowings (RM'000) | 19 | 468 | 468 | 468 | 468 |
| Gearing ratio (times) | * | * | * | * | * |

***Notes:-***

* *Negligible*

*1 *After adjusting for the following:-*

*i.* *9,967,500 additional ESOS Options granted subsequent to the FYE 31 December 2011 and up to the LPD with a total fair value of approximately RM0.13 million recognised in the profit or loss;*

*ii.* *902,800 ESOS Options exercised at an exercise price of RM0.27 per Cuscapi Share subsequent to the FYE 31 December 2011 and up to the LPD with a total fair value of approximately RM0.04 million reclassified to the share premium account;*

*iii.* *3,158,900 ESOS Options forfeited subsequent to the FYE 31 December 2011 and up to the LPD with a total fair value of approximately RM0.06 million reversed to the profit or loss;*

*iv.* *the fair value of the ESOS Options previously granted and vested amounted to approximately RM0.20 million were recognised in the profit or loss;*

*v.* *the payment of the interim dividends of RM2.76 million in respect of the financial year ending 31 December 2012;*

*vi.* *the effects arising from the acquisition of the entire equity interests in Tills N Labels System Marketing, Inc, which was completed on 31 October 2012; and*

*vii.* *the effects arising from the acquisition of the entire equity interests in Cuscapi (Thailand) Company Limited, which was completed on 12 March 2012*

*2 *After adjusting for the issuance of 46,226,817 Rights Shares based on the issue price of RM0.24 per Rights Share and the recognition of 46,226,817 Warrants to be issued based on the theoretical fair value of RM0.0910 per Warrant and deducting estimated expenses of RM1.50 million*

*3 *After adjusting for the theoretical fair value of RM0.0910 per Warrant*

*4 *After capitalisation of approximately RM2.31 million for the Bonus Issue*

*5 *After adjusting for the exercise of all Warrants at an exercise price of RM0.27 and reversal of the Warrants reserve upon exercise of the Warrants*

***Maximum Scenario***

| | | I | II | III | IV | V |
|---|---|---|---|---|---|---|
| | Audited as at 31 December 2011 RM'000 | Adjustments for subsequent events*[1] RM'000 | Assuming full exercise of outstanding ESOS Options RM'000 | After II and Rights Issue with Warrants RM'000 | After III and Bonus Issue RM'000 | After IV and assuming full exercise of Warrants RM'000 |
| Share capital | 24,443 | 24,533 | 29,349 | 44,024 | 51,361 | 66,036 |
| Share premium | 14,185 | 14,379 | 26,078*[2] | 31,769*[3] | 24,432*[5] | 62,733*[6] |
| Employees' share options reserve | 420 | 649 | - | - | - | - |
| Foreign currency translation reserve | 456 | 456 | 456 | 456 | 456 | 456 |
| Statutory reserve | 222 | 222 | 222 | 222 | 222 | 222 |
| Warrants reserve | - | - | - | 13,354*[4] | 13,354 | - |
| Retained earnings | 19,317 | 16,225 | 16,225 | 16,225 | 16,225 | 16,225 |
| **Shareholders' funds/ NA** | **59,043** | **56,464** | **72,330** | **106,050** | **106,050** | **145,672** |
| Number of Shares in issue ('000) | 244,432 | 245,335 | 293,499 | 440,249 | 513,624 | 660,374 |
| NA per Share (RM) | 0.24 | 0.23 | 0.25 | 0.24 | 0.21 | 0.22 |
| Total borrowings (RM'000) | 19 | 468 | 468 | 468 | 468 | 468 |
| Gearing ratio (times) | * | * | * | * | * | * |

***Notes:-***

* *Negligible*

*1 *After adjusting for the following:-*

i. *9,967,500 additional ESOS Options granted subsequent to the FYE 31 December 2011 and up to the LPD with a total fair value of RM0.13 million recognised in the employees' share options reserve;*

ii. *902,800 ESOS Options exercised at an exercise price of RM0.27 per Cuscapi Share subsequent to the FYE 31 December 2011 and up to the LPD with a total fair value of RM0.04 million reclassified to the share premium account;*

iii. *3,158,900 ESOS Options forfeited subsequent to the FYE 31 December 2011 and up to the LPD with a total fair value of RM0.06 million reversed to the retained earnings;*

iv. *the fair value of the ESOS Options previously granted and vested amounted to RM0.20 million were recognised in the retained earnings;*

v. *the payment of the interim dividends of approximately RM2.76 million in respect of the FYE 31 December 2012;*

vi. *the effects arising from the acquisition of the entire equity interests in Cuscapi (Thailand) Company Limited, which was completed on 12 March 2012; and*

vii. *the effects arising from the acquisition of the entire equity interests in Tills N Labels System Marketing, Inc, which was completed on 31 October 2012*

*2 *After adjusting for the increase in share premium of approximately RM11.05 million based on the following respective exercise price per ESOS Option and reversal of the employee share option reserve upon exercise of the ESOS Options:-*

| | <------------Granted------------> | | | <-----Not yet granted----- > |
|---|---|---|---|---|
| Number of ESOS Options | 6,681,000 | 1,556,100 | 9,035,400 | 30,891,713 |
| Exercise Price | 0.27 | 0.42 | 0.39 | 0.32[*7] |

*3 *After adjusting for the issuance of 146,749,640 Rights Shares based on the issue price of RM0.24 per Rights Share and the recognition of 146,749,640 Warrants to be issued based on the theoretical fair value of RM0.0910 per Warrant and deducting estimated expenses of RM1.50 million*

*4 *After adjusting for the theoretical fair value of the Warrants of RM0.0910 per Warrant*

*5 *After capitalisation of approximately RM7.34 million for the Bonus Issue*

*6 *After adjusting for the exercise of all Warrants at an exercise price of RM0.27 and reversal of Warrants reserve upon exercise of the Warrants*

*7 *Assuming the exercise price is RM0.32 per ESOS Option, being not more than 10% of the five (5)-day WAMP of Cuscapi Shares up to and including the LPD of RM0.34*

### 8.3 Earnings and EPS

The Corporate Exercises are not expected to have any effect on the earnings of our Group for the FYE 31 December 2013.

However, the EPS of our Group may be diluted as a result of the increase in the number of our Shares in issue upon completion of the Corporate Exercises arising from the issuance of the Rights Shares and the Bonus Shares. In addition, as and when the Warrants are exercised into new Cuscapi Shares during the tenure of the Warrants, the EPS of our Group may correspondingly be diluted as a result of the increase in the number of our Shares in issue.

Notwithstanding the above, the utilisation of proceeds from the Rights Issue with Warrants as set out in Section 4 of this Abridged Prospectus is expected to contribute positively to the earnings of our Group for the ensuing financial years, when the benefits of the utilisation of proceeds are realised.

## 9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

### 9.1 Working capital

Our Board is of the opinion that, after taking into consideration our cash flow generated from our operations, current cash in hand and banking facilities available as well as proceeds from the Rights Issue with Warrants, our Group will have sufficient working capital for the next 12 months from the date of this Abridged Prospectus.

### 9.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of approximately RM0.18 million. All the borrowings are denominated in local currency, interest-bearing and comprise the following:-

| | **RM'000** |
|---|---|
| **Short term borrowings:-** | |
| Hire purchase liabilities | 85 |
| **Long term borrowings:-** | |
| Hire purchase liabilities | 92 |
| **Total** | 177 |

After having made all reasonable enquiries and to the best knowledge and belief of our Board, there has been no default on payments of either interest and/ or principal sums in respect of any borrowings for the FYE 31 December 2012 and the subsequent financial period up to the LPD.

### 9.3 Contingent liabilities

After having made all reasonable enquiries, as at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

### 9.4 Material commitments

After having made all reasonable enquiries, as at the LPD, our Board is not aware of any material commitments for capital expenditure incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

## 10. INSTRUCTIONS FOR ACCEPTANCE, SALE OR TRANSFER, EXCESS APPLICATION AND PAYMENT

### 10.1 General

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotment which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants and the Bonus Issue. You will find enclosed with this Abridged Prospectus, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Provisional Allotment, as well as to apply for Excess Rights Shares if you choose to do so.

### 10.2 NPA

The Provisional Allotment are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 and therefore, all dealings in the Provisional Allotment will be by book entries through the CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) Amendment Act, 1998 and the Rules of Bursa Depository. You and/ or your renouncee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

### 10.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the Rights Shares is at **5.00 p.m.** on **18 April 2013**, or such later date and time as our Board may, at its absolute discretion, determine and announce not less than two (2) Market Days before the stipulated date and time.

### 10.4 Procedure for acceptance and payment

Acceptance and payment for the Provisional Allotment must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this Abridged Prospectus, the NPA or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

**FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENT, APPLICATION FOR THE EXCESS RIGHTS SHARES AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTION CONTAINED THEREIN.**

**YOU AND/ OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.**

If you wish to accept all or part of your entitlement, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions provided therein. Thereafter, please send each completed and signed RSF together with the relevant payment by using the envelope provided (at your own risk) to our Share Registrar by **ORDINARY POST, COURIER** or **DELIVERED BY HAND** at the following address:-

Securities Services (Holdings) Sdn Bhd (36869-T)
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel No: 03- 2084 9000
Fax No: 03- 2094 9940

so as to arrive **not later than 5.00 p.m.** on **18 April 2013**, being the last date and time for acceptance and payment for the Rights Shares, or such later date and time as our Board may, at its absolute discretion, determine and announce not less than two (2) Market Days before the stipulated date and time.

One (1) RSF can only be used for acceptance of Provisional Allotment standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for the acceptance of Provisional Allotment standing to the credit of more than one (1) CDS Account(s). If successful, the Rights Shares subscribed for together with the Warrants and the Bonus Shares will be credited into your CDS Account(s) where the Provisional Allotment is standing to the credit.

A reply envelope is enclosed in this Abridged Prospectus. In order to facilitate the processing of the RSF by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

You and/ or your renouncee(s) (if applicable) should take note that a trading board lot for the Rights Shares, the Bonus Shares and the Warrants comprises of 100 Rights Shares, 100 Bonus Shares and 100 Warrants respectively. Successful applicants of the Rights Shares will be given Warrants on the basis of one (1) Warrant for every one (1) Rights Share successfully subscribed for. The minimum number of securities that can be subscribed for or accepted is one (1) Rights Share, which will be accompanied by one (1) Warrant. In addition, the Bonus Shares will also be issued to successful applicants of the Rights Shares on the basis of one (1) Bonus Share for every two (2) Rights Shares successfully subscribed for. Fractions of Rights Shares, Bonus Shares and Warrants arising from the Rights Issue with Warrants and the Bonus Issue shall be disregarded and shall be dealt with in such manner as our Board shall in their absolute discretion think fit and expedient, and to be in the best interest of our Company.

If acceptance and payment for the Provisional Allotment (whether in full or in part, as the case may be) is not received by our Share Registrar by **5.00 p.m.** on **18 April 2013**, being the last date and time and for acceptance and payment, or such later date and time as may be determined and announced by our Board at their absolute discretion, you will be deemed to have declined the provisional entitlement made to you and it will be cancelled. In the event that the Rights Shares with Warrants and the Bonus Shares are not fully taken up by such applicants, our Board will then have the right to allot such securities to the applicants who have applied for the Excess Rights Shares in the manner as set out in Section 10.8 of this Abridged Prospectus. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar. Our Board reserves the right not to accept or to accept any application in part only without providing any reasons.

If you or your renouncee(s) (if applicable) lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from Bursa Securities' website at http://www.bursamalaysia.com, our Share Registrar at the address stated above or our Registered Office.

**EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT PAYABLE FOR THE RIGHTS SHARES ACCEPTED IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "CUSCAPI RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, ADDRESS AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.**

**APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.**

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS AND THE BONUS ISSUE. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES, BONUS SHARES AND WARRANTS, AND NOTICES OF ALLOTMENT WILL BE DESPATCHED BY ORDINARY POST TO THEM OR THEIR RENOUNCEES (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES.**

**APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND DESPATCHED TO THE APPLICANT WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.**

### 10.5 Procedure for part acceptance by Entitled Shareholders

You are entitled to accept part of your Provisional Allotment provided always that the minimum number of Rights Shares that can be subscribed for or accepted is one (1) Rights Share.

You must complete both Part I(a) and Part II of the RSF by specifying the number of the Rights Shares which you are accepting and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 10.4 of this Abridged Prospectus.

**YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.**

The portion of the Provisional Allotment that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the Provisional Allotment.

### 10.6 Procedure for sale/ transfer of the Provisional Allotment

As the Provisional Allotment are prescribed securities, you may dispose or transfer all or part of your entitlement to the Provisional Allotment to one (1) or more person(s) through your stockbrokers without first having to request for a split of the Provisional Allotment standing to the credit of your CDS Account. To dispose or transfer all or part of your entitlement to the Provisional Allotment, you may sell such entitlement on the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository. If you have disposed or transferred only part of the Provisional Allotment, you may still accept the balance of the Provisional Allotment by completing the RSF. Please refer to Section 10.4 of this Abridged Prospectus for the procedure for acceptance and payment.

In disposing or transferring all or part of your Provisional Allotment, you need not deliver any document including the RSF, to any stockbroker. However, you must ensure that there is sufficient Provisional Allotment standing to the credit of your CDS Account that are available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the Provisional Allotment may obtain a copy of this Abridged Prospectus and the RSF from our Share Registrar or at our Registered Office. This Abridged Prospectus and the RSF are also available on the Bursa Securities' website at http://www.bursamalaysia.com.

**ENTITLED SHAREHOLDERS WHO DISPOSE OR TRANSFER THEIR PROVISIONAL ALLOTMENT WILL AUTOMATICALLY BE DISPOSING OR TRANSFERRING THEIR ENTITLEMENTS TO THE RIGHTS SHARES, THE BONUS SHARES AND THE WARRANTS IN THE PROPORTION OF ONE (1) RIGHTS SHARE WITH ONE (1) ATTACHED WARRANT AND ONE (1) BONUS SHARE FOR TWO (2) RIGHTS SHARES SUBSCRIBED FOR. THEY CANNOT RETAIN THE ALLOTED RIGHTS SHARES WHILE DISPOSING OR TRANSFERRING THE ATTACHED WARRANTS AND/ OR THE BONUS SHARES, OR VICE VERSA, NOR CAN THEY DISPOSE OR TRANSFER THEIR ENTITLEMENTS IN ANY PROPORTION OTHER THAN THAT STATED ABOVE.**

### 10.7 Procedure for acceptance by renouncees

Renouncees who wish to accept the Provisional Allotment must obtain a copy of the RSF from our Share Registrar or at our Registered Office or from Bursa Securities' website at http://www.bursamalaysia.com, and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 10.4 of this Abridged Prospectus also applies to renouncees who wish to accept the Provisional Allotment.

**RENOUNCEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF.**

### 10.8 Procedure for application of Excess Rights Shares

You and/ or your renouncee(s) (if applicable) may apply for the Excess Rights Shares in excess of your entitlement by completing Part I(b) of the RSF (in addition to Parts I(a) and II) and forward it (together with a **separate remittance** for the full amount payable in respect of the Excess Rights Shares applied for) to our Share Registrar **not later than 5.00 p.m.** on **18 April 2013**, being the last date and time for acceptance and payment, or such later date and time as may be determined and announced by our Board at their absolute discretion.

**PAYMENT FOR THE EXCESS RIGHTS SHARES APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 10.4 OF THIS ABRIDGED PROSPECTUS, AND IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "CUSCAPI EXCESS RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, ADDRESS AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.**

Our Board reserves the right to allot any Excess Rights Shares applied for under Part I(b) of the RSF on a fair and equitable basis and in such manner as they shall in their absolute discretion think fit and expedient, and to be in the best interest of our Company. As such, it is the intention of our Board to allot the Excess Rights Shares, if any, in the following priority:-

i. Firstly, to minimise the incidence of odd lots;

ii. Secondly, for all allocation to Entitled Shareholders who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on their respective shareholdings in the Company as at the Entitlement Date;

iii. Thirdly, for allocation to Entitled Shareholders who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares applied for; and

iv. Finally, for allocation to renouncees who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares applied for.

Subject always to (i), (ii), (iii) and (iv) above are achieved, our Board also reserves the right not to accept or to accept any application for the Excess Rights Shares in part only without providing any reasons.

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR EXCESS APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES, BONUS SHARES AND WARRANTS, AND NOTICES OF ALLOTMENT WILL BE DESPATCHED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES.**

**WHERE AN APPLICATION FOR THE EXCESS RIGHTS SHARES IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND DESPATCHED TO THE APPLICANT WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.**

## 10.9 Form of issuance

Bursa Securities has already prescribed our Shares listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares, the Bonus Shares and the Warrants are prescribed securities and as such, the Securities Industry (Central Depositories) Act, 1991, Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository shall apply to the dealings in the Rights Shares, the Bonus Shares and the Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. No physical share or warrant certificates shall be issued to you under the Rights Issue with Warrants and the Bonus Issue. Instead, the Rights Shares, the Bonus Shares and the Warrants will be credited directly into your CDS Account.

The notices of allotment will be issued and forwarded to you by ordinary post at your own risk to the address shown in the Record of Depositors provided by Bursa Depository within eight (8) Market Days from the last date for acceptance and payment for the Rights Shares.

### 10.9.1 Subscription for the Rights Shares by Entitled Shareholders

Where the Rights Shares, Bonus Shares and Warrants are provisionally allotted to you as an Entitled Shareholder in respect of your existing Cuscapi Shares standing credit to your CDS Account on the Entitlement Date, the acceptance by you of the Provisional Allotment shall mean that you consent to receive such Rights Shares, Bonus Shares and Warrants as prescribed or deposited securities which will be credited directly into your CDS Account.

### 10.9.2 Subscription of Rights Shares by renouncees

Any person who has purchased the Provisional Allotment or to whom the Provisional Allotment has been transferred and intends to subscribe for the Rights Shares must state his CDS Account number in the space provided in the RSF. The Rights Shares, the Bonus Shares and the Warrants will be credited directly as prescribed or deposited securities into his CDS Account upon allotment and issuance.

### 10.9.3 Application for the Excess Rights Shares by an Entitled Shareholder and/ or his renouncee(s) (if applicable)

The Excess Rights Shares, if allotted to the successful applicant who applies for the Excess Rights Shares, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the Excess Rights Shares will be made on a fair and equitable basis as disclosed in Section 10.8 of this Abridged Prospectus.

### 10.10 Laws of foreign jurisdiction

This Abridged Prospectus, and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) for subscription of any foreign jurisdiction. The Corporate Exercises will not be made or offered for subscription in any foreign jurisdiction.

Accordingly, this Abridged Prospectus, and the accompanying NPA and RSF will not be sent to the Foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) who do not have a registered address in Malaysia. However, such Foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) may collect this Abridged Prospectus, and the accompanying NPA and RSF from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

The Foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Corporate Exercises only to the extent that it would be lawful to do so.

OSK, other experts, our Company, our Directors and officers would not, in connection with the Corporate Exercises, be in breach of the laws of any jurisdiction to which the Foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) are or may be subject. Foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. OSK, other experts, our Company, our Directors and officers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any Foreign Entitled Shareholders and/ or renouncee(s) (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

The Foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) will be responsible for payment of any issue, transfer or other taxes or other requisite payments due in such jurisdiction and we shall be entitled to be fully indemnified and held harmless by such Foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) for any issue, transfer or other taxes or other requisite payments as such person may be required to pay. They will have no claims whatsoever against us and/ or OSK in respect of their rights and entitlements under the Corporate Exercises. Such Foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Corporate Exercises.

By signing the RSF, the Foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) OSK, other experts, our Company, our Directors and officers that:-

i. we would not, by acting on the acceptance or renunciation in connection with the Corporate Exercises, be in breach of the laws of any jurisdiction to which the Foreign Entitled Shareholders and/ or renouncee(s) (if applicable) are or may be subject to;

ii. they have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the Provisional Allotment;

iii. they are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation of the Provisional Allotment, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

iv. they are aware that the Rights Shares, the Bonus Shares and the Warrants can only be transferred, sold or otherwise disposed, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

v. they have respectively received a copy of this Abridged Prospectus and have had access to such financial and other information and have been afforded the opportunity to pose such questions to our representatives and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares; and

vi. they have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares, Bonus Shares and Warrants.

Persons receiving this Abridged Prospectus, the NPA and the RSF (including without limitation to custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, the NPA and the RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this Abridged Prospectus, the NPA and the RSF to any foreign jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares from any such application by Foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) in any jurisdiction other than Malaysia.

We reserve the right, in our absolute discretion, to treat any acceptance of the Rights Shares as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

## 11. TERMS AND CONDITIONS

The issuance of the Rights Shares, the Bonus Shares, and the Warrants pursuant to the Corporate Exercises is governed by the terms and conditions set out in this Abridged Prospectus, the Deed Poll, and the NPA and the RSF enclosed herewith.

## 12. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
**CUSCAPI BERHAD**

**HER CHOR SIONG**
CHIEF EXECUTIVE OFFICER

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

**CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISES, INCREASE IN AUTHORISED SHARE CAPITAL AND AMENDMENTS PASSED AT OUR EGM HELD ON 21 FEBRUARY 2013**

**CUSCAPI BERHAD**
*(43190-H)*
(Incorporated in Malaysia)

EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS DULY HELD ON 21ST DAY OF FEBRUARY, 2013

**ORDINARY RESOLUTION 1**
**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 146,749,640 NEW ORDINARY SHARES OF RM0.10 EACH IN CUSCAPI ("CUSCAPI SHARE(S)" OR "SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING CUSCAPI SHARES TOGETHER WITH UP TO 146,749,640 FREE DETACHABLE WARRANTS IN CUSCAPI ("WARRANT(S)") ON THE BASIS OF ONE (1) FREE WARRANT FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED FOR, ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE WITH WARRANTS")**

Resolved:-

"THAT, subject to the passing of Ordinary Resolution 2 and Special Resolutions 1 and 2, and the approvals of all other relevant authorities or parties being obtained (if applicable), approval be and is hereby given to the Board of Directors of the Company ("Board") for the following:-

(a) to provisionally allot and issue by way of a renounceable rights issue of up to 146,749,640 Rights Shares at an issue price to be determined and announced later, but in any case, not lower than the par value of the existing ordinary shares of RM0.10 each in Cuscapi on the basis of one (1) Rights Share for every two (2) Cuscapi Shares held, together with up to 146,749,640 free detachable Warrants on the basis of one (1) free Warrant for every one (1) Rights Share subscribed for, to the entitled shareholders whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined and announced later by the Board ("Entitlement Date");

(b) wherein each of the Warrants will carry the right to subscribe, subject to any adjustment in accordance with a deed poll ("Deed Poll") to be executed, at any time during the exercise period, for one (1) new Cuscapi Share at an exercise price to be determined later by the Board, but in any case the exercise price will not be lower than the par value of the existing ordinary shares of RM0.10 per share;

(c) to allot and issue such number of new Cuscapi Shares pursuant to the exercise of the Warrants, from time to time during the tenure of the Warrants, in accordance with the provisions of the Deed Poll;

(d) to allot and issue such further Warrants and new Cuscapi Shares arising from the subscription of further Warrants as a consequence of any adjustment in accordance with the provisions of the Deed Poll and/ or as may be required by the relevant authorities;

(e) to do all such acts and things including but not limited to the application to Bursa Securities for the listing of and quotation for the new Cuscapi Shares which may from time to time be allotted and issued upon exercise of the Warrants;

2/...

**CUSCAPI BERHAD**
*(43190-H)*
(Incorporated in Malaysia)

EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS DULY HELD ON 21ST DAY OF FEBRUARY, 2013



THAT any fractional entitlements of the Rights Shares and Warrants arising from the Proposed Rights Issue with Warrants shall be disregarded and shall be dealt with in such manner as the Board shall in their absolute discretion think fit and expedient, and to be in the best interest of the Company;

THAT the proceeds of the Proposed Rights Issue with Warrants be utilised for the purposes as set out in the circular to shareholders of the Company dated 30 January 2013 ("Circular"), and the Directors be authorised with full powers to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Directors may deem fit, necessary and/ or expedient, subject (where required) to the approval of the relevant authorities;

THAT the Rights Shares and new Cuscapi Shares arising from the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the existing Cuscapi Shares, save and except that the new Cuscapi Shares will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Rights Shares and new Cuscapi Shares arising from the exercise of the Warrants;

AND THAT the Board be and is hereby authorised to sign and execute all documents, including but not limited to the Deed Poll, do all things and acts as may be required to give effect to the aforesaid Proposed Rights Issue with Warrants with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue with Warrants."

**ORDINARY RESOLUTION 2**
**PROPOSED BONUS ISSUE OF UP TO 73,374,820 NEW CUSCAPI SHARES ("BONUS SHARE(S)") ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY (2) RIGHTS SHARES SUBSCRIBED FOR PURSUANT TO THE PROPOSED RIGHTS ISSUE WITH WARRANTS ("PROPOSED BONUS ISSUE")**

Resolved:-

"THAT, subject to the passing of Ordinary Resolution 1 and Special Resolutions 1 and 2, and the approvals of all other relevant authorities or parties being obtained (if applicable), approval be and is hereby given to the Board to capitalise up to RM7,337,482 from the Company's share premium account for the purpose of the Proposed Bonus Issue;

3/...

**CUSCAPI BERHAD**
*(43190-H)*
(Incorporated in Malaysia)

EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS DULY HELD ON 21ST DAY OF FEBRUARY, 2013



THAT the Board be and is hereby authorised to apply such capitalised sums in making payment in full and at par for up to 73,374,820 new Cuscapi Shares to be credited as fully paid-up and such new Cuscapi Shares be allotted and issued to the entitled shareholders of the Company and/ or their renouncee(s) who subscribe for the Rights Shares pursuant to the Proposed Rights Issue with Warrants on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed for;

THAT any fractional entitlements shall be disregarded and shall be dealt with in such manner as the Board shall in their absolute discretion think fit and expedient, and to be in the best interest of the Company;

THAT such Bonus Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing Cuscapi Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Bonus Shares;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the aforesaid Proposed Bonus Issue with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue."

**SPECIAL RESOLUTION 1**
**PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF CUSCAPI FROM RM60,000,000 COMPRISING 600,000,000 CUSCAPI SHARES TO RM120,000,000 COMPRISING 1,200,000,000 CUSCAPI SHARES ("PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL")**

Resolved:-

"THAT, subject to the passing of Ordinary Resolutions 1 and 2, and Special Resolution 2, and the approvals of all other relevant authorities or parties being obtained (if applicable), the authorised share capital of the Company be increased from RM60,000,000 comprising 600,000,000 Cuscapi shares to RM120,000,000 comprising 1,200,000,000 Cuscapi Shares by creation of additional 600,000,000 Cuscapi Shares.

AND THAT the Board be and is hereby authorised to do all such acts and things and to take such steps that are deemed necessary to give full effect to the Proposed Increase in Authorised Share Capital."

4/...

**CUSCAPI BERHAD**
*(43190-H)*
(Incorporated in Malaysia)

EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS DULY HELD ON 21ST DAY OF FEBRUARY, 2013

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**SPECIAL RESOLUTION 2**
**PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF CUSCAPI ("PROPOSED AMENDMENTS")**

Resolved:-

"THAT, subject to the passing of Ordinary Resolutions 1 and 2 and Special Resolution 1 and the approvals of all other relevant authorities or parties being obtained (if applicable), that the amendments to the Memorandum and Articles of Association of the Company as set out in Appendix II of the Circular be and are hereby approved.

AND THAT the Board be and is hereby authorised to do all such acts and things and to take such steps that are deemed necessary to give full effect to the Proposed Amendments."

CERTIFIED EXTRACT:-

..........................................
HER CHOR SIONG
DIRECTOR

..........................................
CHAN YOKE PENG
SECRETARY

# INFORMATION ON OUR COMPANY

## 1. HISTORY AND PRINCIPAL ACTIVITIES

Our Company was incorporated in Malaysia on 16 November 1978 under the Act as a private limited company under the name of DTS (Malaysia) Sdn Bhd. On 12 November 1986, we changed our name to Transmarco Data Systems (M) Sdn Bhd and to Datascan (Malaysia) Sdn Bhd on 28 September 1987. On 27 October 2003, we converted to a public company and subsequently changed our name to Datascan Berhad on 9 December 2003.

On 26 July 2004, our Company was listed on the former MESDAQ Market (now known as ACE Market) of Bursa Securities. On 13 June 2007, we changed our name to Cuscapi Berhad. This was to reflect its emphasis on providing the best innovative products and solutions to its customers, where the word "Cuscapi" was derived from "Customer Capital".

Cuscapi's principal business is in the provision of POS and business management solutions mainly to the hospitality industry. Cuscapi has come a long way in being the developer of software solutions, having served the market for 33 years, it is now one of the market leaders for POS solutions and services.

Further details on the principal activities of our subsidiary companies are set out in Section 5 of this Appendix II.

## 2. SHARE CAPITAL

As at the LPD, our authorised and issued and paid-up share capital are set out below:-

| | No. of Shares | Par value RM | Total RM |
|---|---|---|---|
| Authorised | 1,200,000,000 | 0.10 | 120,000,000 |
| Issued and paid-up | 245,335,067 | 0.10 | 24,533,507 |

The changes in our issued and paid-up share capital for the past three (3) years preceding the LPD are set out below:-

| Date of allotment | No. of shares allotted | Par value RM | Consideration/ Type of issue | Cumulative issued and paid-up share capital RM |
|---|---|---|---|---|
| 14.11.2011 | 22,000,000 | 0.10 | Cash/ Private placement at RM0.43 per share | 24,443,227 |
| 07.03.2012 | 466,300 | 0.10 | Cash/ Exercise of ESOS Options at RM0.27 per option | 24,489,857 |
| 20.03.2012 | 135,300 | 0.10 | Cash/ Exercise of ESOS Options at RM0.27 per option | 24,503,387 |
| 09.04.2012 | 23,400 | 0.10 | Cash/ Exercise of ESOS Options at RM0.27 per option | 24,505,727 |
| 03.07.2012 | 277,800 | 0.10 | Cash/ Exercise of ESOS Options at RM0.27 per option | 24,533,507 |

## 3. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The shareholdings of our substantial shareholders as at the LPD and after the Corporate Exercises are set out below:-

***Minimum Scenario***

| | Shareholdings as at the LPD | | | | I<br>After the Rights Issue with Warrants | | | |
|---|---|---|---|---|---|---|---|---|
| | <--------Direct--------> | | <--------Indirect--------> | | <--------Direct--------> | | <--------Indirect--------> | |
| **Substantial shareholders** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Transight Systems Sdn Bhd | 38,120,000 | 15.54 | - | - | 57,180,000 | 19.61 | - | - |
| Her Chor Siong | 15,166,667 | 6.18 | 8,000,000*1 | 3.26 | 22,750,000 | 7.80 | 12,000,000*1 | 4.12 |
| Dato' Gan Nyap Liou @ Gan Nyap Liow | 14,500,000 | 5.91 | - | - | 21,750,000 | 7.46 | - | - |
| Wong Yoke Yung | 14,500,000 | 5.91 | - | - | 14,500,000 | 4.97 | - | - |
| Halley Sicav-Halley Asian Prosperity | 13,500,000 | 5.50 | - | - | 13,500,000 | 4.63 | - | - |
| Ang Chin Joo | 12,342,000 | 5.03 | - | - | 18,513,000 | 6.35 | - | - |
| Tan Sri Mohd Razali bin Abdul Rahman | 4,850,000 | 1.98 | 38,120,000*2 | 15.54 | 4,850,000 | 1.66 | 57,180,000*2 | 19.61 |
| Datuk Hassan bin Che Abas | 3,500,000 | 1.43 | 38,120,000*2 | 15.54 | 3,500,000 | 1.20 | 57,180,000*2 | 19.61 |
| Sri Hanasia Sdn Bhd | - | - | 38,120,000*3 | 15.54 | - | - | 57,180,000*3 | 19.61 |

| Substantial shareholders | II After I and the Bonus Issue | | | | III After II and assuming full exercise of the Warrants | | | |
|---|---|---|---|---|---|---|---|---|
| | <----Direct----> | | <----Indirect----> | | <----Direct----> | | <----Indirect----> | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Transight Systems Sdn Bhd | 66,710,000 | 21.20 | - | - | 85,770,000 | 23.77 | - | - |
| Her Chor Siong | 26,541,667 | 8.43 | 14,000,000*1 | 4.45 | 34,125,000 | 9.46 | 18,000,000*1 | 4.99 |
| Dato' Gan Nyap Liou @ Gan Nyap Liow | 25,375,000 | 8.06 | - | - | 32,625,000 | 9.04 | - | - |
| Wong Yoke Yung | 14,500,000 | 4.61 | - | - | 14,500,000 | 4.02 | - | - |
| Halley Sicav-Halley Asian Prosperity | 13,500,000 | 4.29 | - | - | 13,500,000 | 3.74 | - | - |
| Ang Chin Joo | 21,598,500 | 6.86 | - | - | 27,769,500 | 7.69 | - | - |
| Tan Sri Mohd Razali bin Abdul Rahman | 4,850,000 | 1.54 | 66,710,000*2 | 21.20 | 4,850,000 | 1.34 | 85,770,000*2 | 23.77 |
| Datuk Hassan bin Che Abas | 3,500,000 | 1.11 | 66,710,000*2 | 21.20 | 3,500,000 | 0.97 | 85,770,000*2 | 23.77 |
| Sri Hanasia Sdn Bhd | - | - | 66,710,000*3 | 21.20 | - | - | 85,770,000*3 | 23.77 |

***Notes:-***

*1 *Deemed interested by virtue of his shareholdings in Aura Fokus Sdn Bhd*

*2 *Deemed interested by virtue of his shareholdings in Sri Hanasia Sdn Bhd*

*3 *Deemed interested by virtue of its shareholdings in Transight Systems Sdn Bhd*

***Maximum Scenario***

| Substantial shareholders | Shareholdings as at the LPD | | | | I<br>After assuming full granting and/ or exercise of the ESOS Options | | | | II<br>After I and the Rights Issue with Warrants | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | <-----Direct-------> | | <-------Indirect-------> | | <-----Direct-------> | | <-------Indirect------> | | <-----Direct-----> | | <-----Indirect----> | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Transight Systems Sdn Bhd | 38,120,000 | 15.54 | - | - | 38,120,000 | 12.99 | - | - | 57,180,000 | 12.99 | - | - |
| Her Chor Siong | 15,166,667 | 6.18 | 8,000,000[*1] | 3.26 | 17,500,067 | 5.96 | 8,000,000[*1] | 2.73 | 26,250,100 | 5.96 | 12,000,000[*1] | 2.73 |
| Dato' Gan Nyap Liou @ Gan Nyap Liow | 14,500,000 | 5.91 | - | - | 15,166,600 | 5.17 | - | - | 22,749,900 | 5.17 | - | - |
| Wong Yoke Yung | 14,500,000 | 5.91 | - | - | 14,500,000 | 4.94 | - | - | 21,750,000 | 4.94 | - | - |
| Halley Sicav-Halley Asian Prosperity | 13,500,000 | 5.50 | - | - | 13,500,000 | 4.60 | - | - | 20,250,000 | 4.60 | - | - |
| Ang Chin Joo | 12,342,000 | 5.03 | - | - | 12,675,600 | 4.32 | - | - | 19,013,400 | 4.32 | - | - |
| Tan Sri Mohd Razali Bin Abdul Rahman | 4,850,000 | 1.98 | 38,120,000[*2] | 15.54 | 4,850,000 | 1.65 | 38,120,000[*2] | 12.99 | 7,275,000 | 1.65 | 57,180,000[*2] | 12.99 |
| Datuk Hassan Bin Che Abas | 3,500,000 | 1.43 | 38,120,000[*2] | 15.54 | 3,500,000 | 1.19 | 38,120,000[*2] | 12.99 | 5,250,000 | 1.19 | 57,180,000[*2] | 12.99 |
| Sri Hanasia Sdn Bhd | - | - | 38,120,000[*3] | 15.54 | - | - | 38,120,000[*3] | 12.99 | - | - | 57,180,000[*3] | 12.99 |

| Substantial shareholders | III After II and the Bonus Issue <-----Direct-------> | | <-------Indirect------> | | IV After III and assuming full exercise of the Warrants <---------Direct----------> | | <--------Indirect-----------> | |
|---|---|---|---|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Transight Systems Sdn Bhd | 66,710,000 | 12.99 | - | - | 85,770,000 | 12.99 | - | - |
| Her Chor Siong | 30,625,117 | 5.96 | 14,000,000*1 | 2.73 | 39,375,150 | 5.96 | 18,000,000*1 | 2.73 |
| Dato' Gan Nyap Liou @ Gan Nyap Liow | 26,541,550 | 5.17 | - | - | 34,124,850 | 5.17 | - | - |
| Wong Yoke Yung | 25,375,000 | 4.94 | - | - | 32,625,000 | 4.94 | - | - |
| Halley Sicav-Halley Asian Prosperity | 23,625,000 | 4.60 | - | - | 30,375,000 | 4.60 | - | - |
| Ang Chin Joo | 22,182,300 | 4.32 | - | - | 28,520,100 | 4.32 | - | - |
| Tan Sri Mohd Razali bin Abdul Rahman | 8,487,500 | 1.65 | 66,710,000*2 | 12.99 | 10,912,500 | 1.65 | 85,770,000*2 | 12.99 |
| Datuk Hassan bin Che Abas | 6,125,000 | 1.19 | 66,710,000*2 | 12.99 | 7,875,000 | 1.19 | 85,770,000*2 | 12.99 |
| Sri Hanasia Sdn Bhd | - | - | 66,710,000*3 | 12.99 | - | - | 85,770,000*3 | 12.99 |

***Notes:-***

*1 *Deemed interested by virtue of his shareholdings in Aura Fokus Sdn Bhd*

*2 *Deemed interested by virtue of his shareholdings in Sri Hanasia Sdn Bhd*

*3 *Deemed interested by virtue of its shareholdings in Transight Systems Sdn Bhd*

## 4. DIRECTORS

The particulars of our Directors as at the LPD are set out below:-

| Name | Address | Age | Nationality | Profession | Designation |
|---|---|---|---|---|---|
| Dato' Gan Nyap Liou @ Gan Nyap Liow | 30, Lorong Kemaris 1<br>Bukit Bandaraya<br>Bangsar<br>59100 Kuala Lumpur | 58 | Malaysian | Company Director | Independent Non-Executive Chairman |
| Her Chor Siong | 1, Jalan Seri Damai 3<br>Taman Seri Damai<br>43000 Kajang<br>Selangor Darul Ehsan | 40 | Malaysian | Company Director | Chief Executive Officer |
| Teoh Hoay Ming | 39, Jalan USJ 17/3A<br>47630 Subang Jaya<br>Selangor Darul Ehsan | 36 | Malaysian | Company Director | Chief Operating Officer |
| Dato' Rosman bin Abdullah | 17, Jalan Jelutong 3/16<br>Section 3<br>40000 Shah Alam<br>Selangor Darul Ehsan | 46 | Malaysian | Company Director | Non-Independent Non-Executive Director |
| Ang Chin Joo | 30, Jalan USJ 5/4<br>UEP Subang Jaya<br>47610 Petaling Jaya<br>Selangor Darul Ehsan | 60 | Malaysian | Company Director | Independent Non-Executive Director |
| Tai Keat Chai | 17, Jalan SS 20/22<br>47400 Petaling Jaya<br>Selangor Darul Ehsan | 58 | Malaysian | Company Director | Independent Non-Executive Director |

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The shareholdings of our Directors as at the LPD and after the Rights Issue with Warrants and the Bonus Issue are set out below:-

***Minimum Scenario***

| | Shareholdings as at the LPD | | | | I<br>After the Rights Issue with Warrants | | | |
|---|---|---|---|---|---|---|---|---|
| | <----------Direct------------> | | <-----------Indirect----------> | | <-----------Direct-----------> | | <-----------Indirect-----------> | |
| **Directors** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Dato' Gan Nyap Liou @ Gan Nyap Liow | 14,500,000 | 5.91 | - | - | 21,750,000 | 7.46 | - | - |
| Her Chor Siong | 15,166,667 | 6.18 | 8,000,000*1 | 3.26 | 22,750,000 | 7.80 | 12,000,000*1 | 4.12 |
| Teoh Hoay Ming | 4,197,167 | 1.71 | 127,800*2 | 0.05 | 6,295,750 | 2.16 | 191,700*2 | 0.07 |
| Ang Chin Joo | 12,342,000 | 5.03 | - | - | 18,513,000 | 6.35 | - | - |
| Tai Keat Chai | 30,000 | 0.01 | - | - | 45,000 | 0.02 | - | - |
| Dato' Rosman bin Abdullah | - | - | - | - | - | - | - | - |

| | II<br>After I and the Bonus Issue | | | | III<br>After II and assuming full exercise of the Warrants | | | |
|---|---|---|---|---|---|---|---|---|
| | <-----------Direct-----------> | | <-----------Indirect----------> | | <-------------Direct-----------> | | <-----------Indirect-----------> | |
| **Directors** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Dato' Gan Nyap Liou @ Gan Nyap Liow | 25,375,000 | 8.06 | - | - | 32,625,000 | 9.04 | - | - |
| Her Chor Siong | 26,541,667 | 8.43 | 14,000,000*1 | 4.45 | 34,125,000 | 9.46 | 18,000,000*1 | 4.99 |
| Teoh Hoay Ming | 7,345,042 | 2.33 | 223,650*2 | 0.07 | 9,443,625 | 2.62 | 287,550*2 | 0.08 |
| Ang Chin Joo | 21,598,500 | 6.86 | - | - | 27,769,500 | 7.69 | - | - |
| Tai Keat Chai | 52,500 | 0.02 | - | - | 67,500 | 0.02 | - | - |
| Dato' Rosman bin Abdullah | - | - | - | - | - | - | - | - |

***Notes:-***

*1 *Deemed interested by virtue of his shareholdings in Aura Fokus Sdn Bhd*

*2 *Deemed interested by virtue of the shareholdings of his spouse in the Company*

***Maximum Scenario***

| | Shareholdings as at the LPD | | | | I After assuming full granting and/ or exercise of the ESOS Options | | | | II After the Rights Issue with Warrants | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | <------Direct--------> | | <-----Indirect-------> | | <----------Direct--------> | | <-----Indirect-------> | | <-----Direct-----> | | <---------Indirect-------> | |
| **Directors** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Dato' Gan Nyap Liou @ Gan Nyap Liow | 14,500,000 | 5.91 | - | - | 15,166,600 | 5.17 | - | - | 22,749,900 | 5.17 | - | - |
| Her Chor Siong | 15,166,667 | 6.18 | 8,000,000*1 | 3.26 | 17,500,067 | 5.96 | 8,000,000*1 | 2.73 | 26,250,100 | 5.96 | 12,000,000*1 | 2.73 |
| Teoh Hoay Ming | 4,197,167 | 1.71 | 127,800*2 | 0.05 | 5,607,367 | 1.91 | 127,800*2 | 0.04 | 8,411,050 | 1.91 | 191,700*2 | 0.04 |
| Ang Chin Joo | 12,342,000 | 5.03 | - | - | 12,675,600 | 4.32 | - | - | 19,013,400 | 4.32 | - | - |
| Tai Keat Chai | 30,000 | 0.01 | - | - | 363,600 | 0.12 | - | - | 545,400 | 0.12 | - | - |
| Dato' Rosman bin Abdullah | - | - | - | - | 333,600 | 0.11 | - | - | 500,400 | 0.11 | - | - |

| | III After II and the Bonus Issue | | | | IV After III and assuming full exercise of the Warrants | | | |
|---|---|---|---|---|---|---|---|---|
| | <--------Direct-------> | | <--------Indirect--------> | | <---------Direct---------> | | <-----Indirect---------> | |
| **Directors** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Dato' Gan Nyap Liou @ Gan Nyap Liow | 26,541,550 | 5.17 | - | - | 34,124,850 | 5.17 | - | - |
| Her Chor Siong | 30,625,117 | 5.96 | 14,000,000*1 | 2.73 | 39,375,151 | 5.96 | 18,000,000*1 | 2.73 |
| Teoh Hoay Ming | 9,812,892 | 1.91 | 223,650*2 | 0.04 | 12,616,575 | 1.91 | 287,550*2 | 0.04 |
| Ang Chin Joo | 22,182,300 | 4.32 | - | - | 28,520,100 | 4.32 | - | - |
| Tai Keat Chai | 636,300 | 0.12 | - | - | 818,100 | 0.12 | - | - |
| Dato' Rosman bin Abdullah | 583,800 | 0.11 | - | - | 750,600 | 0.11 | - | - |

***Notes:-***

*1 *Deemed interested by virtue of his shareholdings in Aura Fokus Sdn Bhd*

*2 *Deemed interested by virtue of the shareholdings of his spouse in the Company*

## 5. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, our subsidiary companies are set out below:-

| Subsidiary companies | Date and place of incorporation | Issued and paid-up share capital | Effective equity interest % | Principal activities |
|---|---|---|---|---|
| Cuscapi Innovation Lab Sdn Bhd | 11.04.2002 Malaysia | RM100,000 | 100 | Provision of software research and development, systems implementations and software support service |
| Cuscapi Consulting Services Sdn Bhd | 20.09.1997 Malaysia | RM100,000 | 100 | Provision of preventive and remedial services for POS hardware and related software implementation and support services |
| Cuscapi Network Solutions Sdn Bhd | 13.07.2002 Malaysia | RM1,000,000 | 100 | Provision of network infrastructure and security solutions and services |
| Cuscapi International Sdn Bhd | 20.02.2003 Malaysia | RM11,750 | 100 | Provision of POS and business management solutions and system integration services |
| Cuscapi Malaysia Sdn Bhd | 17.07.2000 Malaysia | RM100,000 | 100 | Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, network infrastructure and security solutions and services |
| Cuscapi Interactive Solutions Sdn Bhd (formerly known as Cuscapi Hospitality Solutions Sdn Bhd) | 03.09.2003 Malaysia | RM100 | 100 | Provision of software development, interactive devices solutions, POS and business management solutions |
| BRG Asia Sdn Bhd | 14.10.2004 Malaysia | RM10,000 | 51 | Dormant (has not commenced operations since incorporation) |
| Cuscapi Solutions Sdn Bhd | 24.05.2003 Malaysia | RM500,000 | 100 | Software development |
| Cuscapi Outsourcing Sdn Bhd | 30.05.2008 Malaysia | RM1,090,000 | 100 | Provision of a contract centre for outsourcing services |
| Cuscapi International Pte Ltd | 18.10.2007 Singapore | SGD100,000 | 100 | Investment holding |

| Subsidiary companies | Date and place of incorporation | Issued and paid-up share capital | Effective equity interest % | Principal activities |
|---|---|---|---|---|
| **Subsidiary companies of Cuscapi International Pte Ltd** | | | | |
| Cuscapi Beijing Co Ltd | 13.03.2008 PRC | USD168,000 | 100 | Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management, business and IT related consultancy services |
| Cuscapi Suzhou Co Ltd | 31.10.2008 PRC | USD140,000 | 100 | Software development |
| Shanghai Cuscapi Co Ltd | 01.08.2011 PRC | USD510,000 | 100 | Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management, business and IT related consultancy services |
| PT Cuscapi Indonesia | 13.04.2011 Indonesia | USD150,000 | 100 | Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management, business and IT related consultancy services |
| Cuscapi Hong Kong Ltd | 31.10.2011 Hong Kong | HKD10,000 | 100 | Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management, business and IT related consultancy services |
| Cuscapi Singapore Pte Ltd | 12.01.2009 Singapore | SGD100,000 | 100 | Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management, business and IT related consultancy services |

| Subsidiary companies | Date and place of incorporation | Issued and paid-up share capital | Effective equity interest % | Principal activities |
|---|---|---|---|---|
| Guangzhou Cuscapi Co Ltd | 14.02.2012 PRC | USD210,000 | 100 | Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management, business and IT related consultancy services |
| Cuscapi (Thailand) Company Limited | 12.03.2011 Thailand | THB25,000,000 | 100 | Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management, business and IT related consultancy services |
| **Subsidiary company of Cuscapi Hong Kong** | | | | |
| Cuscapi Philippines Inc | 16.05.2012 Philippines | PHP9,000,000 | 100 | Provision of POS and business management solutions on a wholesale and/ or distribution basis (including the importation, sale and repair of POS terminal hardware and associated peripherals), remedial services for POS hardware and related software and hardware implementation and support services, project management, business, IT related consultancy services and contact centre outsourcing services |
| **Subsidiary company of Cuscapi Philippines Inc** | | | | |
| Tills N Labels System Marketing Inc | 03.11.2011 Philippines | PHP9,000,000 | 100 | Provision of selling, distributing, importing, servicing, such as but not limited to installing of CCTV and POS machines, repair of CCTV and POS machines, electronic cash register, electronic scale, renting of POS hardware and software and other business machines, devices, products and services. |

As at the LPD, we do not have any associate company.

## 6. PROFIT AND DIVIDEND RECORDS

The following table sets out a summary of our audited consolidated financial statements for the past three (3) financial years up to the FYE 31 December 2011 and the latest unaudited consolidated financial statements for the FYE 31 December 2012:-

| | <------------Audited | ------------ | ------------> | Unaudited |
|---|---|---|---|---|
| | FYE 31 December 2009 RM'000 | FYE 31 December 2010 RM'000 | FYE 31 December 2011 RM'000 | FYE 31 December 2012 RM'000 |
| Revenue | 38,925 | 48,903 | 53,595 | 60,239 |
| Cost of sales | (17,691) | (20,076) | (21,772) | (26,335) |
| **Gross profit** | **21,234** | **28,827** | **31,823** | 33,904 |
| Other income | 292 | 167 | 324 | 199 |
| Operating expenses | (21,020) | (18,983) | (23,341) | (27,523 |
| **PBT** | **506** | **10,011** | **8,806** | **6,580** |
| Tax expense | (244) | (888) | (175) | (192) |
| **Profit for the year** | **262** | **9,123** | **8,631** | **6,388** |
| **Profit attributable to:** | | | | |
| Owners of the Company | 262 | 9,123 | 8,631 | **6,388** |
| Non-controlling interests | - | - | - | - |
| | **262** | **9,123** | **8,631** | **6,388** |
| Weighted average number of shares in issue ('000) | 222,432 | 222,432 | 225,205 | 245,096 |
| EBITDA | 3,390 | 12,671 | 11,950 | 10,967 |
| Gross profit margin (%) | 54.55% | 58.95% | 59.38% | 56.28% |
| Profit margin (%) | 0.67% | 18.66% | 16.10% | 10.60% |
| EPS (sen) | | | | |
| - Basic | 0.12 | 4.10 | 3.83 | 2.61 |
| - Diluted | 0.12 | 4.10 | 3.79 | 2.44 |

**Commentary on past performance**

**FYE 31 December 2009**

For the FYE 31 December 2009, our Group recorded revenue of RM38.93 million representing an increase of RM2.65 million or approximately 7.30% as compared to the revenue for the previous financial year. The increase in revenue was mainly attributable to increased contribution from our overseas operations. During the financial year, we had incorporated Cuscapi Singapore Pte Ltd in Singapore as a wholly-owned subsidiary, which immediately generated revenue for our Group, and our PRC operations had successfully secured new F&B customers, such as Babela and Xiabu-Xiabu.

Our Group recorded a PAT of RM0.26 million, representing a decrease of RM0.72 million or approximately 73.23% as compared to the PAT for the previous financial year. The decrease in PAT was mainly due to lower margins as a result of higher operating costs structure and set-up costs involved for international subsidiaries. Most of our foreign subsidiaries were still at the early stages of operations and thus, have not reached the efficiency level of economies of scale.

**FYE 31 December 2010**

For the FYE 31 December 2010, our Group recorded revenue of RM48.90 million representing an increase of RM9.98 million or approximately 25.63% as compared to the revenue for the previous financial year. The increase in revenue, similar to previous year, was mainly attributable to the growth in our overseas operations. We experienced increased demand from both existing and new F&B customers such as Yonghe King, Nathan Famous and Xiabu-xiabu in the PRC as well as securing new contracts from Ministry of Food Singapore, Food Republic and Din Tai Fung in Singapore.

Our Group achieved a PAT of RM9.12 million representing an increase of RM8.86 million as compared to the PAT for the previous financial year. The significant increase in PAT was mainly due to improvement in cost efficiency of certain overseas operations as they have become more established in terms of operations and a higher proportion of our Group's revenue were derived from our proprietary software which have higher profit margin.

**FYE 31 December 2011**

For the FYE 31 December 2011, our Group recorded revenue of RM53.60 million representing an increase of RM4.69 million or approximately 9.61% as compared to the revenue for the previous financial year. The increase in revenue was mainly attributable to the increased contribution from both local and the PRC's markets by an increase in sales of our proprietary software license to both existing major customers as well as new customers such as the Delicious Group and Burger King in Malaysia.

In addition, the growth experienced in our PRC operations was mainly due to the growth of our customers in the F&B industry. Yonghe King, who is our customer since 2010, had built more than 100 outlets in 2011 and Xiabu-xiabu, who is our customer since 2009, had built additional 78 outlets across the PRC during the financial year.

Our Group recorded a PAT of RM8.63 million representing a decrease of RM0.49 million as compared to the PAT for the previous financial year. The decrease in PAT was mainly due to continual investment to grow our international business development activities with new offices in Shanghai and Indonesia.

**FYE 31 December 2012**

For the FYE 31 December 2012, our Group recorded revenue of RM60.24 million, representing an increase of RM6.64 million or approximately 12.40% as compared to the revenue for the previous financial year. The increase in revenue was mainly attributable to the increased contribution from our international business in South East Asia and the PRC. With the completion of the acquisition of a new subsidiary in Philippines namely Tills N Labels System Marketing, Inc during the year, this has led to a strong position for the Group to secure more new customers in the Philippines market.

Our Group recorded a PAT of RM6.39 million representing a decrease of RM2.24 million as compared to the PAT for the previous financial year. The decrease in PAT was again mainly due to continual investment to grow our international business development activities with new offices in Guangzhou and Thailand and increase in operating expenses as our Group continues to invest in capacity expansion to grow its presence in the PRC and Indonesia. Our Group also invests in establishing the necessary infrastructure to launch new innovative products.

## 7. HISTORICAL PRICES

The monthly high and low transacted market prices of Cuscapi Shares for the past 12 months from April 2012 to March 2013 are as follows:-

| | High RM | Low RM |
|---|---|---|
| **2012** | | |
| April | 0.38 | 0.36 |
| May | 0.37 | 0.29 |
| June | 0.37 | 0.31 |
| July | 0.39 | 0.32 |
| August | 0.43 | 0.37 |
| September | 0.38 | 0.34 |
| October | 0.37 | 0.34 |
| November | 0.36 | 0.31 |
| December | 0.34 | 0.30 |
| **2013** | | |
| January | 0.36 | 0.31 |
| February | 0.34 | 0.32 |
| March | 0.36 | 0.33 |

The last transacted price of Cuscapi Shares on 25 November 2012, being the day prior to the date of announcement on the Corporate Exercises, was RM0.35.

The last transacted price of Cuscapi Shares on 29 March 2013, being the day prior to the ex-date of the Corporate Exercises and the latest practicable date prior to the issuance of this Abridged Prospectus, was RM0.34.

*(Source: Bloomberg)*

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**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2011 TOGETHER WITH REPORTING ACCOUNTANTS' LETTER THEREON**

BAKER TILLY

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Chartered Accountants (AF0117)
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25 MAR 2013

The Board of Directors
**Cuscapi Berhad**
Level 1, Block B, Peremba Square
Saujana Resort, Seksyen U2
40150 Shah Alam
Selangor Darul Ehsan

**STRICTLY CONFIDENTIAL**

Dear Sirs,

**CUSCAPI BERHAD AND ITS SUBSIDIARIES**
**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011**

We have reviewed the Proforma Consolidated Statements of Financial Position of Cuscapi Berhad ("Cuscapi" or "the Company") and its subsidiaries ("the Group") as at 31 December 2011 together with the accompanying notes which have been prepared by the Directors of Cuscapi for illustrative purposes only (which we have stamped for the purpose of identification), for which the Directors of Cuscapi are solely responsible, as set out in the accompanying statements for inclusion in the Abridged Prospectus of Cuscapi in relation to the following corporate exercises:-

I. Renounceable rights issue of up to 146,749,640 new ordinary shares of RM0.10 each in Cuscapi ("Cuscapi Share(s)") ("Rights Share(s)") on the basis of one (1) Rights Share for every two (2) existing Cuscapi Shares held as at 5.00p.m. on 3 April 2013 at an issue price of RM0.24 per Rights Share together with up to 146,749,640 free detachable warrants in Cuscapi ("Warrant(s)") on the basis of one (1) free Warrant for every one (1) Rights Share subscribed for ("Rights Issue with Warrants"); and

II. Bonus issue of up to 73,374,820 new Cuscapi Shares ("Bonus Share(s)") on the basis of one (1) Bonus Share for every (2) Rights Shares subscribed for pursuant to the Rights Issue with Warrants ("Bonus Issue").

(The above corporate exercises collectively hereinafter referred to as the "Corporate Exercises").

**CUSCAPI BERHAD AND ITS SUBSIDIARIES**
**Proforma Consolidated Statements of Financial Position as at 31 December 2011**

We conducted our work in accordance with the approved standard for assurance engagements in Malaysia, *ISAE 3000 - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.* Our work consisted primarily of comparing the audited consolidated statement of financial position of the Group as at 31 December 2011, considering and discussing the adjustments and the Proforma Consolidated Statements of Financial Position with the responsible officers of the Group. Our work involved no independent examination of the underlying financial information.

We plan and perform our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Proforma Consolidated Statements of Financial Position of the Group have been properly prepared on the basis set out in the accompanying notes to the Proforma Consolidated Statements of Financial Position based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2011, which have been prepared in accordance with the Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by Cuscapi in the preparation of its audited consolidated financial statements for the financial year ended 31 December 2011 and the new accounting policy as detailed in Note 1.2 of the Proforma Consolidated Statements of Financial Position.

The audited financial statements of Cuscapi for the financial year ended 31 December 2011 were reported by us without any modification, to the members of Cuscapi on 25 April 2012.

As the Proforma Consolidated Statements of Financial Position are prepared for illustrative purposes only, and such information, because of its nature, may not give a true picture of the effects on the financial position of the Group had the transactions and events occurred at the reporting date. Further, such information does not purport to predict the Group's future financial position.

In our opinion:-

(i) the Proforma Consolidated Statements of Financial Position of the Group have been properly compiled on the basis as set out in the accompanying notes to the Proforma Consolidated Statements of Financial Position based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2011, (which have been prepared by the Directors of Cuscapi in accordance with the Financial Reporting Standards in Malaysia) and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 31 December 2011 and the new accounting policy as detailed in Note 1.2 of the Proforma Consolidated Statements of Financial Position; and

(ii) the adjustments made to the information used in the preparation of the Proforma Consolidated Statements of Financial Position are appropriate for the purposes of preparing the Proforma Consolidated Statements of Financial Position of the Group as at 31 December 2011.

BAKER TILLY

**CUSCAPI BERHAD AND ITS SUBSIDIARIES**
**Proforma Consolidated Statements of Financial Position as at 31 December 2011**

This letter has been prepared for inclusion in the Abridged Prospectus of Cuscapi in connection with the Corporate Exercises and is not to be used, circulated, quoted or otherwise referenced to in any document or used for any other purpose without the prior written consent from us. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Heng Ji Keng
No.578/05/14(J/PH)
Chartered Accountant

## PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

The Proforma Consolidated Statements of Financial Position of Cuscapi Berhad ("Cuscapi" or "the Company") and its subsidiaries ("the Group") as at 31 December 2011 as set out below for which the Directors of Cuscapi are solely responsible, have been prepared for illustrative purposes only to show the effects on the audited consolidated statement of financial position of the Group as at 31 December 2011 had the transactions as described in Note 2 and the corporate exercises as described in Note 3 been effected on that date, and should be read in conjunction with the notes accompanying to the Proforma Consolidated Statements of Financial Position.

### Minimum Scenario

| | | | Proforma I | Proforma II | Proforma III |
|---|---|---|---|---|---|
| | Audited Consolidated Statement of Financial Position as at 31 December 2011 RM'000 | Adjustments for Subsequent Events RM'000 | After the Rights Issue with Warrants RM'000 | After the Proforma I and the Bonus Issue RM'000 | After Proforma II and assuming Full Exercise of Warrants RM'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 5,334 | 6,352 | 6,352 | 6,352 | 6,352 |
| Goodwill on consolidation | 10,272 | 15,794 | 15,794 | 15,794 | 15,794 |
| Development costs | 8,548 | 8,548 | 8,548 | 8,548 | 8,548 |
| Other investment | 70 | 70 | 70 | 70 | 70 |
| **Total non-current assets** | 24,224 | 30,764 | 30,764 | 30,764 | 30,764 |
| **Current assets** | | | | | |
| Inventories | 2,392 | 2,731 | 2,731 | 2,731 | 2,731 |
| Trade and other receivables | 24,400 | 29,625 | 29,625 | 29,625 | 29,625 |
| Prepayments | 612 | 612 | 612 | 612 | 612 |
| Tax recoverable | 1,338 | 1,338 | 1,338 | 1,338 | 1,338 |
| Short term deposits with licensed banks | 7,347 | 7,347 | 7,347 | 7,347 | 7,347 |
| Cash and bank balances | 7,178 | (3,917) ^ | 5,677 | 5,677 | 18,159 |
| **Total current assets** | 43,267 | 37,736 | 47,330 | 47,330 | 59,812 |
| TOTAL ASSETS | 67,491 | 68,500 | 78,094 | 78,094 | 90,576 |

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## PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

### Minimum Scenario (Continued)

| | | | Proforma I | Proforma II | Proforma III |
|---|---|---|---|---|---|
| | Audited Consolidated Statement of Financial Position as at 31 December 2011 RM'000 | Adjustments for Subsequent Events RM'000 | After the Rights Issue with Warrants RM'000 | After the Proforma I and the Bonus Issue RM'000 | After Proforma II and assuming Full Exercise of Warrants RM'000 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to equity holders of Cuscapi** | | | | | |
| Share capital | 24,443 | 24,533 | 29,156 | 31,467 | 36,090 |
| Share premium | 14,185 | 14,379 | 15,143 | 12,832 | 24,898 |
| Foreign currency translation reserve | 456 | 456 | 456 | 456 | 456 |
| Employees' share options reserve | 420 | 649 | 649 | 649 | 649 |
| Warrant reserve | - | - | 4,207 | 4,207 | - |
| Statutory reserve | 222 | 222 | 222 | 222 | 222 |
| Retained earnings | 19,317 | 16,225 | 16,225 | 16,225 | 16,225 |
| **Shareholders' fund** | 59,043 | 56,464 | 66,058 | 66,058 | 78,540 |
| Non-controlling interest | - | - | - | - | - |
| **Total equity** | 59,043 | 56,464 | 66,058 | 66,058 | 78,540 |
| **Non-current liabilities** | | | | | |
| Borrowings | - | - | - | - | - |
| Deferred tax liabilities | 572 | 572 | 572 | 572 | 572 |
| | 572 | 572 | 572 | 572 | 572 |
| **Current liabilities** | | | | | |
| Trade and other payables | 7,857 | 10,579 | 10,579 | 10,579 | 10,579 |
| Deferred revenue | - | 417 | 417 | 417 | 417 |
| Borrowings | 19 | 468 | 468 | 468 | 468 |
| **Total current liabilities** | 7,876 | 11,464 | 11,464 | 11,464 | 11,464 |
| **Total liabilities** | 8,448 | 12,036 | 12,036 | 12,036 | 12,036 |
| **TOTAL EQUITY AND LIABILITIES** | 67,491 | 68,500 | 78,094 | 78,094 | 90,576 |

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## PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

### Minimum Scenario (Continued)

| | Audited Consolidated Statement of Financial Position as at 31 December 2011 RM'000 | Adjustments for Subsequent Events RM'000 | Proforma I<br>After the Rights Issue with Warrants RM'000 | Proforma II<br>After the Proforma I and the Bonus Issue RM'000 | Proforma III<br>After Proforma II and assuming Full Exercise of Warrants RM'000 |
|---|---|---|---|---|---|
| Number of ordinary shares of RM0.10 each ('000) | 244,432 | 245,335 | 291,562 | 314,675 | 360,902 |
| Net assets (RM'000) * | 59,043 | 56,464 | 66,058 | 66,058 | 78,540 |
| NA per ordinary share (RM) * | 0.24 | 0.23 | 0.23 | 0.21 | 0.22 |
| Net Tangible Assets ("NTA") (RM'000) * | 40,223 | 32,122 | 41,716 | 41,716 | 54,198 |
| NTA per ordinary share (RM) * | 0.16 | 0.13 | 0.14 | 0.13 | 0.15 |

^ *The negative cash and bank balances was mainly due to the payments for the purchase consideration for the Acquisition of Tills N Labels of USD2,000,000 (equivalent to RM6,382,800) and the Acquisition of Cuscapi (Thailand) Company Limited ("CTCL") of 100,000,000 Baht (equivalent to RM2,484,038) as described in Notes 2.3 and 2.4 respectively and for illustrative purposes only to show the effects arising from the Acquisition of Tills N Labels and the Acquisition of CTCL. The purchase consideration was satisfied via internally generated funds of the Group.*

* *Attributable to the owners of Cuscapi.*

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## PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

### Maximum Scenario

| | | | Proforma I | Proforma II | Proforma III | Proforma IV |
|---|---|---|---|---|---|---|
| | Audited Consolidated Statement of Financial Position as at 31 December 2011 | Adjustments for Subsequent Events | Assuming Full Exercise of Outstanding ESOS Options | After the Proforma I and the Rights Issue with Warrants | After the Proforma II and the Bonus Issue | After Proforma III and assuming Full Exercise of Warrants |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 5,334 | 6,352 | 6,352 | 6,352 | 6,352 | 6,352 |
| Goodwill on consolidation | 10,272 | 15,794 | 15,794 | 15,794 | 15,794 | 15,794 |
| Development costs | 8,548 | 8,548 | 8,548 | 8,548 | 8,548 | 8,548 |
| Other investment | 70 | 70 | 70 | 70 | 70 | 70 |
| **Total non-current assets** | 24,224 | 30,764 | 30,764 | 30,764 | 30,764 | 30,764 |
| **Current assets** | | | | | | |
| Inventories | 2,392 | 2,731 | 2,731 | 2,731 | 2,731 | 2,731 |
| Trade and other receivables | 24,400 | 29,625 | 29,625 | 29,625 | 29,625 | 29,625 |
| Prepayments | 612 | 612 | 612 | 612 | 612 | 612 |
| Tax recoverable | 1,338 | 1,338 | 1,338 | 1,338 | 1,338 | 1,338 |
| Short term deposits with licensed banks | 7,347 | 7,347 | 7,347 | 7,347 | 7,347 | 7,347 |
| Cash and bank balances | 7,178 | (3,917) ^ | 11,949 | 45,669 | 45,669 | 85,291 |
| **Total current assets** | 43,267 | 37,736 | 53,602 | 87,322 | 87,322 | 126,944 |
| **TOTAL ASSETS** | 67,491 | 68,500 | 84,366 | 118,086 | 118,086 | 157,708 |
| **EQUITY AND LIABILITIES** | | | | | | |
| **Equity attributable to equity holders of Cuscapi** | | | | | | |
| Share capital | 24,443 | 24,533 | 29,349 | 44,024 | 51,361 | 66,036 |
| Share premium | 14,185 | 14,379 | 26,078 | 31,769 | 24,432 | 62,733 |
| Foreign currency translation reserve | 456 | 456 | 456 | 456 | 456 | 456 |
| Employees' share options reserve | 420 | 649 | - | - | - | - |
| Warrant reserve | - | - | - | 13,354 | 13,354 | - |
| Statutory reserve | 222 | 222 | 222 | 222 | 222 | 222 |
| Retained earnings | 19,317 | 16,225 | 16,225 | 16,225 | 16,225 | 16,225 |
| **Shareholders' fund** | 59,043 | 56,464 | 72,330 | 106,050 | 106,050 | 145,672 |
| Non-controlling interest | - | - | - | - | - | - |
| **Total equity** | 59,043 | 56,464 | 72,330 | 106,050 | 106,050 | 145,672 |

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## PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

### Maximum Scenario (Continued)

| | | | Proforma I | Proforma II | Proforma III | Proforma IV |
|---|---|---|---|---|---|---|
| | Audited Consolidated Statement of Financial Position as at 31 December 2011 RM'000 | Adjustments for Subsequent Events RM'000 | Assuming Full Exercise of Outstanding ESOS Options RM'000 | After the Proforma I and the Rights Issue with Warrants RM'000 | After the Proforma II and the Bonus Issue RM'000 | After Proforma III and assuming Full Exercise of Warrants RM'000 |
| **Non-current liabilities** | | | | | | |
| Borrowings | - | - | - | - | - | - |
| Deferred tax liabilities | 572 | 572 | 572 | 572 | 572 | 572 |
| | 572 | 572 | 572 | 572 | 572 | 572 |
| **Current liabilities** | | | | | | |
| Trade and other payables | 7,857 | 10,579 | 10,579 | 10,579 | 10,579 | 10,579 |
| Deferred revenue | - | 417 | 417 | 417 | 417 | 417 |
| Borrowings | 19 | 468 | 468 | 468 | 468 | 468 |
| **Total current liabilities** | 7,876 | 11,464 | 11,464 | 11,464 | 11,464 | 11,464 |
| **Total liabilities** | 8,448 | 12,036 | 12,036 | 12,036 | 12,036 | 12,036 |
| **TOTAL EQUITY AND LIABILITIES** | 67,491 | 68,500 | 84,366 | 118,086 | 118,086 | 157,708 |
| Number of ordinary shares of RM0.10 each ('000) | 244,432 | 245,335 | 293,499 | 440,249 | 513,624 | 660,374 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net assets (RM'000) * | 59,043 | 56,464 | 72,330 | 106,050 | 106,050 | 145,672 |
| NA per ordinary share (RM) * | 0.24 | 0.23 | 0.25 | 0.24 | 0.21 | 0.22 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net Tangible Assets ("NTA") (RM'000) * | 40,223 | 32,122 | 47,988 | 81,708 | 81,708 | 121,330 |
| NTA per ordinary share (RM) * | 0.16 | 0.13 | 0.16 | 0.19 | 0.16 | 0.18 |

^ *The negative cash and bank balances was mainly due to the payments for the purchase consideration for the Acquisition of Tills N Labels of USD2,000,000 (equivalent to RM6,382,800) and the Acquisition of CTCL of 100,000,000 Baht (equivalent to RM2,484,038) as described in Notes 2.3 and 2.4 respectively and for illustrative purposes only to show the effects arising from the Acquisition of Tills N Labels and the Acquisition of CTCL. The purchase consideration was satisfied via internally generated funds of the Group.*

* *Attributable to the owners of Cuscapi.*

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## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

1. **Basis of Preparation**

1.1 The Proforma Consolidated Statements of Financial Position of the Group, for which the Directors of Cuscapi are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of the Group as at 31 December 2011 had the transactions as described in Note 2 and the corporate exercises as described in Note 3 been effected on that date, and should be read in conjunction with the notes accompanying the Proforma Consolidated Statements of Financial Position.

1.2 The Proforma Consolidated Statements of Financial Position of the Group have been prepared in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 31 December 2011, which have been prepared in accordance with the Financial Reporting Standards in Malaysia, and the adoption of the following new accounting policy:-

**Warrant Reserve**

The allocated fair values of free warrants are credited to a warrant reserve, which is non-distributable. The warrant reserve will be transferred to the share premium account upon the exercise of warrants.

For the preparation of the Proforma Consolidated Statements of Financial Position, the Directors of Cuscapi have allocated a value of RM0.091 per Warrant to the free Warrants based on the fair value of the Warrant extracted from Bloomberg. The value of the Warrants is based on the relative fair values of the ordinary shares by reference to the following information extracted from Bloomberg:-

| | | |
|---|---|---|
| Valuation model | : | Black Scholes |
| Share price * | : | RM0.27 |
| Exercise price | : | RM0.27 per Warrant |
| Expiry date | : | 8 November 2017 (5 years) |
| Volatility | : | 31.834% |
| Dividend | : | No dividend |
| Interest rate | : | 3.193% per annum |

* *Being the theoretical ex-all price after the Corporate Exercises, based on the 5-days volume weighted average price of Cuscapi Shares*

As the above variables are subject to change upon the implementation of the Rights Issue with Warrants as described in Section 3(i), the actual quantum of the components of the warrant reserve will only be determined upon issuance of the Warrants. As such, the actual quantum may differ from the amount computed above.

1.3 The audited financial statements of Cuscapi for the financial year ended 31 December 2011 were reported by us without any modification, to the members of Cuscapi on 25 April 2012.

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## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

### 2. Adjustments for Subsequent Events

Subsequent to 31 December 2011, Cuscapi had undertaken the following transactions:-

### 2.1 Payment of First Interim Dividend

The Company had paid the first interim dividends of 1.5 sen per share less 25% per share amounting to RM2,756,631 for the financial year ended 31 December 2012 on 18 April 2012 ("Payment of Interim Dividend").

The Payment of Interim Dividend has the following impact on the audited consolidated statement of financial position of the Group as at 31 December 2011:-

| | **Decrease** | |
|---|---|---|
| | **Effects on Total Assets RM'000** | **Effects on Total Equity RM'000** |
| Cash and bank balances | (2,757) | - |
| Retained earnings | - | (2,757) |
| | (2,757) | (2,757) |

### 2.2 Employees' Share Option Scheme ("ESOS") Options

The movements in the ESOS options of Cuscapi subsequent to 31 December 2011 and up to the latest practicable date prior to the printing of the Abridged Prospectus, are as below:-

(a) Cuscapi had granted a total of additional 9,967,500 ESOS options to the Directors and/or employees of the Group ("Granting of New ESOS Options"). The fair values of the options granted of RM125,916 were recognised to the profit or loss;

(b) There were a total of 902,800 ESOS options exercised for a total proceed of approximately RM243,756 ("ESOS Options Exercised"). The related fair values of the ESOS options exercised of RM40,604 were reclassified to the Share Premium Account;

(c) There were a total of 3,158,900 ESOS options forfeited by the Company ("ESOS Options Forfeited"). The related fair values of the ESOS options forfeited of RM56,220 were reversed to the profit or loss; and

(d) Cuscapi has recognised the fair values of the ESOS options previously granted and vested of RM200,025.

## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

### 2. Adjustments for Subsequent Events (Continued)

### 2.2 Employees' Share Option Scheme ("ESOS") Options (Continued)

The Granting of New ESOS Options, ESOS Options Exercised, ESOS Options Forfeited and the recognition of fair values of the previously granted ESOS options have the following impact on the audited consolidated statement of financial position of the Group as at 31 December 2011:-

| | Increase / (Decrease) Effects on Total Assets RM'000 | Effects on Total Equity RM'000 |
|---|---|---|
| Cash and bank balances | 243 | - |
| Share capital | - | 90 |
| Share premium | - | 194 |
| Employees' share options reserve | - | 229 |
| Retained earnings | - | (270) |
| | 243 | 243 |

### 2.3 Acquisition of Tills N Labels System Marketing, Inc

On 23 July 2012, the Board of Directors of Cuscapi had announced that Cuscapi Philippines, Inc, a wholly-owned subsidiary of Cuscapi, had on the even date, entered into a deed of assignment agreement with Wilton C.Ngo, Annabelle L. Ngo, Galvin Radley Ngo, Linsay Nicole Ngo, Margaux Hilary Ngo and Tills N Labels System Marketing, Inc ("Tills N Labels") for the acquisition of 90,000 shares of common stock with a par value of one hundred Philippine Pesos (PHP100) each in Tills N Labels, representing 100% of the issued and paid-up share capital of Tills N Labels, by Cuscapi Philippines, Inc for a total cash consideration of USD2,000,000 (equivalent to RM6,382,800) ("Acquisition of Tills N Labels"). The Acquisition of Tills N Labels was completed on 31 October 2012.

There was goodwill on consolidation of approximately RM5.280 million arising from the Acquisition of Tills N Labels as below:-

| | RM'000 |
|---|---|
| Purchase consideration | 6,383 |
| Share of identifiable assets, liabilities and contingent liabilities of Tills N Labels | (1,103) |
| Goodwill on consolidation | 5,280 |

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## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

2. **Adjustments for Subsequent Events (Continued)**

2.3 **Acquisition of Tills N Labels System Marketing, Inc**

The Acquisition of Tills N Labels has the following impact on the audited consolidated statement of financial position of the Group as at 31 December 2011:-

| | Increase / (Decrease) | |
|---|---|---|
| | Effects on Total Assets RM'000 | Effects on Total Equity and Liabilities RM'000 |
| Property, plant and equipment | 438 | - |
| Goodwill on consolidation | 5,280 | - |
| Inventories | 339 | - |
| Trade and other receivables | 2,690 | - |
| Cash and bank balances | (6,138) | - |
| Retained earnings | - | (65) |
| Trade and other payables | - | 1,808 |
| Deferred revenue | - | 417 |
| Borrowings (under current liabilities) | - | 449 |
| | 2,609 | 2,609 |

2.4 **Acquisition of CTCL**

On 12 March 2012, Cuscapi Hong Kong Limited, Cuscapi Malaysia Sdn Bhd and Cuscapi International Pte Ltd, wholly-owned subsidiaries of Cuscapi, had subscribed for a total of 1,000,000 shares of 100 Baht in CTCL ("Acquisition of CTCL"), equivalent to RM2.484 million. Upon the completion of the Acquisition of CTCL, CTCL becomes an indirect wholly-owned subsidiary of Cuscapi.

There was goodwill on consolidation of approximately RM0.242 million arising from the Acquisition of CTCL as below:-

| | RM'000 |
|---|---|
| Purchase consideration | 2,484 |
| Share of identifiable assets, liabilities and contingent liabilities of CTCL | (2,242) |
| Goodwill on consolidation | 242 |

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

## 2. Adjustments for Subsequent Events (Continued)

### 2.4 Acquisition of CTCL (Continued)

The Acquisition of CTCL has the following impact on the audited consolidated statement of financial position of the Group as at 31 December 2011:-

| | Increase / (Decrease) | |
|---|---|---|
| | Effects on Total Assets RM'000 | Effects on Total Liabilities RM'000 |
| Property, plant and equipment | 580 | - |
| Goodwill on consolidation | 242 | - |
| Trade and other receivables | 2,535 | - |
| Cash and bank balances | (2,443) | - |
| Trade and other payables | - | 914 |
| | 914 | 914 |

## 3. Corporate Exercises

The Board of Directors of Cuscapi will undertake the following corporate exercises:-

(i) Renounceable rights issue of up to 146,749,640 new ordinary shares of RM0.10 each in Cuscapi ("Cuscapi Share(s)") ("Rights Share(s)") on the basis of one (1) Rights Share for every two (2) existing Cuscapi Shares held as at 5.00p.m. on 3 April 2013 at an issue price of RM0.24 per Rights Share together with up to 146,749,640 free detachable warrants in Cuscapi ("Warrant(s)") on the basis of one (1) free Warrant for every one (1) Rights Share subscribed for ("Rights Issue with Warrants"); and

(ii) Bonus issue of up to 73,374,820 new Cuscapi Shares ("Bonus Share(s)") on the basis of one (1) Bonus Share for every (2) Rights Shares subscribed for pursuant to the Rights Issue with Warrants ("Bonus Issue").

(The above corporate exercises collectively hereinafter referred to as the "Corporate Exercises").

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## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

### 3. Corporate Exercises (Continued)

**Utilisation of Proceeds from the Rights Issue with Warrants**

The proceeds from the Rights Issue with Warrants will be utilised in the following manner:-

| | Minimum Scenario RM'000 | Maximum Scenario RM'000 |
|---|---|---|
| Business expansion | 9,594 | 33,720 |
| Estimated expenses in relation to the Corporate Exercises | 1,500 | 1,500 |
| | 11,094 | 35,220 |

### 4. Proforma Consolidated Statements of Financial Position

### 4.1 Minimum Scenario

The minimum scenario assumes that:-

(i) Assuming none of the 17,272,500 unexercised ESOS options pursuant to Cuscapi's ESOS scheme subsequent to 31 December 2011 and up to the latest practicable date prior to the printing of the Abridged Prospectus ("Outstanding ESOS Options") are exercised by the option holders prior to the entitlement date of the Corporate Exercises;

(ii) Assuming no new ESOS option will be granted by Cuscapi or forfeited by Cuscapi pursuant to the ESOS scheme prior to the entitlement date of the Corporate Exercises;

(iii) The Rights Issue with Warrants will raise a gross proceed of RM11.094 million via the issuance of 46,226,817 Rights Shares at the issue price of RM0.24 per Rights Share, together with 46,226,817 Warrants; and

(iv) The 46,226,817 Warrants issued pursuant to the Rights Issue with Warrants are fully exercised at the exercise price of RM0.27 each after the completion of the Corporate Exercises.

## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

### 4. Proforma Consolidated Statements of Financial Position (Continued)

### 4.1 Minimum Scenario (Continued)

### 4.1.1 Proforma I

Proforma I incorporates the effects of the adjusted consolidated statement of financial position of the Group as at 31 December 2011 and the Rights Issue with Warrants as described in Note 3(i) and the defrayment of the estimated expenses in relation to the Rights Issue with Warrants.

With the issuance of 46,226,817 Warrants pursuant to the Rights Issue with Warrants, Cuscapi has recognised the fair values of the Warrants of approximately RM4.207 million based on the basis as described in Section 1.2 and debited to the Share Premium Account.

The estimated expenses in relation to the Corporate Exercises of RM1.500 million will be written off against the Share Premium Account pursuant to the Section 60(3) of the Companies Act, 1965.

The proceeds arising from the Rights Issue with Warrants earmarked for the business expansion of RM9.594 million will be included in the Cash and Bank Balances Account.

The Rights Issue with Warrants has the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) | |
|---|---|---|
| | Effects on Total Assets RM'000 | Effects on Total Equity RM'000 |
| Cash and bank balances | 9,594 | - |
| Share capital | - | 4,623 |
| Share premium | - | 764 |
| Warrant reserve | - | 4,207 |
| | 9,594 | 9,594 |

### 4.1.2 Proforma II

Proforma II incorporates the cumulative effects of Proforma I and the Bonus Issue as described in Note 3(ii).

The Bonus Issue of 23,113,409 Cuscapi Shares will be fully capitalised from the Share Premium Account.

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## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

### 4. Proforma Consolidated Statements of Financial Position (Continued)

### 4.1 Minimum Scenario (Continued)

### 4.1.2 Proforma II

The Bonus Issue has the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) Effects on Total Equity RM'000 |
|---|---|
| Share capital | 2,311 |
| Share premium | (2,311) |
| | - |

### 4.1.3 Proforma III

Proforma II incorporates the cumulative effects of Proforma II and assuming the full exercise of 46,226,817 Warrants at the exercise price of RM0.27 per Cuscapi Share as described in Note 4.1(iv).

The full exercise of Warrants will have the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) | |
|---|---|---|
| | Effects on Total Assets RM'000 | Effects on Total Equity RM'000 |
| Cash and bank balances | 12,482 | - |
| Share capital | - | 4,623 |
| Share premium | - | 12,066 |
| Warrant reserve | - | (4,207) |
| | 12,482 | 12,482 |

## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

### 4. Proforma Consolidated Statements of Financial Position (Continued)

### 4.2 Maximum Scenario

The maximum scenario assumes that:-

(i) Assuming the Outstanding ESOS Options of 17,212,500 are fully exercised by the option holders into 17,212,500 Cuscapi Shares at the respective exercise prices prior to the entitlement date of the Corporate Exercises as below:-

| Number of ESOS Options | Exercise Price (RM) | Total Proceeds (RM) |
|---|---|---|
| 6,681,000 | 0.27 | 1,803,870 |
| 1,556,100 | 0.42 | 653,562 |
| 9,035,400 | 0.39 | 3,523,806 |
| **17,272,500** | | **5,981,238** |

(ii) Assuming the ungranted 30,891,713 ESOS options will be fully granted by Cuscapi which will be fully exercised pursuant to the ESOS scheme at the assumed exercise price of RM0.32 per Cuscapi Share ("Additional ESOS Options") prior to the entitlement date of the Corporate Exercises;

(iii) The Rights Issue with Warrants will raise a gross proceed of RM35.220 million via the issuance of 146,749,640 Rights Shares at the issue price of RM0.24 per Rights Share, together with 146,749,640 Warrants; and

(iv) The 146,749,640 Warrants issued pursuant to the Rights Issue with Warrants are fully exercised at the exercise price of RM0.27 each after the completion of the Corporate Exercises.

### 4.2.1 Proforma I

Proforma I incorporates the effects of the adjusted consolidated statement of financial position of the Group as at 31 December 2011 and assuming full exercise of the Outstanding ESOS Options as described in Note 4.2(i) and the Additional ESOS Options as described in Note 4.2(ii).

The proceeds arising from the full exercise of the Outstanding ESOS Options and the Additional ESOS Options of approximately RM5.981 million and RM9.885 million were included in the Cash and Bank Balances Account.

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)**

4. **Proforma Consolidated Statements of Financial Position (Continued)**

4.2 **Maximum Scenario (Continued)**

4.2.1 **Proforma I (Continued)**

The full exercise of the Outstanding ESOS Options and the Additional ESOS Options have the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | **Increase / (Decrease)** | |
|---|---|---|
| | **Effects on Total Assets RM'000** | **Effects on Total Equity RM'000** |
| Cash and bank balances | 15,866 | - |
| Share capital | - | 4,816 |
| Share premium | - | 11,699 |
| Employees' share options reserve | - | (649) |
| | 15,866 | 15,866 |

4.2.2 **Proforma II**

Proforma II incorporates the cumulative effects of Proforma I and the Rights Issue with Warrants as described in Note 3(i) and the defrayment of the estimated expenses in relation to the Rights Issue with Warrants.

With the issuance of 146,749,640 Warrants pursuant to the Rights Issue with Warrants, Cuscapi has recognised the fair values of the Warrants of approximately RM13.354 million based on the basis as described in Section 1.2 and debited to the Share Premium Account.

The estimated expenses in relation to the Corporate Exercises of RM1.500 million will be written off against the Share Premium Account pursuant to the Section 60(3) of the Companies Act, 1965.

The net proceeds arising from the Rights Issue with Warrants earmarked for the business expansion of RM33.720 million will be included in the Cash and Bank Balances Account.

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)**

**4. Proforma Consolidated Statements of Financial Position (Continued)**

**4.2 Maximum Scenario (Continued)**

**4.2.2 Proforma II**

The Rights Issue with Warrants has the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) Effects on Total Assets RM'000 | Increase / (Decrease) Effects on Total Equity RM'000 |
|---|---|---|
| Cash and bank balances | 33,720 | - |
| Share capital | - | 14,675 |
| Share premium | - | 5,691 |
| Warrant reserve | - | 13,354 |
| | 33,720 | 33,720 |

**4.2.3 Proforma III**

Proforma III incorporates the cumulative effects of Proforma II and the Bonus Issue as described in Note 3(ii).

The Bonus Issue of 73,374,820 Cuscapi Shares will be fully capitalised from the Share Premium Account.

The Bonus Issue has the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) Effects on Total Equity RM'000 |
|---|---|
| Share capital | 7,337 |
| Share premium | (7,337) |
| | - |

## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

### 4. Proforma Consolidated Statements of Financial Position (Continued)

### 4.2 Maximum Scenario (Continued)

### 4.2.4 Proforma IV

Proforma IV incorporates the cumulative effects of Proforma III and assuming the full exercise of 146,749,640 Warrants at the exercise price of RM0.27 per Cuscapi Share as described in Note 4.2(iv).

The full exercise of Warrants will have the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) Effects on Total Assets RM'000 | Effects on Total Equity RM'000 |
|---|---|---|
| Cash and bank balances | 39,622 | - |
| Share capital | - | 14,675 |
| Share premium | - | 38,301 |
| Warrant reserve | | (13,354) |
| | 39,622 | 39,622 |

## 5. Movements in Share Capital, Share Premium, Foreign Currency Translation Reserve, Employees' Share Option Reserve, Warrant Reserve, Statutory Reserve and Retained Earnings

### 5.1 Minimum Scenario

| | Share capital Number of Shares '000 | Share capital Amount RM'000 | Share Premium RM'000 | Foreign Currency Translation Reserve RM'000 | Employees' Share Option Reserve RM'000 | Warrant Reserve RM'000 | Statutory Reserve RM'000 | Retained Earnings RM'000 |
|---|---|---|---|---|---|---|---|---|
| Audited consolidated statement of financial position as at 31 December 2011 | 244,432 | 24,443 | 14,185 | 456 | 420 | - | 222 | 19,317 |
| Arising from the Payment of Interim Dividend | - | - | - | - | - | - | - | (2,757) |
| Arising from the movements in ESOS options | | | | | | | | |
| - Granting of New ESOS Options | - | - | - | - | 126 | - | - | (126) |
| - ESOS options exercised | 903 | 90 | 194 | - | (41) | - | - | - |
| - ESOS options forfeited | - | - | - | - | (56) | - | - | 56 |
| - recognition of the fair values of the previously granted ESOS options | - | - | - | - | 200 | - | - | (200) |
| Arising from the Acquisition of Tills N Labels | | | | | | | | |
| - incidental costs incurred | - | - | - | - | - | - | - | (65) |
| Adjusted consolidated statement of financial position as at 31 December 2011 | 245,335 | 24,533 | 14,379 | 456 | 649 | - | 222 | 16,225 |
| Arising from the Rights Issue with Warrants | | | | | | | | |
| - issuance of new Cuscapi Shares | 46,227 | 4,623 | 6,471 | - | - | - | - | - |
| - issuance of Warrants | - | - | (4,207) | - | - | 4,207 | - | - |
| - defrayment of estimated expenses | - | - | (1,500) | - | - | - | - | - |
| Per Proforma I | 291,562 | 29,156 | 15,143 | 456 | 649 | 4,207 | 222 | 16,225 |
| Arising from the Bonus Issue | 23,113 | 2,311 | (2,311) | - | - | - | - | - |
| Per Proforma II | 314,675 | 31,467 | 12,832 | 456 | 649 | 4,207 | 222 | 16,225 |
| Arising from the assuming full exercise of Warrants | 46,227 | 4,623 | 12,066 | - | - | (4,207) | - | - |
| Per Proforma III | 360,902 | 36,090 | 24,898 | 456 | 649 | - | 222 | 16,225 |

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## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)

### 5. Movements in Share Capital, Share Premium, Foreign Currency Translation Reserve, Employees' Share Option Reserve, Warrant Reserve, Statutory Reserve and Retained Earnings (Continued)

### 5.2 Maximum Scenario

| | Share capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Shares '000 | Amount RM'000 | Share Premium RM'000 | Foreign Currency Translation Reserve RM'000 | Employees' Share Option Reserve RM'000 | Warrant Reserve RM'000 | Statutory Reserve RM'000 | Retained Earnings RM'000 |
| Audited consolidated statement of financial position as at 31 December 2011 | 244,432 | 24,443 | 14,185 | 456 | 420 | - | 222 | 19,317 |
| Arising from the Payment of Interim Dividend | - | - | - | - | - | - | - | (2,757) |
| Arising from the movements in ESOS options | | | | | | | | |
| - Granting of New ESOS Options | - | - | - | - | 126 | - | - | (126) |
| - ESOS options exercised | 903 | 90 | 194 | - | (41) | - | - | - |
| - ESOS options forfeited | - | - | - | - | (56) | - | - | 56 |
| - recognition of the fair values of the previously granted ESOS options | - | - | - | - | 200 | - | - | (200) |
| Arising from the Acquisition of Tills N Labels | | | | | | | | |
| - incidental costs incurred | - | - | - | - | - | - | - | (65) |
| Adjusted consolidated statement of financial position as at 31 December 2011 | 245,335 | 24,533 | 14,379 | 456 | 649 | - | 222 | 16,225 |
| Arising from the full exercise of the Outstanding ESOS options and the Additional ESOS options | 48,164 | 4,816 | 11,699 | - | (649) | - | - | - |
| Per Proforma I | 293,499 | 29,349 | 26,078 | 456 | - | - | 222 | 16,225 |
| Arising from the Rights Issue with Warrants | | | | | | | | |
| - issuance of new Cuscapi Shares | 146,750 | 14,675 | 20,545 | - | - | - | - | - |
| - issuance of Warrants | - | - | (13,354) | - | - | 13,354 | - | - |
| - defrayment of estimated expenses | - | - | (1,500) | - | - | - | - | - |
| Per Proforma I | 440,249 | 44,024 | 31,769 | 456 | - | 13,354 | 222 | 16,225 |
| Arising from the Bonus Issue | 73,375 | 7,337 | (7,337) | - | - | - | - | - |
| Per Proforma II- | 513,624 | 51,361 | 24,432 | 456 | - | 13,354 | 222 | 16,225 |
| Arising from the assuming full exercise of Warrants | 146,750 | 14,675 | 38,301 | - | - | (13,354) | - | - |
| Per Proforma III | 660,374 | 66,036 | 62,733 | 456 | - | - | 222 | 16,225 |

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**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (Continued)**

## 6. Movements in Cash and Bank Balances

### 6.1 Minimum Scenario

| | RM'000 |
|---|---|
| Audited consolidated statements of financial position as at 31 December 2011 | 7,178 |
| Arising from the Payment of Interim Dividend | (2,757) |
| Arising from the movements in ESOS options | |
| - ESOS options exercised | 243 |
| Arising from the Acquisition of Tills N Labels | |
| - cash of Tills N Labels acquired | 310 |
| - payment for the purchase consideration | (6,383) |
| - incidental costs incurred | (65) |
| Arising from the Acquisition of CTCL | |
| - cash of CTCL acquired | 41 |
| - payment for the purchase consideration | (2,484) |
| Adjusted consolidated statements of financial position as at 31 December 2011 ^ | (3,917) |
| Arising from the Rights Issue with Warrants | |
| - proceeds arising from the Rights Issue with Warrants | 11,094 |
| - defrayment of estimated expenses | (1,500) |
| Per Proforma I * | 5,677 |
| Arising from the Bonus Issue | - |
| Per Proforma II * | 5,677 |
| Arising from the assuming full exercise of Warrants | |
| - proceeds arising from the full exercise of Warrants | 12,482 |
| Per Proforma III * | 18,159 |

^ *The negative cash and bank balances was mainly due to the payments for the purchase consideration for the Acquisition of Tills N Labels of USD2,000,000 (equivalent to RM6,382,800) and the Acquisition of CTCL of 100,000,000 Baht (equivalent to RM2,484,038) as described in Notes 2.3 and 2.4 respectively and for illustrative purposes only to show the effects arising from the Acquisition of Tills N Labels and the Acquisition of CTCL. The purchase consideration was satisfied via internally generated funds of the Group.*

* *Included in the cash and bank balances is an amount of approximately RM9.594 million resulting from the Rights Issue with Warrants earmarked for business expansion.*

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## 6. Movements in Cash and Bank Balances (Continued)

### 6.2 Maximum Scenario

| | RM'000 |
|---|---|
| Audited consolidated statements of financial position as at 31 December 2011 | 7,178 |
| Arising from the Payment of Interim Dividend | (2,757) |
| Arising from the movements in ESOS options | |
| - ESOS options exercised | 243 |
| Arising from the Acquisition of Tills N Labels | |
| - cash of Tills N Labels acquired | 310 |
| - payment for the purchase consideration | (6,383) |
| - incidental costs incurred | (65) |
| Arising from the Acquisition of CTCL | |
| - cash of CTCL acquired | 41 |
| - payment for the purchase consideration | (2,484) |
| Adjusted consolidated statements of financial position as at 31 December 2011 ^ | (3,917) |
| Arising from the full exercise of the Outstanding ESOS Options and the Additional ESOS Options | |
| - proceeds arising from the full exercise of ESOS Options | 15,866 |
| Per Proforma I | 11,949 |
| Arising from the Rights Issue with Warrants | |
| - proceeds arising from the Rights Issue with Warrants | 35,220 |
| - defrayment of estimated expenses | (1,500) |
| Per Proforma II * | 45,669 |
| Arising from the Bonus Issue | - |
| Per Proforma III * | 45,669 |
| Arising from the assuming full exercise of Warrants | |
| - proceeds arising from the full exercise of Warrants | 39,622 |
| Per Proforma IV * | 85,291 |

^ *The negative cash and bank balances was mainly due to the payments for the purchase consideration for the Acquisition of Tills N Labels of USD2,000,000 (equivalent to RM6,382,800) and the Acquisition of CTCL of 100,000,000 Baht (equivalent to RM2,484,038) as described in Notes 2.3 and 2.4 respectively and for illustrative purposes only to show the effects arising from the Acquisition of Tills N Labels and the Acquisition of CTCL. The purchase consideration was satisfied via internally generated funds of the Group.*

* *Included in the cash and bank balances is an amount of approximately RM33.720 million resulting from the Rights Issue with Warrants earmarked for business expansion.*

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## APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Cuscapi Berhad in accordance with a resolution dated 25 MAR 2013

| | |
|---|---|
| ................................................ | ................................................ |
| **HER CHOR SIONG** | **TEOH HOAY MING** |
| **CHIEF EXECUTIVE OFFICER** | **CHIEF OPERATING OFFICER** |

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2011 TOGETHER WITH THE AUDITORS' REPORT THEREON**

**CUSCAPI BERHAD**
**(43190 - H)**
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
31ST DECEMBER 2011

Company No. 43190-H

**CUSCAPI BERHAD**
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011**

**CONTENTS** **Page**

**CUSCAPI BERHAD**
(Incorporated in Malaysia)

## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of Cuscapi Berhad ("the Company") and its subsidiaries ("the Group") for the financial year ended 31st December 2011.

## PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Net profit for the financial year | 8,631,017 | 3,271,194 |
| Attributable to: | | |
| Owners of the Company | 8,631,017 | 3,271,194 |
| Non-controlling interests | - | - |
| | 8,631,017 | 3,271,194 |

## DIVIDENDS

In respect of the financial year ended 31st December 2011:

First interim dividend of 1.5 cents per share less tax at 25% totalling RM2,502,363/- was declared and paid on 16th August 2011 and 30th September 2011 respectively.

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31st December 2011.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

## BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

## CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

## VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent or other liabilities of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

## CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

## ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM22,243,227 to RM24,443,227 by way of the issuance of 22,000,000 ordinary shares of RM0.10/- each at RM0.43/- per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

**EMPLOYEES' SHARE OPTION SCHEME ("ESOS")**

At an Extraordinary General meeting held on 18 January 2011, the directors approved the ESOS for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible senior executives and employees respectively.

The committee administering the ESOS comprises three directors, Dato' Rosman bin Abdullah, Ang Chin Joo and Her Chor Siong.The main salient features of the ESOS are as follows:-

(i) The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed an amount equivalent to twenty percent (20%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time.

(ii) The new shares to be allotted upon the exercise of the options shall, upon issue and allotment, rank pari passu in all respects with the existing issued and paid-up ordinary share capital of the Company, except that they will not rank for any dividend, rights, transfer, allotment or distribution declared made or paid to shareholders.

(iii) An Eligible Person is any executive director or employee of the Company or its subsidiaries ("the Group") who at the date of offer:-

   (a) has attained the age of eighteen (18) years;
   (b) in the case of an employee (including executive directors), is employed by and on the payroll of the Group and whose employment has been confirmed in writing or has been in employment of the Group for a period of at least twelve (12) full months of continuous service where the employee is employed by the Group on a contract basis; and
   (c) in the case of a non-executive director, is duly elected as a member of the board of directors of the companies within the Group with a Director fee.

(iv) The persons to whom the options have been granted under the ESOS have no right to participate in any employee share option scheme of any other company within the Group.

(v) Not more than 50% of the shares issued pursuant to the ESOS shall be allocated, in aggregate, to the Directors and senior management of the Group. In addition, not more than 10% of the shares shall be allocated to any Eligible Person who, either singly or collectively, through persons connected to him/her, holds 20% or more in the issued and paid-up capital (excluding treasury shares) of the Company.

(vi) The option price is the higher of :

   (i) the weighted average market price of the shares for the five (5) market days immediately preceding the date of offer, subject to a discount of not more than ten percent (10%) which the Company may at its discretion decide to give; or

   (ii) the par value of the shares.

**EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONTINUED)**

During the financial year, the Company granted 9,790,200 share options and 1,576,500 share options on 7 February 2011 and 30 June 2011, respectively, under the Employees Share Option Plan. These options expire on 23 January 2014 and one-third of these options are exercisable on or after every anniversary from the date of the acceptance of the offer up to the date of the options expire.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the employee share option plans as at 31 December 2011 are as follows:

| Grant Date | Expiry Date | Exercise Price RM/Share | Number of options |
|---|---|---|---|
| 7.2.2011 | 23.1.2014 | 0.27 | 8,747,400 |
| 30.6.2011 | 23.1.2014 | 0.42 | 1,230,600 |
| | | | 9,978,000 |

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 166,800 ordinary shares of RM0.10 each. The names of option holders granted options to subscribe for 166,800 or more ordinary shares of RM0.10 each during the financial year are as follows:

| Name | Grant Date | Expiry Date | Exercise Price RM/Share | ← Number of share options → Granted | Exercised | Balance At 31.12.2011 |
|---|---|---|---|---|---|---|
| Voon Siew Moon | 7.2.2011 | 23.1.2004 | 0.27 | 833,400 | - | 833,400 |
| Jonah Lau Kung Hui | 7.2.2011 | 23.1.2004 | 0.27 | 833,400 | - | 833,400 |
| John Andrew Wong Wai Tho | 7.2.2011 | 23.1.2004 | 0.27 | 833,400 | - | 833,400 |
| Yong You Choy @ Yang Kok Ming | 7.2.2011 | 23.1.2004 | 0.27 | 833,400 | - | 833,400 |
| Hoh Yoon Pok | 7.2.2011 | 23.1.2004 | 0.27 | 833,400 | - | 833,400 |
| Hon Fun Ping | 7.2.2011 | 23.1.2004 | 0.27 | 500,100 | - | 500,100 |

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

## DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:-

Dato' Gan Nyap Liou @ Gan Nyap Liow
Her Chor Siong
Dato' Rosman Bin Abdullah
Tai Keat Chai
Ang Chin Joo
Teoh Hoay Ming

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of those directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 31st December 2011 are as follows:-

| | Number of ordinary shares of RM0.10 each | | | |
|---|---|---|---|---|
| | **At 1.1.2011** | **Bought** | **Sold** | **At 31.12.2011** |
| *The Company:-* | | | | |
| **Cuscapi Berhad** | | | | |
| Dato' Gan Nyap Liou @ Gan Nyap Liow | 11,804,300 | 2,695,700 | - | 14,500,000 |
| Her Chor Siong | 23,166,667 | - | (8,000,000) | 15,166,667 |
| Tai Keat Chai | 30,000 | - | - | 30,000 |
| Ang Chin Joo | 11,400,000 | - | - | 11,400,000 |
| Teoh Hoay Ming | 6,857,167 | - | (3,000,000) | 3,857,167 |

| | Number of ordinary shares of RM0.10 each | | | |
|---|---|---|---|---|
| | **At 1.1.2011** | **Bought** | **Sold** | **At 31.12.2011** |
| *Indirect interest by virtue of shares held by a company in which a director has interest* | | | | |
| **Transight Systems Sdn. Bhd.** | | | | |
| Dato' Rosman Bin Abdullah | 48,120,000 | - | (10,000,000) | 38,120,000 |

**DIRECTORS' INTERESTS (CONTINUED)**

| | Number of ordinary shares of RM0.10 each | | | |
|---|---|---|---|---|
| | At 1.1.2011 | Bought | Sold | At 31.12.2011 |
| **Auro Fokus Sdn. Bhd.** | | | | |
| Her Chor Siong | - | 8,000,000 | - | 8,000,000 |
| *Deemed interest by virtue of the shareholding of his family members* | | | | |
| Her Chor Siong | 180,000 | - | - | 180,000 |
| *Deemed interest by virtue of the shareholding of his spouse and parent* | | | | |
| Teoh Hoay Ming | 182,000 | - | (82,000) | 100,000 |

| | Number of options over ordinary shares of RM0.10 each | | | |
|---|---|---|---|---|
| | At 1.1.2011 | Granted | Exercised | At 31.12.2011 |
| Dato' Gan Nyap Liou @ Gan Nyap Liow | - | 333,300 | - | 333,300 |
| Dato' Rosman Bin Abdullah | - | 166,800 | - | 166,800 |
| Her Chor Siong | - | 1,166,700 | - | 1,166,700 |
| Tai Keat Chai | - | 166,800 | - | 166,800 |
| Ang Chin Joo | - | 166,800 | - | 166,800 |
| Teoh Hoay Ming | - | 1,166,700 | - | 1,166,700 |

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors shown in Note 22 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the share options granted under the employee share option scheme ("ESOS") of the company which entitles the holder the right to subscribe for new ordinary shares of RM0.10/- each for each option at the respective exercise price.

**AUDITORS**

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

..............................................

DATO' GAN NYAP LIOU
@ GAN NYAP LIOW
Director

..............................................

TAI KEAT CHAI
Director

Kuala Lumpur

Date: 25 APR 2012

**CUSCAPI BERHAD**
(Incorporated in Malaysia)

## STATEMENTS OF FINANCIAL POSITION
## AS AT 31ST DECEMBER 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | RM | RM | RM | RM |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 3 | 5,334,494 | 5,250,674 | 377,265 | 447,890 |
| Goodwill on consolidation | 4 | 10,271,640 | 8,596,889 | - | - |
| Development costs | 5 | 8,547,938 | 6,720,486 | - | - |
| Investment in subsidiaries | 6 | - | - | 15,101,777 | 13,242,138 |
| Investment in a jointly controlled entity | 7 | - | - | - | 55,000 |
| Other investment | 8 | 70,000 | 70,000 | 70,000 | 70,000 |
| | | 24,224,072 | 20,638,049 | 15,549,042 | 13,815,028 |
| **Current assets** | | | | | |
| Inventories | 9 | 2,391,857 | 2,057,083 | - | - |
| Trade and other receivables | 10 | 24,400,052 | 18,058,072 | 19,958,755 | 16,929,610 |
| Prepayments | | 611,544 | 515,561 | 55,897 | 59,445 |
| Tax recoverable | | 1,338,387 | 494,101 | 47,155 | 46,375 |
| Short term deposits with licensed banks | 11 | 7,347,087 | 6,392,154 | 7,347,087 | 4,392,154 |
| Cash and bank balances | 12 | 7,178,336 | 4,371,692 | 13,912 | 208,448 |
| | | 43,267,263 | 31,888,663 | 27,422,806 | 21,636,032 |
| **TOTAL ASSETS** | | 67,491,335 | 52,526,712 | 42,971,848 | 35,451,060 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 13 | 24,443,227 | 22,243,227 | 24,443,227 | 22,243,227 |
| Reserves | 14 | 34,600,245 | 20,849,616 | 16,777,544 | 8,679,791 |
| **Shareholders' funds** | | 59,043,472 | 43,092,843 | 41,220,771 | 30,923,018 |
| Non-controlling interests | | - | - | - | - |
| **Total equity** | | 59,043,472 | 43,092,843 | 41,220,771 | 30,923,018 |

**CUSCAPI BERHAD**
(Incorporated in Malaysia)

## STATEMENTS OF FINANCIAL POSITION AS AT 31ST DECEMBER 2011 (CONTINUED)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | RM | RM | RM | RM |
| **Non-current liability** | | | | | |
| Deferred tax liabilities | 15 | 572,273 | 576,385 | - | - |
| **Current liabilities** | | | | | |
| Borrowings | 16 | 19,008 | - | 19,008 | - |
| Trade and other payables | 17 | 7,856,582 | 8,857,484 | 1,732,069 | 4,528,042 |
| | | 7,875,590 | 8,857,484 | 1,751,077 | 4,528,042 |
| **Total liabilities** | | 8,447,863 | 9,433,869 | 1,751,077 | 4,528,042 |
| **TOTAL EQUITY AND LIABILITIES** | | 67,491,335 | 52,526,712 | 42,971,848 | 35,451,060 |

The accompanying notes form an integral part of these financial statements.

**CUSCAPI BERHAD**
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME AS AT 31ST DECEMBER 2011**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | RM | RM | RM | RM |
| **Revenue** | 18 | 53,595,235 | 48,903,369 | 7,647,000 | 9,027,000 |
| Cost of sales | 19 | (21,772,069) | (20,076,520) | - | - |
| **Gross profit** | | 31,823,166 | 28,826,849 | 7,647,000 | 9,027,000 |
| Other items of income | | | | | |
| - Other income | | 222,608 | 65,186 | 1,022,854 | 462 |
| - Interest income | 20 | 101,296 | 101,660 | 74,787 | 78,816 |
| Other items of expense | | | | | |
| - Administrative expenses | | (23,340,702) | (18,982,514) | (5,451,277) | (4,018,190) |
| **Profit before taxation** | 21 | 8,806,368 | 10,011,181 | 3,293,364 | 5,088,088 |
| Taxation | 23 | (175,351) | (888,519) | (22,170) | (275,103) |
| **Net profit for the financial year** | | 8,631,017 | 9,122,662 | 3,271,194 | 4,812,985 |
| **Other comprehensive income** | | | | | |
| - Foreign currency translation | | 293,053 | (56,690) | - | - |
| **Total comprehensive income for the financial year** | | 8,924,070 | 9,065,972 | 3,271,194 | 4,812,985 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | 8,631,017 | 9,122,662 | 3,271,194 | 4,812,985 |
| Non-controlling interests | | - | - | - | - |
| | | 8,631,017 | 9,122,662 | 3,271,194 | 4,812,985 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | 8,924,070 | 9,065,972 | 3,271,194 | 4,812,985 |
| Non-controlling interests | | - | - | - | - |
| | | 8,924,070 | 9,065,972 | 3,271,194 | 4,812,985 |
| Earnings per share attributable to owners of the Company | | | | | |
| - basic (sen) | 24 | 3.83 | 4.10 | | |
| - diluted (sen) | 24 | 3.79 | 4.10 | | |

The accompanying notes form an integral part of these financial statements.

**CUSCAPI BERHAD**
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011**

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | Distributable | | | |
| | Share Capital RM | Foreign Currency Translation Reserve RM | Employee Share Option Reserve RM | Share Premium RM | Statutory Reserve RM | Retained Earnings RM | Total RM | Non-Controlling Interests RM | Total RM |
| **Group** | | | | | | | | | |
| At 1st January 2010 | 22,243,227 | 219,595 | - | 7,275,823 | - | 8,625,656 | 38,364,301 | - | 38,364,301 |
| Total comprehensive income for the financial year | - | (56,690) | - | - | - | 9,122,662 | 9,065,972 | - | 9,065,972 |
| **Transactions with owners :** | | | | | | | | | |
| Dividends (Note 25) | - | - | - | - | - | (4,337,430) | (4,337,430) | - | (4,337,430) |
| Transfer to statutory reserve | - | - | - | - | 97,754 | (97,754) | - | - | - |
| **Total transactions with owners** | - | - | - | - | 97,754 | (4,435,184) | (4,337,430) | - | (4,337,430) |
| At 31st December 2010 | 22,243,227 | 162,905 | - | 7,275,823 | 97,754 | 13,313,134 | 43,092,843 | - | 43,092,843 |

**CUSCAPI BERHAD**
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011**

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | Distributable | | | |
| | Share Capital RM | Foreign Currency Translation Reserve RM | Employee Share Option Reserve RM | Share Premium RM | Statutory Reserve RM | Retained Earnings RM | Total RM | Non-Controlling Interests RM | Total RM |
| **Group** | | | | | | | | | |
| At 1 January 2011 | 22,243,227 | 162,905 | - | 7,275,823 | 97,754 | 13,313,134 | 43,092,843 | - | 43,092,843 |
| Total comprehensive income for the financial year | - | 293,053 | - | - | - | 8,631,017 | 8,924,070 | - | 8,924,070 |
| **Transactions with owners :** | | | | | | | | | |
| Issuance of share | 2,200,000 | - | - | 7,260,000 | - | - | 9,460,000 | - | 9,460,000 |
| Share issuance expenses | - | - | - | (350,934) | - | - | (350,934) | - | (350,934) |
| Share options granted under ESOS | - | - | 419,856 | - | - | - | 419,856 | - | 419,856 |
| Dividends (Note 25) | - | - | - | - | - | (2,502,363) | (2,502,363) | - | (2,502,363) |
| Transfer to statutory reserve | - | - | - | - | 124,710 | (124,710) | - | - | - |
| **Total transactions with owners** | 2,200,000 | - | 419,856 | 6,909,066 | 124,710 | (2,627,073) | 7,026,559 | - | 7,026,559 |
| At 31st December 2011 | 24,443,227 | 455,958 | 419,856 | 14,184,889 | 222,464 | 19,317,078 | 59,043,472 | - | 59,043,472 |

**CUSCAPI BERHAD**
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011 (CONTINUED)**

| | Non-distributable | | | Distributable | |
|---|---|---|---|---|---|
| | Share Capital RM | Share Premium RM | Employee Share Option Reserve RM | Retained Earnings RM | Total Equity RM |
| **Company** | | | | | |
| At 1st January 2010 | 22,243,227 | 7,275,823 | - | 928,413 | 30,447,463 |
| Total comprehensive income for the financial year | - | - | - | 4,812,985 | 4,812,985 |
| **Transactions with owners :** | | | | | |
| Dividend (Note 25) | - | - | - | (4,337,430) | (4,337,430) |
| **Total transactions with owners** | - | - | - | (4,337,430) | (4,337,430) |
| At 31st December 2010 | 22,243,227 | 7,275,823 | - | 1,403,968 | 30,923,018 |
| Total comprehensive income for the financial year | - | - | - | 3,271,194 | 3,271,194 |
| **Transactions with owners :** | | | | | |
| Issuance of share | 2,200,000 | 7,260,000 | - | - | 9,460,000 |
| Share issuance expenses | - | (350,934) | - | - | (350,934) |
| Share options granted under ESOS | - | - | 419,856 | - | 419,856 |
| Dividend (Note 25) | - | - | - | (2,502,363) | (2,502,363) |
| **Total transactions with owners** | 2,200,000 | 6,909,066 | 419,856 | (2,502,363) | 7,026,559 |
| At 31st December 2011 | 24,443,227 | 14,184,889 | 419,856 | 2,172,799 | 41,220,771 |

The accompanying notes form an integral part of these financial statements

**CUSCAPI BERHAD**
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011**

| | Note | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before taxation | | 8,806,368 | 10,011,181 | 3,293,364 | 5,088,088 |
| Adjustments for: | | | | | |
| Amortisation of development costs | | 1,750,782 | 1,193,889 | - | - |
| Impairment loss on trade receivables | | 468,288 | 26,041 | - | - |
| Bad debts recovered | | (33,354) | - | (32,854) | - |
| Inventories written off | | - | 3,020 | - | - |
| Impairment loss on investment in subsidiaries | | - | - | 694,614 | 6,163 |
| Impairment on receivables no longer required | | - | (22,531) | - | - |
| Currency realignment | | 264,604 | (22,376) | - | - |
| Depreciation for property, plant and equipment | | 1,517,390 | 1,589,749 | 173,211 | 223,956 |
| ESOS granted to employees | | 419,856 | - | 160,601 | - |
| Gain on disposal of property, plant and equipment | | (173) | (11,503) | - | (137) |
| Interest income | | (101,296) | (101,660) | (74,787) | (78,816) |
| Property, plant and equipment written off | | 14,139 | 20,723 | 3,152 | - |
| Unrealised (gain)/loss on foreign exchange | | (94,101) | 84,669 | 464 | 139,457 |
| **Operating cash flows before changes in working capital** | | 13,012,503 | 12,771,202 | 4,217,765 | 5,378,711 |
| Changes in working capital: | | | | | |
| Inventories | | (334,774) | (222,325) | - | - |
| Trade and other receivables | | (5,983,836) | (343,246) | (601,275) | 2,481,437 |
| Prepayments | | (95,983) | (52,723) | 3,548 | 47,059 |
| Trade and other payables | | (1,013,749) | 8,280 | (330,767) | (3,899,868) |
| Balances with subsidiaries | | - | - | (296,957) | - |
| Balances with a former jointly controlled entity | | - | (50,000) | - | (50,000) |
| **Net cash flows from operations** | | 5,584,161 | 12,111,188 | 2,992,314 | 3,957,339 |
| Net taxes paid | | (1,023,749) | (697,041) | (22,950) | (299,450) |
| **Net cash flows generated from operating activities** | | 4,560,412 | 11,414,147 | 2,969,364 | 3,657,889 |

**CUSCAPI BERHAD**
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2011 (CONTINUED)**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | RM | RM | RM | RM |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Dividends paid | | (4,671,078) | (2,168,715) | (4,671,078) | (2,168,715) |
| Development costs paid | | (3,578,234) | (2,729,782) | - | - |
| Purchase of property, plant and equipment | | (1,528,845) | (2,203,764) | (98,071) | (186,157) |
| Proceeds from disposal of property, plant and equipment | | 17,209 | 123,946 | - | 5,584 |
| Net cash outflow from the acquisition of a subsidiary | 6 | (366,521) | - | - | - |
| Addition of investment in a subsidairy | | - | - | (2,239,997) | |
| Interest received | | 101,296 | 101,660 | 74,787 | 78,816 |
| **Net cash flows used in investing activities** | | (10,026,173) | (6,876,655) | (6,934,359) | (2,270,472) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Net advances from subsidiaries | | - | - | (2,402,682) | 119,389 |
| Net advances to a former jointly controlled entity | | - | (496,203) | - | (496,203) |
| Proceeds from issuance of share capital | | 9,460,000 | - | 9,460,000 | - |
| Share issuance expense | | (350,934) | - | (350,934) | - |
| **Net cash flows generated from/(used in) financing activities** | | 9,109,066 | (496,203) | 6,706,384 | (376,814) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | | 3,643,305 | 4,041,289 | 2,741,389 | 1,010,603 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR** | | 10,763,846 | 6,723,195 | 4,600,602 | 3,589,999 |
| Effect of the exchange rate changes | | 99,264 | (638) | - | - |
| **CASH AND CASH EQUIVALENTS AT THE THE END OF THE FINANCIAL YEAR** | (a) | 14,506,415 | 10,763,846 | 7,341,991 | 4,600,602 |

(a) Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:-

| | | | | |
|---|---|---|---|---|
| Short term deposits with licensed banks | 7,347,087 | 6,392,154 | 7,347,087 | 4,392,154 |
| Cash and bank balances | 7,178,336 | 4,371,692 | 13,912 | 208,448 |
| Bank overdraft | (19,008) | - | (19,008) | - |
| | 14,506,415 | 10,763,846 | 7,341,991 | 4,600,602 |

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The principal activities of the Company during the financial year were investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries and a jointly controlled entity are set out in Note 6 and Note 7. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the ACE Market of the Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are both located at Level 1, Block B, Peremba Square, Saujana Resort, Seksyen U2, 40150 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue by the board of directors in accordance with a resolution of the directors on 2 5 APR 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia.

At the beginning of current financial year, the Group and the Company adopted revised FRSs which are mandatory for financial periods beginning on or after 1st January 2011 as describe fully in Note 2.2(a) to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost basis and are expressed in Ringgit Malaysia ("RM").

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the directors' best knowledge of current events and actions, and therefore actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.4 to the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")

#### (a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:

| | |
|---|---|
| Revised FRSs | |
| FRS 1 | First-time Adoption of Financial Reporting Standards |
| FRS 3 | Business Combinations |
| FRS 127 | Consolidated and Separate Financial Statements |
| | |
| Amendments/Improvements to FRSs | |
| FRS 1 | First-time Adoption of Financial Reporting Standards |
| FRS 2 | Share-based Payment |
| FRS 3 | Business Combinations |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| FRS 7 | Financial Instruments : Disclosures |
| FRS 101 | Presentation of Financial Statements |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates |
| FRS 128 | Investments in Associates |
| FRS 131 | Interests in Joint Ventures |
| FRS 132 | Financial Instruments : Presentation |
| FRS 134 | Interim Financial Reporting |
| FRS 138 | Intangible Assets |
| FRS 139 | Financial Instruments: Recognition and Measurement |
| | |
| New IC Int | |
| IC Int 4 | Determining Whether an Arrangement contains a Lease |
| IC Int 12 | Service Concession Arrangements |
| IC Int 16 | Hedges of a Net Investment in a Foreign Operation |
| IC Int 17 | Distribution of Non-cash Assets to Owners |
| IC Int 18 | Transfers of Assets from Customers |
| | |
| Amendments to IC Int | |
| IC Int 9 | Reassessment of Embedded Derivatives |
| IC Int 13 | Customer Loyalty Programmes |

The main effects of the adoption of the above revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below:-

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

**(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)**

***FRS 3 Business Combinations (Revised)***

The adoption of the FRS 3 affects the way in which the Group accounts for business combinations. The main changes made in this revised standard were:

- All the acquisition-related costs incurs by the acquirer in connection with the business combination shall be recognised as expense in the profit or loss in the period in which the costs are incurred (rather than included in goodwill);

- All considerations transferred by the acquirer, including contingent considerations, in a business combination shall be measured at fair value as at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as liabilities are recognised in accordance with FRS139, FRS137 or other FRSs, as appropriate (rather than by adjusting goodwill);

- An acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability;

- For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Previously, only the latter was permitted;

- For a business combination achieved in stages, the equity interests held by the acquirer in the acquiree immediately before achieving control are re-measured at its acquisition-date fair value with any corresponding gain or loss recognised in profit or loss; and

- Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interest in the acquiree, and the fair value at acquisition date of any previously-held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.

This revised FRS3 shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2010. There is no financial impact on the financial statements of the Group for the current financial year.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

**(a) Adoption of Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)**

*FRS 127 Consolidated and Separate Financial Statements (Revised)*

The revised FRS 127 requires that any changes in a parent's ownership interest in a subsidiary company that do not result in the loss of control are accounted for within equity. When the Group losses control of a subsidiary company, any remaining interest retained in the former subsidiary company will be measured at fair value and any resulting gain or loss is recognised in profit or loss. Total comprehensive income will be proportionately allocated to the owners of the parent and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

The revised FRS 127 shall be applied prospectively to business combinations for which the acquisition date is on or after 1 July 2010. There is no financial impact on the financial statements of the Group for the current financial year as there were no business combinations during the financial year.

*Amendments to FRS 7 Financial Instruments: Disclosures*

Disclosures on fair value and liquidity have been enhanced upon the adoption of this amendment. In particular, financial instruments measured at fair value are disclosed by class in a three-level fair value measurement hierarchy, with specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. Certain disclosures on liquidity are also modified. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the Group and the Company.

*IC Int 4 Determining Whether an Arrangement Contains a Lease*

This IC Int clarifies that when the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, then the arrangement should be accounted for as a lease under FRS 117, even though it does not take the legal form of a lease. This interpretation did not have any financial impact on the Group and the Company.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

**(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early**

The Group and Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

| | | Effective for financial periods beginning on or after |
|---|---|---|
| New FRSs | | |
| FRS 9 | Financial Instruments | 1 January 2015 |
| FRS 10 | Consolidated Financial Statements | 1 January 2013 |
| FRS 11 | Joint Arrangements | 1 January 2013 |
| FRS 12 | Disclosures of Interests in Other Entities | 1 January 2013 |
| FRS 13 | Fair Value Measurement | 1 January 2013 |
| Revised FRSs | | |
| FRS 119 | Employee Benefits | 1 January 2013 |
| FRS 124 | Related Party Disclosures | 1 January 2012 |
| FRS 127 | Separate Financial Statements | 1 January 2013 |
| FRS 128 | Investments in Associates and Joint Ventures | 1 January 2013 |
| Amendments/Improvements to FRSs | | |
| FRS 1 | First-time Adoption of Financial Reporting Standards | 1 January 2012 |
| FRS 7 | Financial Instruments: Disclosures | 1 January 2012/ 1 January 2013 |
| FRS 101 | Presentation of Financial Statements | 1 July 2012 |
| FRS 112 | Income Taxes | 1 January 2012 |
| FRS 132 | Financial Instruments: Presentation | 1 January 2014 |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

**(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)**

| | | Effective for financial periods beginning on or after |
|---|---|---|
| <u>New IC Int</u> | | |
| IC Int 19 | Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |
| IC Int 20 | Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
| <u>Amendments to IC Int</u> | | |
| IC Int 14 | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 July 2011 |

A brief discussion on the above significant new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

***FRS 9 Financial Instruments***

FRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to of the former FRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

**(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)**

***FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)***

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and SIC-12, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee'. It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

***FRS 11 Joint Arrangements***

FRS 11 supercedes the former FRS 131 Interests in Joint Ventures. Under FRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and account for its using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly in accordance with the applicable MRFSs.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

**(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)**

***FRS 12 Disclosures of Interests in Other Entities***

FRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this FRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

***FRS 13 Fair Value Measurement***

FRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

***Amendments to FRS 112 Income Taxes***

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (for example, via rental income).

***FRS 128 Investments in Associates and Joint Ventures (Revised)***

This revised FRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the equity method was applicable for both investments in joint ventures and associated companies. However, the revised FRS 128 exempts the investor from applying equity accounting where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with FRS 9.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysia Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

#### (c) MASB Approved Accounting Standards, MFRSs

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1st January 2012, the MASB had on 19th November 2011 issue a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1st January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1st January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate ("Transitioning Entities")*. The Transitioning Entities are given an option to defer adoption of the MFRSs framework for an additional one year. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1st January 2012.

Accordingly, the Group and the Company which are not Transitioning Entities are required to adopt the MFRSs framework for the next financial year, being the first set of financial statements prepared in accordance with the MFRSs framework.

As at 31st December 2011, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions as well as differences in effective dates contained in certain of the existing FRSs. As such, except those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 2.2 (b). The effect is based on the Group's and the Company's best estimates at reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

**Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")**

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1st January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS1 cannot be determined and estimated reliably until the process is completed.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies

#### (a) Basis of Consolidation and Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Subsidiaries are entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiaries which is eliminated on consolidation is stated in the Company's separate financial statements at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

All intra-group balances, income and expense and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination, that meet the conditions for recognition under FRS 3 Business Combinations, are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (a) Subsidiaries and Basis of Consolidation (continued)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in the Note 2.3(d)(i) to the financial statement. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

#### (b) Jointly Controlled Entities

Jointly controlled entities are corporations, partnerships or other entities in which the Group has contractually agreed to share its control with one or more parties, where strategic financial and operating decisions relating to the jointly controlled entity required unanimous consent of the parties.

In the Company's separate financial statements, investment in a jointly controlled entity is stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements.

The Group's interest in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting and are recognised at cost less impairment losses, if any. Under the equity method, the investment in jointly controlled entity is carried in the consolidated statements of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entity. The Group's share of the net profit or loss of the jointly controlled entity is recognised in the profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (b) Jointly Controlled Entities (continued)

In applying the equity method, unrealised gains and losses on transactions between the Group and the jointly controlled entity are eliminated to the extent of Group's interest in the jointly controlled entity, and the unrealised losses are eliminated to the extent of the costs that can be recovered. Where necessary, in applying the equity method, adjustments are made to the financial statements of the jointly controlled entity to ensure consistency of accounting policies with those of the Group.

After the application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the jointly controlled entity. The jointly controlled entity is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the jointly controlled entity.

The results of the jointly controlled entity, Cuscapi Outsourcing Sdn. Bhd. ("Cuscapi Outsourcing"), is accounted for in the consolidated financial statements based on the audited financial statements of Cuscapi Outsourcing made up as at 31st December 2010 and are prepared using accounting policies that conform to those used by the Group for like transactions and events in similar circumstances. During the year, the Group acquired the remaining interest in Cuscapi Outsourcing, resulting in Cuscapi Outsourcing becoming a wholly-owned subsidiary of the Group. The results are accounted for based on the accounting policies sets out in Note 2.3(a).

On disposal of such investment, the difference between net disposal proceeds and the carrying amount of the investment in a jointly controlled entity is reflected as a gain or loss on disposal in the profit or loss.

#### (c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (c) Property, Plant and Equipment and Depreciation (continued)

Depreciation of property, plant and equipment is provided on the straight line basis to write off the cost of each asset to its residual value over their estimated useful lives, at the following annual rates:-

| | |
|---|---|
| Plant and equipment | 10% - 20% |
| Furniture and fittings | 15% - 20% |
| Motor vehicles | 20% |
| Computers | 20% - 40% |
| Renovation | 2% - 10% |

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date. The effects of any revisions of the residual values, useful lives and depreciation method are included in the profit or loss for the financial year in which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

#### (d) Intangible Assets

##### (i) Goodwill on Consolidation

Goodwill represents the excess of the cost of business combination over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed. Gain and loss on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (d) Intangible Assets (continued)

##### (i) Goodwill on Consolidation (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements.

##### (ii) Research and Development Costs

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop, design and test new products is capitalised as intangible assets and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Other development expenditure which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment. The recoverable amount of development costs not yet available for use are measured annually, irrespective of whether there is any indication that it may be impaired. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements. The amortisation period and method are also reviewed at least at each reporting date.

#### (e) Investments

Investments in shares, bonds and debentures held as long term investment are stated at cost less impairment losses. Where an indication of impairment exists, the carrying amount of the investment is reviewed, and if found to be in excess of recoverable amount, is written down immediately to its recoverable amount. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(k) to the financial statements.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of inventories comprises cost of purchase and incidental costs in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

#### (g) Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, other short term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

#### (h) Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instruments.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

The Group and the Company categorise the financial instruments as follows:

**(i) Financial Assets:**

***Financial assets at fair value through profit or loss***

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near future or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (h) Financial Instruments (continued)

##### (i) Financial Assets (continued):

*Financial assets at fair value through profit or loss (continued)*

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in profit or loss.

*Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market, trade and other receivables and cash and cash equivalents are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

*Held-to-maturity investments*

Financial assets with fixed or determinable payments and fixed maturity and the Group have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

*Available-for-sale financial assets*

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (h) Financial Instruments (continued)

##### (ii) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### (iii) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (h) Financial Instruments (continued)

##### (iv) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

#### (i) Taxation

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (j) Foreign Currencies

**(i) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's functional currency and presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items are measured in terms of historical cost in a foreign currency or translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

**(iii) Foreign Operations**

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

- assets and liabilities for each account balances are translated at the closing rate at the reporting date;
- income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates);
- all resulting exchange differences are recognised as a separate component of equity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (j) Foreign Currencies (continued)

##### (iii) Foreign Operations (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### (k) Impairment of Assets

##### (i) Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and associate company) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (k) Impairment of Assets (continued)

##### (i) Impairment of Financial Assets (continued)

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

##### (ii) Impairment of Non-financial Assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

For goodwill that has an indefinite useful life and are not available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (k) Impairment of Assets (continued)

##### (ii) Impairment of Non-financial Assets (continued)

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

#### (l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (i) Sales of Goods and Services Rendered

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities and is recognised in the profit or loss when the significant risks and rewards of ownership of the goods have been transferred to the buyer and when the services are rendered.

##### (ii) Rental Revenue

Rental revenue comprises Point of Sale ("POS") equipment and is recognised on an accrual basis.

##### (iii) Interest Revenue

Interest revenue is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such revenue will accrue to the Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

**(l) Revenue Recognition (continued)**

**(iv) Dividend Revenue**

Dividend revenue is recognised when the right to receive payment is established.

**(v) Management fees**

Management fees is recognised on an accrual basis.

**(m) Borrowing Costs**

Borrowing costs are charged to the profit or loss as an expense in the period in which they are incurred.

**(n) Employee Benefits**

(i) ***Short term employee benefits***

Wages, salaries, social security contribution, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

(ii) ***Post-employment benefits***

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of Significant Accounting Policies (continued)

#### (n) Employee Benefits (continued)

(iii) *Employee share option scheme*

The Group's and the Company's Employee Share Option Scheme, an equity-settled, share-based compensation plan, allows the Group's and the Company's employees to acquire ordinary shares of the holding company. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve within equity over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

#### (o) Segmental Reporting

In the previous financial years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8 Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Critical Accounting Estimates and Judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

**(a) Key Sources of Estimation**

**(i) Impairment of Goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGUs") to which goodwill are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used for the impairment assessment are stated in Note 4 to these financial statements. The carrying amount of goodwill as at 31st December 2011 was RM10,271,640/- (2010: RM8,596,889/-).

**(ii) Depreciation of Property, Plant and Equipment**

Property, plant and equipment are depreciated on the straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 2.5 to 50 years. The carrying amount of property, plant and equipment of the Group and of the Company as at 31st December 2011 was RM5,334,494/- (2010: RM5,250,674/-) and RM377,265/- (2010: RM447,890/-) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment, therefore the future depreciation charges could be revised.

**(iii) Taxation**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Critical Accounting Estimates and Judgments (continued)

#### (a) Key Sources of Estimation (continued)

##### (iv) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the tax losses and capital allowances can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying amount of deferred tax assets not recognised are disclosed in Note 15 to the financial statements.

##### (v) Impairment of Development Costs

The Group determines whether development costs, not yet available for use, are impaired, at least on an annual basis. Development costs have finite useful lives and are assessed for impairment whenever there is an indication of impairment.

This requires an estimation of the value-in-use of the assets. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of the cash flows. The carrying amount of development costs as at 31st December 2011 was RM8,547,938/- (2010: RM6,720,486/-)

##### (vi) Allowance for Obsolescence in Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

##### (vii) Impairment of Loans and Receivables

The Group makes allowances for impairment based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Critical Accounting Estimates and Judgments (continued)

#### (a) Key Sources of Estimation (continued)

##### (viii) Impairment of Investment in Subsidiaries

The Group carried out the impairment test based on a variety of estimation including the value-in-use of the cash generating unit. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changes in assumptions could significantly affect the results of the Group's tests for impairment of investment in subsidiaries.

##### (ix) Employee Share Options Schemes

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment reserves requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment reserves and the carrying amounts are disclosed in Note 26.

#### (b) Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2.3 above, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

## 3. PROPERTY, PLANT AND EQUIPMENT

| Group<br>2011 | Plant and Equipment RM | Furniture and Fittings RM | Motor Vehicles RM | Computers RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1st January 2011 | 1,198,430 | 581,004 | 224,744 | 6,809,687 | 1,249,406 | 10,063,271 |
| Acquisition of a subsidiary | 56,339 | - | - | 45,403 | 7,652 | 109,394 |
| Currency alignment | 4,186 | 5,451 | - | 37,709 | 4,157 | 51,503 |
| Additions | 109,451 | 47,996 | - | 826,828 | 544,570 | 1,528,845 |
| Disposals / Written-off | (4,998) | (29,865) | - | (43,588) | (11,870) | (90,321) |
| At 31st December 2011 | 1,363,408 | 604,586 | 224,744 | 7,676,039 | 1,793,915 | 11,662,692 |
| **Accumulated Depreciation** | | | | | | |
| At 1st January 2011 | 412,275 | 442,490 | 150,492 | 3,568,178 | 239,162 | 4,812,597 |
| Acquisition of a subsidiary | 16,596 | - | - | 17,557 | 150 | 34,303 |
| Currency alignment | 936 | 1,456 | - | 9,421 | 11,241 | 23,054 |
| Depreciation for the financial year | 183,715 | 60,439 | 33,000 | 1,174,716 | 65,520 | 1,517,390 |
| Disposals / Written-off | (2,457) | (20,116) | - | (36,514) | (59) | (59,146) |
| At 31st December 2011 | 611,065 | 484,269 | 183,492 | 4,733,358 | 316,014 | 6,328,198 |
| **Net carrying amount at 31st December 2011** | 752,343 | 120,317 | 41,252 | 2,942,681 | 1,477,901 | 5,334,494 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group 2010 | Plant and Equipment RM | Furniture and Fittings RM | Motor Vehicles RM | Computers RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1st January 2010 | 890,566 | 555,106 | 224,744 | 6,229,448 | 1,173,823 | 9,073,687 |
| Currency alignment | (6,541) | (6,886) | - | (26,638) | (2,634) | (42,699) |
| Additions | 272,167 | 32,784 | - | 1,819,496 | 79,317 | 2,203,764 |
| Transfer to inventories | - | - | | (149,752) | - | (149,752) |
| Disposals / Written-off | (200) | - | - | (1,020,429) | (1,100) | (1,021,729) |
| Reclassification | 42,438 | - | | (42,438) | - | |
| At 31st December 2010 | 1,198,430 | 581,004 | 224,744 | 6,809,687 | 1,249,406 | 10,063,271 |
| **Accumulated Depreciation** | | | | | | |
| At 1st January 2010 | 239,735 | 345,749 | 117,492 | 3,246,154 | 199,153 | 4,148,283 |
| Currency alignment | (1,224) | (1,503) | - | (6,065) | (227) | (9,019) |
| Transfers to inventories | - | - | - | (27,853) | - | (27,853) |
| Depreciation for the financial year | 154,843 | 98,244 | 33,000 | 1,263,307 | 40,355 | 1,589,749 |
| Disposals / Written-off | (43) | - | - | (888,401) | (119) | (888,563) |
| Reclassification | 18,964 | - | - | (18,964) | - | - |
| At 31st December 2010 | 412,275 | 442,490 | 150,492 | 3,568,178 | 239,162 | 4,812,597 |
| **Net Carrying amount at 31st December 2010** | 786,155 | 138,514 | 74,252 | 3,241,509 | 1,010,244 | 5,250,674 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Company 2011 | Plant and Equipment RM | Furniture and Fittings RM | Motor Vehicles RM | Computers RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1st January 2011 | 213,763 | 322,080 | 224,744 | 733,161 | 96,350 | 1,590,098 |
| Additions | 4,946 | 18,000 | - | 75,125 | - | 98,071 |
| Transfers from subsidiaries | 1,938 | - | - | 5,729 | - | 7,667 |
| Written-off | (2,499) | - | - | (4,126) | - | (6,625) |
| At 31st December 2011 | 218,148 | 340,080 | 224,744 | 809,889 | 96,350 | 1,689,211 |
| **Accumulated Depreciation** | | | | | | |
| At 1st January 2011 | 138,126 | 293,374 | 150,492 | 551,780 | 8,436 | 1,142,208 |
| Depreciation for the financial year | 18,010 | 19,568 | 33,000 | 96,062 | 1,927 | 168,567 |
| Transfers from subsidiaries | 476 | - | - | 4,168 | - | 4,644 |
| Written-off | (833) | - | - | (2,640) | - | (3,473) |
| At 31st December 2011 | 155,779 | 312,942 | 183,492 | 649,370 | 10,363 | 1,311,946 |
| **Net carrying amount at 31st December 2011** | 62,369 | 27,138 | 41,252 | 160,519 | 85,987 | 377,265 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Company 2010 | Plant and Equipment RM | Furniture and Fittings RM | Motor Vehicles RM | Computers RM | Renovation RM | Total RM |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1st January 2010 | 211,752 | 321,480 | 224,744 | 696,265 | 84,350 | 1,538,591 |
| Additions | 106,910 | 600 | - | 66,647 | 12,000 | 186,157 |
| Transfers to subsidiaries | (104,899) | - | - | (17,738) | - | (122,637) |
| Disposals | - | - | - | (12,013) | - | (12,013) |
| At 31st December 2010 | 213,763 | 322,080 | 224,744 | 733,161 | 96,350 | 1,590,098 |
| **Accumulated Depreciation** | | | | | | |
| At 1st January 2010 | 120,386 | 240,882 | 117,492 | 442,697 | 6,609 | 928,066 |
| Depreciation for the financial year | 19,262 | 52,492 | 33,000 | 117,375 | 1,827 | 223,956 |
| Transfers to subsidiaries | (1,522) | - | - | (1,726) | - | (3,248) |
| Disposals | - | - | - | (6,566) | - | (6,566) |
| At 31st December 2010 | 138,126 | 293,374 | 150,492 | 551,780 | 8,436 | 1,142,208 |
| **Net carrying amount at 31st December 2010** | 75,637 | 28,706 | 74,252 | 181,381 | 87,914 | 447,890 |

## 4. GOODWILL ON CONSOLIDATION

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM** | **RM** |
| At 1st January | 8,596,889 | 8,596,889 |
| Acquisition of a subsidiary (Note 6) | 1,674,751 | - |
| At 31st December | 10,271,640 | 8,596,889 |

The goodwill on consolidation arose from the acquisition of Cuscapi Solutions Sdn. Bhd. and Cuscapi Outsourcing Sdn. Bhd., both are wholly-owned subsidiaries of the Company which are mainly involved in the development of software, and provision of contract centre for outsourcing services, respectively. The carrying amount of the goodwill is allocated to each of those companies (collectively known as cash generating units ("CGU").

The recoverable amount of the goodwill have been determined based on value-in-use calculation using cash flow projections based on financial budget approved by the management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the five year period are as follows:

| | **2011** | **2010** |
|---|---|---|
| Pre-tax discount rates | 6.6% | 9.0% |
| Growth rates | 3.0% | 3.0% |

The calculations of the value in use for the CGUs are most sensitive to the following assumptions:

(i) **Budgeted growth margin**

The budgeted growth margin was projected based on past experience, actual operating results and the five years business plan. These are increased over the budget period for anticipated efficiency improvements.

(ii) **Growth rates**

The forecasted growth rates are based on historical results and do not exceed the long-term average growth rate for the segment relevant to the CGUs.

(iii) **Pre-tax discount rates**

Discount rates were estimated based on the weighted average cost of capital.

(iv) **Market share assumptions**

These assumptions are important because, as well as using industry data for growth rates (as noted above), management assesses how the CGU's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the market to be stable over the budget period.

## 4. GOODWILL ON CONSOLIDATION (CONTINUED)

**Sensitivity to changes in assumptions**

There are no reasonable possible changes in key assumptions which could cause the carrying value of goodwill on consolidation to exceed its recoverable amount.

## 5. DEVELOPMENT COSTS

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | RM | RM |
| **Cost** | | |
| At 1st January | 12,886,430 | 10,156,648 |
| Additions - internally developed | 3,578,234 | 2,729,782 |
| At 31st December | 16,464,664 | 12,886,430 |
| **Accumulated amortisation** | | |
| At 1st January | 6,165,944 | 4,972,055 |
| Amortisation for the financial year | 1,750,782 | 1,193,889 |
| At 31st December | 7,916,726 | 6,165,944 |
| **Net carrying amount** | | |
| At 31st December | 8,547,938 | 6,720,486 |

Development costs principally comprise of internally generated expenditure on development on major projects where it is reasonably anticipated that the costs will be recovered through future commercial activities. The remaining amortisation period at year end range from 1 to 5 years (2010: 1 to 5 years).

Additions of development costs during the financial year consist of staff costs.

## 6. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2011 | 2010 |
| | RM | RM |
| Unquoted shares, at cost | 15,543,298 | 13,384,597 |
| Options granted to employees of subsidiaries | 259,256 | - |
| | 15,802,554 | 13,384,597 |
| Less: Impairment loss | (700,777) | (142,459) |
| | 15,101,777 | 13,242,138 |

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:-

| Name of Companies | Country of Incorporation | Group's Effective Equity Interest 2011 % | 2010 % | Principal Activities |
|---|---|---|---|---|
| **Direct subsidiaries** | | | | |
| Cuscapi Innovation Lab Sdn. Bhd. | Malaysia | 100 | 100 | Software development |
| Cuscapi Consulting Services Sdn. Bhd. | Malaysia | 100 | 100 | Provision of project management, business and IT related consultancy services |
| Cuscapi Network Solutions Sdn. Bhd. ^ | Malaysia | 100 | 100 | Provision of network infrastructure and security solutions and services |
| Cuscapi International Sdn. Bhd. | Malaysia | 100 | 100 | Provision of POS and business management solutions and system integration services |
| Cuscapi Malaysia Sdn. Bhd. | Malaysia | 100 | 100 | Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services |
| Cuscapi Hospitality Solutions Sdn. Bhd. | Malaysia | 100 | 100 | Inactive |
| BRG Asia Sdn. Bhd.^ | Malaysia | 51 | 51 | Dormant |
| Cuscapi Solutions Sdn. Bhd. | Malaysia | 100 | 100 | Software development |

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

| Name of Companies | Country of Incorporation | Group's Effective Equity Interest 2011 % | 2010 % | Principal Activities |
|---|---|---|---|---|
| Cuscapi Outsourcing Sdn. Bhd. ^ | Malaysia | 100 | - | Provision of a contract centre for outsourcing services |
| Cuscapi International Pte. Ltd.+^ | Singapore | 100 | 100 | Investment holding |
| Transight (S) Pte. Ltd.+# | Singapore | - | 95 | Inactive |
| **Indirect subsidiaries** | | | | |
| 北京客凯易科技有限公司 (Cuscapi Beijing Co. Ltd.)+*^ | China | 100 | 100 | Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management, business and IT related consultancy services |
| 苏州客凯易科技有限公司 (Cuscapi Suzhou Co. Ltd.)+*^ | China | 100 | 100 | Software development |
| 上海客凯易科技有限公司 (Shanghai Cuscapi Co. Ltd.)+*> | China | 100 | - | Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management, business and IT related consultancy services |

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

| Name of Companies | Country of Incorporation | Group's Effective Equity Interest 2011 % | Group's Effective Equity Interest 2010 % | Principal Activities |
|---|---|---|---|---|
| PT Cuscapi Indonesia +*> | Indonesia | 100 | - | Inactive |
| Cuscapi Hong Kong Ltd.+*> | Hong Kong | 100 | - | Inactive |
| Cuscapi Singapore Pte. Ltd.+* | Singapore | 100 | 100 | Provision of POS and business management solutions, remedial services for POS hardware and related software implementation and support services, project management, business and IT related consultancy services |

\+ *These companies are not audited by Baker Tilly Monteiro Heng.*

* *Held indirectly through Cuscapi International Pte. Ltd.*

^ *The audited report of these subsidiaries contain an emphasis of matter paragraph relating to the appropriateness of the going concern basis of accounting used in the preparation of their financial statements which presumes continued financial support to be given by the holding and ultimate holding company, Cuscapi Berhad.*

\# *Struck-off from the Registrar of Companies on 23.2.2011.*

\> *Newly incorporated during the financial year.*

**Acquisition of subsidiary**

On 28 February 2011, the Company acquired the remaining 45% equity interest in Cuscapi Outsourcing Sdn. Bhd. ("Cuscapi Outsourcing"). Upon the acquisition, Cuscapi Outsourcing became a wholly-owned subsidiary of the Group. Cuscapi Outsourcing, an unlisted Company incorporated in Malaysia, is involved in the provision of a contract centre for outsourcing services.

## 6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The fair values of the identifiable assets and liabilities of Cuscapi Outsourcing Sdn. Bhd. as at the date of acquisition were:

| | Fair Value RM |
|---|---|
| Property, plant and equipment | 75,091 |
| Trade and other receivables | 795,809 |
| Cash and bank balances | 38,479 |
| Trade and other payables | (2,179,130) |
| Net identifiable liabilities | (1,269,751) |

| **Total cost of business combination** | **RM** |
|---|---|
| The total cost of the business combination is as follows: | |
| Consideration satisfied by cash | 405,000 |
| The effect of the acquisition on cash flows is as follows: | |
| Purchase consideration satisfied by cash | 405,000 |
| Less : Cash and cash equivalents of subsidiary acquired | (38,479) |
| Net cash outflow on acquisition | 366,521 |

| **Goodwill arising on acquisition** | |
|---|---|
| Fair value of net identifiable liabilities | (1,269,751) |
| Less: Non-controlling interests | - |
| Group's interest in fair value of net identifiable liabilities | (1,269,751) |
| Goodwill on acquisition | 1,674,751 |
| Cost of business combination | 405,000 |

Goodwill on acquisition is attributable to the operation in the China segment and the recoverable amount is determined based on the value-in-use calculations. The calculations performed are based on the pre-tax cash flow projections which covering the coming five financial years.

## 7. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Unquoted shares, at cost | - | 55,000 | - | 55,000 |
| Less: Share of losses | - | (55,000) | - | - |
| | - | - | - | 55,000 |

The Group's aggregate share of assets, liabilities and revenue and expenses of the jointly controlled entity are as follows:-

| | 2011 RM | 2010 RM |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | - | 465,277 |
| Non-current assets | - | 41,300 |
| Total assets | - | 506,577 |
| Current liabilities | - | 1,749,440 |
| **Results** | | |
| Revenue | - | 629,965 |
| Expenses including finance costs and tax expense | - | (934,981) |
| Loss for the financial year | - | (305,016) |

The Group has discontinued the recognition of its share of losses of Cuscapi Outsourcing Sdn. Bhd. ("Cuscapi Outsourcing") because the share of losses of the joint venture company has exceeded the Group's interest in the joint venture Company. The Group's unrecognised share of losses of the joint venture company for the current year and cumulatively are RM Nil (2010:RM305,016/-) and RM Nil (2010: RM1,242,863/-) respectively.

The details of the jointly controlled entity which was incorporated in Malaysia are as follows:-

| Name of Company | Country of Incorporation | Group's Effective Equity Interest 2011 % | Group's Effective Equity Interest 2010 % | Principal Activitiy |
|---|---|---|---|---|
| Cuscapi Outsourcing Sdn. Bhd. | Malaysia | - | 55 | Provision of contact centre outsourcing services |

On 26 January 2011, the Company acquired the remaining interest in Cuscapi Outsourcing from Proteas Innovation Sdn. Bhd. for a total consideration of RM405,000/-, resulting in Cuscapi Outsourcing becoming a wholly-owned subsidiary of the Company.

## 8. OTHER INVESTMENT

| | Group and Company 2011 RM | Group and Company 2010 RM |
|---|---|---|
| Transferable club membership, at cost | 80,000 | 80,000 |
| Less: Impairment loss | (10,000) | (10,000) |
| | 70,000 | 70,000 |

## 9. INVENTORIES

| | Group 2011 RM | Group 2010 RM |
|---|---|---|
| **At cost** | | |
| Point Of Sales related equipment, components and parts | 2,391,857 | 2,057,083 |

## 10. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM | 2010 RM | 2011 RM | 2010 RM |
| **Trade receivables** | | | | |
| Third parties | 21,710,893 | 15,211,751 | 26,417 | 49,594 |
| Amount owing by subsidiaries | - | - | 405,100 | 2,217,606 |
| Amount owing by a jointly controlled entity | - | 60,000 | - | 60,000 |
| | 21,710,893 | 15,271,751 | 431,517 | 2,327,200 |
| Less: Allowance for impairment | | | | |
| - Third parties | (701,599) | (266,665) | (7,940) | (40,794) |
| - Amount owing by subsidiaries | - | - | - | (48,848) |
| | (701,599) | (266,665) | (7,940) | (89,642) |
| Trade receivables, net | 21,009,294 | 15,005,086 | 423,577 | 2,237,558 |

## 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| **Other receivables** | | | | |
| Other receivables | 19,522 | 7,183 | - | - |
| Amount owing by subsidiaries | - | - | 18,190,196 | 12,670,659 |
| Amount owing by a jointly controlled entity | - | 1,700,647 | - | 1,700,647 |
| Sundry advances | 2,379,913 | 499,394 | 829,410 | 182,853 |
| Deposits | 991,323 | 845,762 | 519,618 | 541,723 |
| | 3,390,758 | 3,052,986 | 19,539,224 | 15,095,882 |
| Less: Allowance for impairment | | | | |
| - Amount owing by subsidiaries | - | - | (4,046) | (403,830) |
| | - | - | (4,046) | (403,830) |
| Other receivables, net | 3,390,758 | 3,052,986 | 19,535,178 | 14,692,052 |
| **Total trade and other receivables** | 24,400,052 | 18,058,072 | 19,958,755 | 16,929,610 |
| Add : Cash and bank balances (Note 12) | 7,178,336 | 4,371,692 | 13,912 | 208,448 |
| **Total loans and receivables** | 31,578,388 | 22,429,764 | 19,972,667 | 17,138,058 |

Analysis of trade receivables by currency:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Ringgit Malaysia | 15,414,105 | 9,648,313 | 423,577 | 2,237,558 |
| United States Dollar | 2,797,703 | 3,561,068 | - | - |
| Singapore Dollar | 1,309,177 | 795,098 | - | - |
| Chinese Renminbi | 1,488,309 | 1,000,607 | - | - |
| | 21,009,294 | 15,005,086 | 423,577 | 2,237,558 |

Trade receivables are non-interest bearing and are generally on 30 to 60 (2010: 30 to 60) days terms. They are recognised at their original amounts which represent their fair values on initial recognition.

## 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Analysis of trade receivables

The ageing analysis of the Group's and Company's trade receivables are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Neither past due nor impaired | 11,090,687 | 5,452,935 | 18,477 | 2,237,558 |
| 1 - 30 days past due not impaired | 2,788,826 | 2,774,966 | - | - |
| 31 - 120 days past due not impaired | 3,817,833 | 3,454,748 | - | - |
| More than 120 days past due not impaired | 3,311,948 | 3,322,437 | 405,100 | - |
| | 9,918,607 | 9,552,151 | 405,100 | - |
| Impaired | 701,599 | 266,665 | 7,940 | 89,642 |
| | 21,710,893 | 15,271,751 | 431,517 | 2,327,200 |

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. More than 76% (2010: 59%) and Nil (2010: Nil) of the Group's and the Company's trade receivables respectively, arise from customers with more than two years of experience with the Group and losses have incurred infrequently.

Receivables that are past due but not impaired

The management has a credit policy in place to monitor and minimise the exposure of default. The Group and the Company trade only with recognised and credit worthy third parties. Trade receivables are monitored on an ongoing basis. As at the balance sheet date, there were no significant concentrations of credit risk in the Group and the Company, and receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's and company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Individually impaired | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Trade receivables - nominal amounts | 701,599 | 266,665 | 7,940 | 89,642 |
| Less: Allowance for impairment | (701,599) | (266,665) | (7,940) | (89,642) |
| | - | - | - | - |

## 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in allowance accounts:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| At 1st January | 266,665 | 263,155 | 89,642 | 89,642 |
| Charge for the financial year | 468,288 | 26,041 | - | - |
| Reversal of impairment losses | - | (22,531) | - | - |
| Bad debt recovered | (33,354) | - | (32,854) | - |
| Written-off | - | - | (48,848) | - |
| At 31st December | 701,599 | 266,665 | 7,940 | 89,642 |

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

**(i) Amount owing by subsidiaries**

Amount owing by subsidiaries is unsecured, non-interest bearing and repayable upon demand.

**(ii) Amount owing by a jointly controlled entity**

Amount owing by a jointly controlled entity is unsecured, non-interest bearing and repayable on demand.

Other receivables that are impaired
At the reporting date, the Company have written off an allowance of RM399,784 (2010 : RM Nil) for impairment to a subsidiary company.

## 11. SHORT TERM DEPOSITS WITH LICENSED BANKS

**Group and Company**

The short term deposits bear interest at rates ranging from 2.97% to 3.15% (2010: 1.96% to 2.75%) per annum.

The short term deposits of the Group and Company amounting to RM327,468 (2010 : RM Nil) is pledged as securities for borrowings (Note 16).

## 12. CASH AND BANK BALANCES

Analysis of cash and bank balances by currency:-

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| United States Dollar | 1,012,594 | 1,281,261 | 5,488 | 15,794 |
| Singapore Dollar | 124,989 | 433,975 | - | - |
| Chinese Renminbi | 2,119,180 | 887,073 | - | - |
| Ringgit Malaysia | 3,921,573 | 1,769,383 | 8,424 | 192,654 |
| | 7,178,336 | 4,371,692 | 13,912 | 208,448 |

## 13. SHARE CAPITAL

| | Group and Company 2011 Number of shares Unit | Group and Company 2010 Number of shares Unit | Group and Company 2011 RM | Group and Company 2010 RM |
|---|---|---|---|---|
| Ordinary shares of RM0.10 each | | | | |
| Authorised: | | | | |
| At 1st January/31st December | 600,000,000 | 600,000,000 | 60,000,000 | 60,000,000 |
| Issued and fully paid: | | | | |
| At 1st January | 222,432,267 | 222,432,267 | 22,243,227 | 22,243,227 |
| Issuance of ordinary share capital | 22,000,000 | - | 2,200,000 | - |
| 31st December | 244,432,267 | 222,432,267 | 24,443,227 | 22,243,227 |

During the financial year, the Company issued 22,000,000 new ordinary shares of RM0.10/- each at RM0.43/- per ordinary shares for cash. The share premium of RM7,260,000 arising from the issuance of ordinary shares have been included in the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

## 14. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| **Non-distributable** | | | | |
| Share premium | 14,184,889 | 7,275,823 | 14,184,889 | 7,275,823 |
| Foreign currency translation reserve | 455,958 | 162,905 | - | - |
| Employee share option reserve | 419,856 | - | 419,856 | - |
| Statutory reserve | 222,464 | 97,754 | - | - |
| **Distributable** | | | | |
| Retained earnings | 19,317,078 | 13,313,134 | 2,172,799 | 1,403,968 |
| | 34,600,245 | 20,849,616 | 16,777,544 | 8,679,791 |

**(i) Share premium**

The share premium arrived at after accounting for the premium received over the nominal value of the shares issued to the public, less subsequent capitalization for bonus issue of the Company, if any, and share issuance expenses.

**(ii) Foreign currency translation reserve**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

**(iii) Employee share option reserve**

Employee share option reserve represents the equity-settled share options granted to employees (Note 26). The reserve is made up of the cumulative value of services received from employees recorded over the resting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

**(iv) Statutory reserve**

In accordance with relevant laws and regulations of the People's Republic of China ("PRC"), the subsidiary company is required to transfer 10% of its net profit for the financial year prepared in accordance with the accounting regulation of the PRC to the statutory reserve. The transfer will continue until the reserve balance reaches 50% of its registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of the subsidiary company, subject to the approval from the PRC authority, and are not available for dividend distribution to the shareholders.

## 14. RESERVES (CONTINUED)

### (v) Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28th December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31st December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the tax credits under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be reside as at 31st December 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the Section 108 balance as at 31st December 2010 and 2011 to distribute cash dividend payments to ordinary shareholders as defined under Finance Act 2007.

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt account under Section 12 of the Income Tax (Amendment) Act, 1999 to frank the distribution of its entire retained earnings as at 31st December 2010 and 2011 by way of dividends.

## 15. DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | 2011 RM | 2010 RM |
| At 1st January | 576,385 | 316,945 |
| Recognised in profit or loss (Note 23) | (4,112) | 259,440 |
| At 31st December | 572,273 | 576,385 |
| Temporary differences between net carrying amounts and the corresponding tax written down values | 572,273 | 576,385 |

Deferred tax assets have not been recognised for the following items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits:-

## 15. DEFERRED TAX LIABILITIES (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Unutilised tax losses | 4,036,256 | 3,487,526 | 65,290 | 64,750 |
| Deductible temporary differences | 597,216 | 407,817 | 480,101 | 326,352 |
| | 4,633,472 | 3,895,343 | 545,391 | 391,102 |
| Potential deferred tax assets not recognised at 25% (2010 :25%) | 1,158,368 | 973,836 | 136,348 | 97,776 |

## 16. BORROWINGS

| | Group and Company | |
|---|---|---|
| | 2011 | 2010 |
| **Secured :** | RM | RM |
| Bank overdraft | 19,008 | - |

The maturities of the borrowings as at 31 December 2011 are as follows:

| | Group and Company | |
|---|---|---|
| | 2011 | 2010 |
| | RM | RM |
| On demand or within one year | 19,008 | - |

Bank overdraft

Bank overdraft bears interest at 7.30% (2010: Nil) per annum and is secured by short term deposits (Note 11).

## 17. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| **Trade payables** | | | | |
| Third parties | 3,142,351 | 1,734,842 | - | 6,090 |
| Amount owing to subsidiaries | - | - | 168,885 | - |
| | 3,142,351 | 1,734,842 | 168,885 | 6,090 |

## 17. TRADE AND OTHER PAYABLES (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| **Other payables** | | | | |
| Accrued operating expenses | 2,346,910 | 3,047,641 | 270,905 | 571,712 |
| Other payables | 402,596 | 2,530,116 | 23,328 | 2,215,446 |
| Refundable deposits | 386,866 | 355,350 | - | - |
| Advance receipts from customer for maintenance contract | 1,577,859 | 1,189,535 | - | - |
| Amount owing to subsidiaries | - | - | 1,268,951 | 1,734,794 |
| | 4,714,231 | 7,122,642 | 1,563,184 | 4,521,952 |
| **Total trade and other payables** | 7,856,582 | 8,857,484 | 1,732,069 | 4,528,042 |
| Add : Borrowings (Note 16) | 19,008 | - | 19,008 | - |
| **Total financial liabilities carried at amortised cost** | 7,875,590 | 8,857,484 | 1,751,077 | 4,528,042 |

The trade and other payables are non-interest bearing and are normally settled on 30 to 120 (2010: 30 to 120) days terms.

The amount owing to subsidiaries is unsecured, non-interest bearing and repayable on demand.

Analysis of trade payables by currency:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| United States Dollar | 311,633 | 477,932 | - | - |
| Singapore Dollar | 79,614 | 104,959 | - | - |
| Chinese Renminbi | 482,248 | 262,627 | - | - |
| Thailand Baht | - | 2,587 | - | - |
| Ringgit Malaysia | 2,268,856 | 886,737 | 168,885 | 6,090 |
| | 3,142,351 | 1,734,842 | 168,885 | 6,090 |

## 18. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Sale of goods | 30,531,622 | 30,702,554 | - | - |
| Services | 23,063,613 | 18,080,815 | - | - |
| Dividend income | - | - | 3,500,000 | 5,456,000 |
| Management fees | - | 120,000 | 4,147,000 | 3,571,000 |
| | 53,595,235 | 48,903,369 | 7,647,000 | 9,027,000 |

## 19. COST OF SALES

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Cost of goods sold | 19,725,107 | 18,648,349 | - | - |
| Amortisation of development costs | 1,724,959 | 1,210,427 | - | - |
| Other direct costs | 322,003 | 217,744 | - | - |
| | 21,772,069 | 20,076,520 | - | - |

## 20. INTEREST INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Interest income | | | | |
| - licensed banks | 101,296 | 101,660 | 74,787 | 78,816 |

## 21. PROFIT BEFORE TAXATION

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Profit before taxation is arrived at after charging:- | | | | |
| Amortisation of development costs | 1,750,782 | 1,193,889 | - | - |
| Audit fee | | | | |
| - current year | 107,292 | 72,486 | 18,000 | 10,000 |
| - under accrual in prior year | 1,190 | 3,415 | - | 3,500 |
| - non statutory | 46,000 | 67,690 | 46,000 | 46,000 |
| Depreciation of property, plant and equipment | 1,517,390 | 1,589,749 | 173,211 | 223,956 |
| Directors' remuneration | | | | |
| - fees | 264,000 | 229,665 | 192,000 | 193,665 |
| - salaries and other emoluments | 797,000 | 1,060,204 | 757,000 | 812,204 |
| - Employees' Provident Fund | 112,380 | 98,280 | 107,580 | 69,480 |
| - Share options granted under ESOS | 78,671 | - | 78,671 | - |
| Inventories written off | - | 3,020 | - | - |
| Impairment loss on investment in subsidiaries | - | - | 694,614 | 6,163 |
| Impairment loss on trade receivables | 468,288 | 26,041 | - | - |
| Property, plant and equipment written off | 14,139 | 20,723 | 3,152 | - |
| Rental of premises | 2,094,651 | 1,242,293 | 338,900 | 318,347 |
| Staff costs | | | | |
| - salaries, allowances and bonuses | 9,181,736 | 6,541,687 | 1,506,064 | 800,595 |
| - Employees' Provident Fund | 1,453,887 | 1,056,459 | 188,849 | 117,147 |
| - other staff related costs | 340,393 | 511,328 | 111,711 | 93,415 |
| - incentive | - | 1,962,160 | - | 260,568 |
| - Share options granted under ESOS | 341,185 | - | 81,930 | - |
| Unrealised loss on foreign exchange | - | 84,669 | 464 | 139,457 |
| Realised loss on foreign exchange | - | - | 2,840 | - |
| And crediting:- | | | | |
| Bad debts recovered | 33,354 | - | 32,854 | - |
| Impairment on receivables no longer required | - | 22,531 | - | - |
| Gain on disposal of property, plant and equipment | 173 | 11,503 | - | 137 |
| Unrealised gain on foreign exchange | 94,101 | - | - | - |
| Realised gain on foreign exchange (net) | 35,041 | 196,712 | - | 325 |

## 22. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Group and the Company during the year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Executive: | | | | |
| - Salaries and other emoluments | 760,000 | 819,000 | 720,000 | 579,000 |
| - Bonus | - | 189,504 | - | 189,504 |
| - Defined contribution plan | 112,380 | 98,280 | 107,580 | 69,480 |
| - Share options granted under ESOS | 57,962 | - | 57,962 | - |
| Total Executive Directors' remuneration | 930,342 | 1,106,784 | 885,542 | 837,984 |
| Non-Executive : | | | | |
| - Fees | 264,000 | 229,665 | 192,000 | 193,665 |
| - Other emoluments | 37,000 | 51,700 | 37,000 | 43,700 |
| - Share options granted under ESOS | 20,709 | - | 20,709 | - |
| Total Non-Executive Directors' remuneration | 321,709 | 281,365 | 249,709 | 237,365 |
| Total Directors' remuneration | 1,252,051 | 1,388,149 | 1,135,251 | 1,075,349 |

The number of directors of the Group and the Company whose remuneration during the financial year within the following bands are:

| | Number of Directors | |
|---|---|---|
| | 2011 | 2010 |
| **Executive Directors:** | | |
| RM 150,001 - RM 200,000 | - | 1 |
| RM 250,001 - RM 300,000 | 1 | - |
| RM 550,001 - RM 600,000 | 1 | - |
| RM 650,001 - RM 700,000 | - | 1 |
| **Non-Executive Directors:** | | |
| Below RM50,000 | 1 | - |
| RM50,001 - RM100,000 | 3 | 4 |

## 23. TAXATION

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Malaysian income tax expense | | | | |
| - current year | 107,973 | 627,342 | 2,466 | 276,500 |
| - (over)/under provision in prior years | (104,419) | (103,192) | 19,704 | (1,397) |
| | 3,554 | 524,150 | 22,170 | 275,103 |
| Foreign income tax expense | | | | |
| - current year | 183,922 | 97,258 | - | - |
| - (over)/under provision in prior years | (8,013) | 7,671 | - | - |
| | 175,909 | 104,929 | - | - |
| Deferred taxation (Note 15) | | | | |
| - current year | 68,680 | 77,542 | - | - |
| - (over)/under provision in prior years | (72,792) | 181,898 | - | - |
| | (4,112) | 259,440 | - | - |
| | 175,351 | 888,519 | 22,170 | 275,103 |

The income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated taxable profit for the fiscal year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. During the current financial year, the income tax rate applicable to subsidiaries in China and Singapore were 25% and 17% (2010: 25% and 17%) respectively.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:-

## 23. TAXATION (CONTINUED)

| | Group 2011 RM | Group 2010 RM | Company 2011 RM | Company 2010 RM |
|---|---|---|---|---|
| Profit before taxation | 8,806,368 | 10,011,181 | 3,293,364 | 5,088,088 |
| Tax at applicable tax rate of 25% (2010 : 25%) | 2,201,592 | 2,502,795 | 823,341 | 1,272,022 |
| Tax effects arising from: | | | | |
| - non-deductible expenses | 802,084 | 49,592 | 271,267 | 61,453 |
| - non-taxable income | (241,430) | (150,975) | (1,130,714) | (1,087,500) |
| - tax incentives-pioneer status | (2,586,203) | (1,612,772) | - | - |
| - reversal of deferred tax assets not recognised in the financial statements | 184,532 | 22,741 | 38,572 | 30,525 |
| - effect of different tax rates in other countries | - | (9,239) | - | - |
| - (over)/under provision of income tax expense in prior years | (112,432) | (95,521) | 19,704 | (1,397) |
| - (over)/under provision of deferred tax expense in prior years | (72,792) | 181,898 | - | - |
| Tax expense for the financial year | 175,351 | 888,519 | 22,170 | 275,103 |

## 24. EARNINGS PER SHARE

### Basic Earnings Per Share

Basic earnings per share is calculated by dividing the net 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:-

| | Group 2011 | Group 2010 |
|---|---|---|
| Profit attributable to owners of the Company (RM) | 8,631,017 | 9,122,662 |
| Weighted average number of ordinary shares in issue | 225,204,870 | 222,432,267 |
| Basic earnings per share (sen) | 3.83 | 4.10 |

## 24. EARNINGS PER SHARE (CONTINUED)

**Diluted Earnings Per Share**

For the purpose of calculating diluted earnings per share, the net profit for the financial year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares from shares option granted pursuant to the Employees' Share Option Scheme ("ESOS").

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| Profit attributable to owners of the Company (RM) | 8,631,017 | 9,122,662 |
| Weighted average number of ordinary shares in issue | 225,204,870 | 222,432,267 |
| Effect of dilution : ESOS | 2,480,741 | - |
| Weighted average number of ordinary shares for diluted earnings per share computation | 227,685,611 | 222,432,267 |
| Diluted earning per share (sen) | 3.79 | 4.10 |

## 25. DIVIDENDS

| | Group and Company | |
|---|---|---|
| | **2011** | **2010** |
| | **RM** | **RM** |
| *Recognised during the financial year :* | | |
| Dividends on ordinary shares : | | |
| i) First interim, tax at 25%, for 2011 : 1.50 cent per share | 2,502,363 | - |
| ii) First interim, tax at 25%, for 2010 : 1.30 cent per share | - | 2,168,715 |
| iii) Second interim, tax at 25%, for 2010 : 1.30 cent per share | - | 2,168,715 |
| | 2,502,363 | 4,337,430 |

## 26. EMPLOYEE BENEFITS

**Employee Share Option Scheme ("ESOS")**

**Fair value of share options granted**

The fair value of the share options granted is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the binomial option pricing model for the year ended 31 December 2011:

| Parameter and assumptions | Grant date of 7 February 2011 | Grant date of 30 June 2011 |
|---|---|---|
| Valuation date (grant date) | 7 February 2011 | 30 June 2011 |
| Share price at valuation | RM0.29 | RM0.46 |
| Exercise price | RM0.27 | RM0.42 |
| Risk-free interest rate | 3.169% per annum | 3.199% per annum |
| Volatility of Company share price | 90.0% per annum | 90.0% per annum |
| Expected dividend yield | 5.0% per annum | 5.0% per annum |
| Rate of leaving service | Prior to vesting date: 0.0 % per annum<br><br>After vesting date: 31.0% per annum | Prior to vesting date: 0.0% per annum<br><br>After vesting date: 31.0% per annum |
| Early exercise behaviour | Option holder exercise when the share price is at least 20% higher than the the exercise price | Option holders exercise when the share price is at least 20% higher than the exercise price |

The early exercise behaviour is based on historical data and is not necessarily indicative of exercise patterns that may occur. The volatility of company share price reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## 26. EMPLOYEE BENEFITS (CONTINUED)

**Employee Share Option Scheme ("ESOS") (continued)**

**Fair value of share options granted (continued)**

The exercise price of the options shall be the higher of:

- weighted average market price of shares for the 5 market days immediately preceding the grant date, subject to a discount of not more than ten per cent (10%) which the Company may at its discretion decide to give ; or

- the par value of the ordinary shares at RM0.10.

The options vest on or after every anniversary from the Grant Date (7 February 2011 and 30 June 2011) and the final vesting date is 13 October 2013 (3 months before the expiry of the scheme on 23 January 2014). The contractual life of each option granted is three (3) years. Any balance of options not exercised within three (3) months preceding the date of expiry shall be capable of being exercised in full subject to the approval of the option committee. Any options which remain unexercised at the end of the option period shall be automatically null and void without any claim against the Company.

Employees holding the options must still be in service with the Group up to the end of the option period. If the employee leaves prior to the end of the option period, all unexercised options are forfeited. There are no cash settlement alternatives.

<u>Movement of share options during the financial year</u>

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

| | Group | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | No. | WAEP RM | No. | WAEP RM |
| Granted | 11,366,700 | 0.29 | - | - |
| Forfeited | (1,388,700) | 0.31 | | |
| Outstanding at 31 December | 9,978,000 | 0.28 | - | - |
| Exercisable at 31 December | - | - | - | - |

- The weighted average fair value of options granted during the financial year was RM0.13 (2010: RM Nil).

- The exercise prices for options outstanding at the end of the year was RM0.27 (2010: RM Nil) and RM0.42 (2010: RM Nil). The weighted average remaining contractual life for these options is 2.5 years (2010: Nil).

## 27. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and Company and related parties took place at terms agreed between the parties during the financial year:

### (a) Sale of goods and services

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| **Income:** | | | | |
| Management fees receivable from subsidiaries | | | | |
| - Cuscapi Malaysia Sdn. Bhd. | - | - | 1,813,000 | 2,070,600 |
| - Cuscapi Network Solutions Sdn. Bhd. | - | - | 871,000 | 1,035,300 |
| - Cuscapi Consulting Services Sdn. Bhd. | - | - | 1,463,000 | 345,100 |
| Dividends received from subsidiaries | | | | |
| - Cuscapi Innovation Lab Sdn. Bhd. | - | - | 3,500,000 | 3,300,000 |
| - Cuscapi Hospitality Solutions Sdn. Bhd. | - | - | - | 1,030,000 |
| - Cuscapi Network Solutions Sdn. Bhd. | - | - | - | 200,000 |
| - Cuscapi Consulting Services Sdn. Bhd. | - | - | - | 400,000 |
| - Cuscapi Solutions Sdn. Bhd. | - | - | - | 526,000 |
| Rental income, sales of POS equipment, remedial and maintenance income from A & W (Malaysia) Sdn. Bhd.* | 654,954 | 1,010,375 | - | - |
| Sale transactions with Ambank (M) Berhad + | 346,162 | 34,636 | - | - |
| Management fee receivable from a former jointly controlled entity - Cuscapi Outsourcing Sdn. Bhd. | - | 120,000 | - | 120,000 |

* *Transactions with A & W (Malaysia) Sdn. Bhd, a wholly-owned subsidiary of KUB Malaysia Berhad, whereby Dato' Rosman Bin Abdullah is a director of KUB Malaysia Berhad.*

\+ *Transactions with Ambank (M) Berhad, whereby Dato' Larry Gan Nyap Liou @ Gan Nyap Liow is a director of Ambank (M) Berhad.*

## 27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group and the Company during the financial year were as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM | RM | RM | RM |
| Directors' remuneration | | | | |
| - fees | 264,000 | 229,665 | 192,000 | 193,665 |
| - salaries and other emoluments | 797,000 | 1,060,204 | 757,000 | 812,204 |
| Post-employment benefits: | | | | |
| - Defined contribution plan | 112,380 | 98,280 | 107,580 | 69,480 |
| ESOS | 78,671 | - | 78,671 | - |
| | 1,252,051 | 1,388,149 | 1,135,251 | 1,075,349 |

Directors' interests in employee share option scheme

During the financial year, 2,333,400 (2010: Nil) share options were granted to two of the Company's executive directors at an exercise price of RM0.27/- (2010: RM Nil) each. At the reporting date, the total number of outstanding share option granted by the Company to the directors amount to 3,167,100 (2010: Nil).

## 28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of their fair value:

| | Note |
|---|---|
| Trade and other receivables (current) | 10 |
| Borrowings | 16 |
| Trade and other payables (current) | 17 |

The carrying amounts of these financial assets and liabilities are a reasonable approximation of their fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of their fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

### (i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company does not hold any collateral as security and other credit enhancements for the above financial assets.

The management has a credit policy in place to monitor and minimise the exposure of default. The Group trades only with recognised and credit worthy third parties. Trade receivables are monitored on an ongoing basis.

As at balance sheet date, there were no significant concentrations of credit risk in the Group. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial instrument.

Financial assets that are neither past due nor impaired
Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 10 to the financial statements. Deposits with banks that are neither past due nor impaired are placed with reputable financial institutions with no history of default.

Financial assets that are either past due or impaired
Information regarding financial assets that are past due or impaired is disclosed in Note 10 to the financial statements.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
|---|---|---|---|---|
| **2011** | | | | |
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 7,856,582 | - | - | 7,856,582 |
| Borrowings | 19,008 | - | - | 19,008 |
| Total undiscounted financial liabilities | 7,875,590 | - | - | 7,875,590 |
| **Company** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 1,732,069 | - | - | 1,732,069 |
| Borrowings | 19,008 | - | - | 19,008 |
| Total undiscounted financial liabilities | 1,751,077 | - | - | 1,751,077 |

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (ii) Liquidity risk (continued)

| | On demand or within one year RM | One to five years RM | Over five years RM | Total RM |
|---|---|---|---|---|
| **2010** | | | | |
| **Group** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 8,857,484 | - | - | 8,857,484 |
| Total undiscounted financial liabilities | 8,857,484 | - | - | 8,857,484 |
| **Company** | | | | |
| **Financial liabilities** | | | | |
| Trade and other payables | 4,528,042 | - | - | 4,528,042 |
| Total undiscounted financial liabilities | 4,528,042 | - | - | 4,528,042 |

### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company have minimal exposure to interest rate risk as the only borrowing of the Group and Company is the bank overdrafts.

### (iv) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currency of Group entities, primarily Ringgit Malaysia ("RM"). The foreign currency in which these transactions are denominated are primarily US Dollar ("USD"), Singapore Dollar ("SGD"), China Renmimbi ("RMB"), and Thai Baht ("BAHT").

The Group and the Company ensure that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (iv) Foreign Currency Risk (continued)

The Group's exposure to foreign currency risks are on USD, SGD, RMB and BAHT which are as follows:

| | United States Dollar RM | Chinese Renminbi RM | Singapore Dollar RM | Thai Baht RM | Total RM |
|---|---|---|---|---|---|
| **Functional currency of Group companies** | | | | | |
| **At 31st December 2011** | | | | | |
| Cash and bank balances | 1,012,594 | 2,119,180 | 124,989 | - | 3,256,763 |
| Trade and other receivables | 2,797,703 | 1,488,309 | 1,309,177 | - | 5,595,189 |
| Trade and other payables | (311,633) | (482,248) | (79,614) | - | (873,495) |
| Gross statement of financial position exposure | 3,498,664 | 3,125,241 | 1,354,552 | - | 7,978,457 |

| | United States Dollar RM | Chinese Renminbi RM | Singapore Dollar RM | Thai Baht RM | Total RM |
|---|---|---|---|---|---|
| **Functional currency of Group companies** | | | | | |
| **At 31st December 2010** | | | | | |
| Cash and bank balances | 1,281,261 | 887,073 | 433,975 | - | 2,602,309 |
| Trade and other receivables | 3,561,068 | 1,000,607 | 795,098 | - | 5,356,773 |
| Trade and other payables | (477,932) | (262,627) | (104,959) | (2,587) | (848,105) |
| Gross statement of financial position exposure | 4,364,397 | 1,625,053 | 1,124,114 | (2,587) | 7,110,977 |

Sensitivity analysis for foreign currency risk

A 3% strengthening of the USD, SGD and RMB against the RM at the end of the financial year would have increased/ (decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| **Group** | | Profit or loss and equity RM'000 2011 | RM'000 2010 |
|---|---|---|---|
| **USD** | - strengthened 3% | +333 | +404 |
| | - weakened 3% | -333 | -404 |
| **SGD** | - strengthened 3% | +99 | +81 |
| | - weakened 3% | -99 | -81 |
| **RMB** | - strengthened 3% | +47 | +23 |
| | - weakened 3% | -47 | -23 |

## 30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31st December 2011 and 31st December 2010 were as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM** | **RM** |
| Total liabilities | 8,447,863 | 9,433,869 |
| Equity attributable to owners of the Company | 59,043,472 | 43,092,843 |
| Debt-to-equity ratio | 14% | 22% |

There were no changes in the Group's approach to capital management during the financial year.

The Group and the subsidiaries are not subject to any externally imposed capital requirements.

## 31. SEGMENTAL REPORTING

Management determines the operating segments based on the reports reviewed and used by the Group's Executive Board for strategic decisions making and resources allocation. For management purposes, the Group is organised into strategic business units based on geography locations and business units.

The Group's reportable operating segments are as follows:

(a) Geography locations

(i) Malaysia

- Involves in software development, the provision of remedial services for Point Of Sales hardware and related software implementation and support services, the provision of Point Of Sales and business management solutions, the provision of project management, business and IT related consultancy services, the provision of network infrastructure and security solutions and services and system integration services, and the provision of contract centres for outsourcing services, in Malaysia.

(ii) South East Asia

- Involves in the provision of Point Of Sales and business management solutions, the provision of remedial services for Point Of Sales hardware and related software implementation and support services, the provision of project management, business and IT related consultancy services in the South East Asia region other than Malaysia.

## 31. SEGMENTAL REPORTING (CONTINUED)

(a) Geography locations (continued)

(iii) People's Republic of China
- Involves in software development, the provision of Point Of Sales and business management solutions, remedial services for Point Of Sales hardware and related software implementation and support services, the provision of project management, business and IT related consultancy services, and the provision of contract centres for outsourcing services in People's Republic of China.

(b) Business units

(i) Operational Cost Centre
- This segment provides the support services to all the customers for the Group.

(ii) Group Corporate
- This segment is involved in Group-level corporate services, and treasury functions.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit after tax ("PAT"). PAT is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments that operate within the Group.

Geographically, management reviews the performance of the businesses in Malaysia, South East Asia, and People's Republic of China. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Assets are based on the geographical location of the assets.

## 31. SEGMENTAL REPORTING (CONTINUED)

| | ← Geographical Segment | | → | ← Business Unit Segment → | | | | |
|---|---|---|---|---|---|---|---|---|
| | Malaysia | South East Asia | People's Republic of China | Operational Cost Centre | Group Corporate | Total | Eliminations and adjustments | Consolidated |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| **2011** | | | | | | | | |
| **Revenue** | | | | | | | | |
| Sales to external customers | 36,407,803 | 11,215,880 | 5,971,552 | - | - | 53,595,235 | - | 53,595,235 |
| Intercompany sales | 20,543,488 | - | - | - | - | 20,543,488 | (20,543,488) [A] | - |
| | 56,951,291 | 11,215,880 | 5,971,552 | - | - | 74,138,723 | | 53,595,235 |
| **Results** | | | | | | | | |
| Operating profit | 13,048,077 | 6,947,360 | 677,935 | (6,749,690) | (5,117,314) | 8,806,368 | | 8,806,368 |
| Tax | 558 | 6,648 | (182,557) | - | - | (175,351) | | (175,351) |
| Profit after tax | 13,048,635 | 6,954,008 | 495,378 | (6,749,690) | (5,117,314) | 8,631,017 | | 8,631,017 |

## 31. SEGMENTAL REPORTING (CONTINUED)

| | ← Geographical Segment → | | | ← Business Unit Segment → | | | | |
|---|---|---|---|---|---|---|---|---|
| | Malaysia | South East Asia | People's Republic of China | Operational Cost Centre | Group Corporate | Total | Eliminations and adjustments | Consolidated |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| **2010** | | | | | | | | |
| **Revenue** | | | | | | | | |
| Sales to external customers | 33,770,172 | 11,061,802 | 4,071,395 | - | - | 48,903,369 | - | 48,903,369 |
| Intercompany sales | 9,112,426 | - | - | - | - | 9,112,426 | (9,112,426) A | - |
| | 42,882,598 | 11,061,802 | 4,071,395 | - | - | 58,015,795 | | 48,903,369 |
| **Results** | | | | | | | | |
| Operating profit | 16,251,227 | 2,899,023 | 1,524,914 | (6,468,720) | (4,195,263) | 10,011,181 | | 10,011,181 |
| Tax | (780,791) | (7,671) | (100,057) | - | - | (888,519) | | (888,519) |
| Profit after tax | 15,470,436 | 2,891,352 | 1,424,857 | (6,468,720) | (4,195,263) | 9,122,662 | | 9,122,662 |

## 31. SEGMENTAL REPORTING (CONTINUED)

| | ← Geographical Segment | | → | | | |
|---|---|---|---|---|---|---|
| | Malaysia | Southeast Asia | People's Republic of China | Total | Adjustments | Consolidated |
| | RM | RM | RM | RM | RM | RM |
| **2011** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 50,957,415 | 5,016,791 | 10,178,742 | 66,152,948 | 1,338,387 [B] | 67,491,335 |
| **Liabilities** | | | | | | |
| Segment liabilities | 5,959,000 | 814,220 | 1,102,370 | 7,875,590 | 572,273 [C] | 8,447,863 |
| **Other information** | | | | | | |
| Capital expenditure | 2,250,179 | 58,598 | 2,798,302 | 5,107,079 | - | 5,107,079 [D] |
| Depreciation of property, plant and equipment | 1,198,618 | 132,248 | 186,524 | 1,517,390 | - | 1,517,390 |
| Amortisation of development expenditure | 1,401,563 | - | 349,219 | 1,750,782 | - | 1,750,782 |

## 31. SEGMENTAL REPORTING (CONTINUED)

| | ← Geographical Segment | | → | | | |
|---|---|---|---|---|---|---|
| | Malaysia | Southeast Asia | People's Republic of China | Total | Adjustments | Consolidated |
| | RM | RM | RM | RM | RM | RM |
| **2010** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 41,649,271 | 5,515,683 | 4,867,657 | 52,032,611 | 494,101 B | 52,526,712 |
| **Liabilities** | | | | | | |
| Segment liabilities | 6,615,614 | 1,344,132 | 897,738 | 8,857,484 | 576,385 C | 9,433,869 |
| **Other information** | | | | | | |
| Capital expenditure | 3,281,804 | 341,913 | 1,309,829 | 4,933,546 | - | 4,933,546 D |
| Depreciation of property, plant and equipment | 1,370,987 | 91,350 | 127,412 | 1,589,749 | - | 1,589,749 |
| Amortisation of development expenditure | 1,202,978 | - | (9,089) | 1,193,889 | - | 1,193,889 |

## 31. SEGMENTAL REPORTING (CONTINUED)

*Note* *Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements*

**A** Inter-segment revenues are eliminated on consolidation

**B** The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

| | 2011<br>RM | 2010<br>RM |
|---|---|---|
| Tax recoverable | 1,338,387 | 494,101 |

**C** The following items are added into segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

| | 2011<br>RM | 2010<br>RM |
|---|---|---|
| Deferred tax liabilities | 572,273 | 576,385 |

**D** Additions of capital expenditure consist of:

| | 2011<br>RM | 2010<br>RM |
|---|---|---|
| Property, plant and equipment | 1,528,845 | 2,203,764 |
| Development expenditure | 3,578,234 | 2,729,782 |
| | 5,107,079 | 4,933,546 |

## 32. SUBSEQUENT EVENT

On 14 February 2012, the Company, through its wholly-owned subsidiary, Cuscapi International Pte. Ltd., incorporated a wholly-owned subsidiary in China known as Guangzhou Cuscapi Co., Ltd. with a registered share capital of USD210,000/-.

The incorporation of Guangzhou Cuscapi Co. Ltd. is not expected to have any material impact on the earnings of the Group.

**SUPPLEMENTARY INFORMATION ON THE DISCLOSURES OF REALISED AND UNREALISED PROFITS OR LOSSES**

On 25th March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of the retained profits of the Group and of the Company as at 31st December 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM** | **RM** | **RM** | **RM** |
| Realised | 19,795,250 | 14,010,348 | 2,172,335 | 1,403,643 |
| Unrealised | (478,172) | (697,214) | 464 | 325 |
| Total retained earnings | 19,317,078 | 13,313,134 | 2,172,799 | 1,403,968 |

The determination of realised and unrealised profits is compiled based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20th December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

**CUSCAPI BERHAD**
(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS

We, **DATO' GAN NYAP LIOU @ GAN NYAP LIOW** and **TAI KEAT CHAI,** being two of the directors of Cuscapi Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 9 to 84 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2011 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia

The supplementary information set out on page 85 have been prepared in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

.......................................................

DATO' GAN NYAP LIOU
@ GAN NYAP LIOW
Director

.......................................................

TAI KEAT CHAI
Director

Kuala Lumpur

Date: 2 5 APR 2012

**CUSCAPI BERHAD**
(Incorporated in Malaysia)

## STATUTORY DECLARATION

I, **VOON SIEW MOON,** being the person primarily responsible for the financial management of Cuscapi Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 9 to 84 and the supplementary information set out on page 85 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

...............................
VOON SIEW MOON

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on

2 5 APR 2012

Before me,

PESURUHJAYA SUMPAH
ARSHAD ABDULLAH
W 550
MALAYSIA

...............................
Commissioner for Oaths

NO. 102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 KUALA LUMPUR

BAKER TILLY
MONTEIRO HENG

*Company No. 43190 - H*

BAKER TILLY MONTEIRO HENG
Chartered Accountants (AF 0117)
Monteiro & Heng Chambers
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia
phone : +603 2274 8988
fax : +603 2260 1708
email : info@bakertillymh.com.my
www.bakertillymh.com.my

**INDEPENDENT AUDITORS' REPORT**
**TO THE MEMBERS OF CUSCAPI BERHAD**
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of Cuscapi Berhad, which comprise the statements of financial position as at 31st December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 84.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31st December 2011 and of their financial performance and cash flows for the financial year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the followings:

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in a form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) Other than those subsidiaries with emphasis of matters paragraph in the auditors' reports as disclosed in Note 6 to the financial statements, the auditors' reports on the financial statements of the remaining subsidiaries did not contain any qualification or any adverse comments under section 174(3) of the Companies Act, 1965 in Malaysia.

**Other Reporting Responsibilities**

The supplementary information set out on page 85 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

| | |
|---|---|
| Baker Tilly Monteiro Heng | Lock Peng Kuan |
| No. AF 0117 | No. 2819/10/12 (J) |
| Chartered Accountants | Partner |

Kuala Lumpur
Date: 2 5 APR 2012



BAKER TILLY
MONTEIRO HENG

Company No. 43190-H



## UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012

**CUSCAPI BERHAD**
**(Company No : 43190-H)**
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2012**
**(The figures have not been audited)**

| | Note | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|---|
| | | CURRENT YEAR QUARTER 31/12/2012 RM | PRECEDING YEAR CORRESPONDING QUARTER 31/12/2011 RM | CURRENT YEAR TO DATE 31/12/2012 RM | PRECEDING YEAR CORRESPONDING PERIOD 31/12/2011 RM |
| REVENUE | A8 | 14,177,370 | 13,451,184 | 60,239,339 | 53,595,235 |
| COST OF SALES | | (6,521,952) | (5,539,947) | (26,335,647) | (21,772,069) |
| GROSS PROFIT | | 7,655,418 | 7,911,238 | 33,903,692 | 31,823,166 |
| OTHER OPERATING INCOME | | 61,936 | 15,376 | 199,229 | 101,296 |
| OPERATING EXPENSES | | (5,981,561) | (6,023,878) | (27,502,256) | (23,118,095) |
| PROFIT FROM OPERATIONS | | 1,735,793 | 1,902,736 | 6,600,666 | 8,806,368 |
| FINANCE COSTS | | (14,988) | - | (21,245) | - |
| PROFIT BEFORE TAXATION | | 1,720,806 | 1,902,736 | 6,579,421 | 8,806,368 |
| TAXATION | B5 | (88,737) | (83,308) | (191,612) | (175,351) |
| NET PROFIT FOR THE PERIOD | | 1,632,069 | 1,819,429 | 6,387,809 | 8,631,017 |
| OTHER COMPREHENSIVE LOSS - FOREIGN CURRENCY TRANSLATION | | (116,275) | 476,158 | (311,854) | 293,053 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 1,515,794 | 2,295,586 | 6,075,955 | 8,924,070 |
| PROFIT ATTRIBUTABLE TO: | | | | | |
| OWNERS OF THE PARENT | | 1,632,069 | 1,819,429 | 6,387,809 | 8,631,017 |
| NON-CONTROLLING INTEREST | | - | - | - | - |
| | | 1,632,069 | 1,819,429 | 6,387,809 | 8,631,017 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | |
| OWNERS OF THE PARENT | | 1,515,794 | 2,295,586 | 6,075,955 | 8,924,070 |
| NON-CONTROLLING INTEREST | | - | - | - | - |
| | | 1,515,794 | 2,295,586 | 6,075,955 | 8,924,070 |
| Earnings per share attributable to equity holders of the parent: | | | | | |
| - Basic (sen) | B13 | 0.67 | 0.78 | 2.61 | 3.83 |
| - Diluted (sen) | | 0.62 | 0.69 | 2.44 | 3.52 |

(The unaudited Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2011)

**CUSCAPI BERHAD**
**(Company No : 43190-H)**
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2012**
**(The figures have not been audited)**

| | (UNAUDITED) AS AT CURRENT FINANCIAL YEAR ENDED 31/12/2012 RM | (AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2011 RM |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, Plant and Equipment | 5,856,751 | 5,334,493 |
| Goodwill | 15,650,593 | 10,271,641 |
| Development Costs | 12,559,672 | 8,547,939 |
| Other Investments | 70,000 | 70,000 |
| | 34,137,016 | 24,224,072 |
| **Current Assets** | | |
| Inventories | 4,124,853 | 2,391,858 |
| Trade & other receivables | 25,573,434 | 26,349,983 |
| Deposits | 5,423,744 | 7,347,087 |
| Cash and bank balances | 6,514,390 | 7,178,336 |
| | 41,636,421 | 43,267,263 |
| **TOTAL ASSETS** | 75,773,437 | 67,491,335 |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to owners of the parent** | | |
| Share Capital | 24,533,507 | 24,443,227 |
| Reserves | 38,377,575 | 34,600,246 |
| **Total equity** | 62,911,082 | 59,043,472 |
| **Non-current liabilities** | | |
| Deferred Tax Liabilities | 335,401 | 572,273 |
| | 335,401 | 572,273 |
| **Current Liabilities** | | |
| Trade & other payables | 12,453,076 | 7,856,582 |
| Bank overdraft | - | 19,008 |
| Taxation | 73,878 | - |
| | 12,526,954 | 7,875,590 |
| **Total Liabilities** | 12,862,355 | 8,447,863 |
| **TOTAL EQUITY AND LIABILITIES** | 75,773,437 | 67,491,335 |
| Net assets per share attributable to owners of the parent (RM) | 0.26 | 0.24 |

(The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2011)

**CUSCAPI BERHAD**
**(Company No : 43190-H)**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2012**
**(The figures have not been audited)**

| | Attributable to Owners of the Parent | | | | | | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | | Non-Distributable | | | Distributable | | | |
| | Share Capital RM | Share Premium RM | Other Reserve RM | Translation Reserve RM | Accumulated Profit/(Loss) RM | Total RM | RM | RM |
| **Balance at 1 January 2012** | 24,443,227 | 14,184,889 | 642,320 | 455,958 | 19,317,078 | 59,043,472 | - | 59,043,472 |
| **Total comprehensive income for the period** | - | - | - | (311,854) | 6,387,809 | 6,075,955 | - | 6,075,955 |
| | 24,443,227 | 14,184,889 | 642,320 | 144,104 | 25,704,886 | 65,119,426 | - | 65,119,426 |
| **Issuance of new shares** | 90,280 | 153,476 | - | - | - | 243,756 | - | 243,756 |
| **Share issuance expenses** | - | (21,409) | - | - | - | (21,409) | - | (21,409) |
| **Share-based payment under ESOS** | - | - | 325,940 | - | - | 325,940 | - | 325,940 |
| **Dividends** | - | - | - | - | (2,756,631) | (2,756,631) | - | (2,756,631) |
| **Balance at 31 December 2012** | 24,533,507 | 14,316,956 | 968,260 | 144,104 | 22,948,255 | 62,911,082 | - | 62,911,082 |
| **Balance at 1 January 2011** | 22,243,227 | 7,275,823 | 97,754 | 162,905 | 13,313,134 | 43,092,843 | - | 43,092,843 |
| **Total comprehensive income for the period** | - | - | - | 293,053 | 8,631,017 | 8,924,070 | - | 8,924,070 |
| | 22,243,227 | 7,275,823 | 97,754 | 455,958 | 21,944,151 | 52,016,913 | - | 52,016,913 |
| **Issuance of new shares** | 2,200,000 | 7,260,000 | | | | 9,460,000 | | 9,460,000 |
| **Share issuance expenses** | - | (350,934) | | | | (350,934) | | (350,934) |
| **Share-based payment under ESOS** | - | - | 419,856 | - | - | 419,856 | - | 419,856 |
| **Transfer to statutory reserves** | | | 124,710 | | (124,710) | - | | - |
| **Dividend paid during the year** | - | - | - | - | (2,502,363) | (2,502,363) | - | (2,502,363) |
| **Balance at 31 December 2011** | 24,443,227 | 14,184,889 | 642,320 | 455,958 | 19,317,078 | 59,043,472 | - | 59,043,472 |

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2011)

Company No. 43190-H

**CUSCAPI BERHAD**
**(Company No : 43190-H)**
**formerly known as Datascan Berhad**
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2012**
**(The figures have not been audited)**

| | (UNAUDITED) AS AT CURRENT FINANCIAL YEAR ENDED 31/12/2012 RM | (AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2011 RM |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit/(Loss) before tax | 6,579,421 | 8,806,368 |
| Adjustments for :- | | |
| Non-cash items | 4,045,625 | 4,406,695 |
| Non-operating items | (173,336) | (101,296) |
| Operating profit before changes in working capital | 10,451,709 | 13,111,767 |
| Net changes in current assets | 2,045,502 | (6,414,593) |
| Net changes in current liabilities | 1,712,172 | (1,013,749) |
| | 14,209,383 | 5,683,425 |
| Tax recovered/(paid) | (354,606) | (1,023,749) |
| **Net cash generated from operating activities** | 13,854,777 | 4,659,676 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (2,326,321) | (1,528,845) |
| Development costs paid | (5,829,600) | (3,578,234) |
| Net cash outflow from acquisiton of subsidiary | (6,144,626) | (366,521) |
| Interest received | 194,581 | 101,296 |
| Proceeds on disposal of property, plant and equipment | 28,087 | 17,209 |
| **Net cash generated/used in investing activities** | (14,077,879) | (5,355,095) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Hire purchase (net) | 191,343 | - |
| Interest paid | (21,245) | - |
| Dividend paid to shareholders | (2,756,631) | (4,671,078) |
| Share issuance expenses | (21,409) | (350,934) |
| Net proceeds from issuance of shares | 243,756 | 9,460,000 |
| Net cash outflow on acquisition of subsidiary | - | - |
| **Net cash used in financing activities** | (2,364,187) | 4,437,988 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | (2,587,289) | 3,742,569 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD** | 14,525,423 | 10,763,846 |
| **CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD** | 11,938,134 | 14,506,415 |
| Cash and cash equivalents comprise :- | | |
| Deposits | 5,423,744 | 7,347,087 |
| Cash and bank balances | 6,514,390 | 7,178,336 |
| Bank overdraft | - | (19,008) |
| | 11,938,134 | 14,506,415 |

CUSCAPI BERHAD
(Company No: 43190-H)

## A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements outlined in the Malaysian Financial Reporting Standards ("MFRS") No. 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011. These explanatory notes attached to the interim financial statements provide an explanation of 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 2011.

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2011 except for the newly-issued accounting framework – MFRS and IC Interpretations ("IC Int.") to be applied by all Entities Other Than Private Entities for the financial period beginning on 1 January 2012:

| | |
|---|---|
| MFRS 1 | First-time Adoption of Malaysian Financial Reporting Standards |
| MFRS 2 | Share-based Payment |
| MFRS 3 | Business Combination |
| MFRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| MFRS 7 | Financial Instruments: Disclosures |
| MFRS 8 | Operating Segments |
| MFRS 101 | Presentation of Financial Statements |
| MFRS 107 | Statement of Cash Flows |
| MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| MFRS 110 | Events after the Reporting Period |
| MFRS 112 | Income Taxes |
| MFRS 116 | Property, Plant and Equipment |
| MFRS 118 | Revenue |
| MFRS 119 | Employee Benefits |
| MFRS 121 | The Effects of changes in Foreign Exchange Rates |
| MFRS 124 | Related Party Disclosures |
| MFRS 127 | Consolidated and Separate Financial Statements |
| MFRS 128 | Investment in Associates |
| MFRS 132 | Financial Instruments: Presentation |
| MFRS 133 | Earnings Per Share |
| MFRS 134 | Interim Financial Reporting |
| MFRS 136 | Impairment of Assets |
| MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets |
| MFRS 138 | Intangible Assets |
| MFRS 139 | Financial Instruments: Recognition and Measurement |
| | Improvements to MFRSs |

The adoption of the above did not have any significant effects on the interim financial statements upon their initial application.

**A2. Auditors' Report**

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2011 was not subject to any qualification.

**A3. Seasonal or Cyclical Factors**

The business operations of the Group during the financial quarter under review are not affected by any significant seasonal or cyclical factors.

**A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items during the current financial quarter under review.

**A5. Changes in estimates**

There were no material changes in the estimates of amounts that have a material effect on the results for the current financial quarter under review.

**A6. Debt and Equity Securities**

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial quarter and period under review except for the issuance of 90,280 new ordinary shares pursuant to the exercise of the share options granted under the Employees' Share Option Scheme ("ESOS").

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**A7. Dividends Paid**

The Company had on 18 April 2012 paid the first interim dividend, in respect of the financial year ending 31 December 2012, of 1.5 sen per share less 25% income tax on 245,033,867 ordinary shares amounting to RM2,756,631.

**A8. Segmental Reporting**

The Group is primarily engaged in a single business segment of information technology ("IT") and IT related services. The geographical segmental revenue by customers and results during the twelve (12) months financial year ended 31 December 2012 is tabulated below:-

Geographical Segments

12 month financial year ended 31 December 2012

| | Malaysia | South East Asia | China | Total |
|---|---|---|---|---|
| | RM | RM | RM | RM |
| Revenue | 37,352,596 | 13,656,827 | 9,229,916 | 60,239,339 |
| Profit before taxation | | | | 6,579,421 |
| Taxation | | | | (191,612) |
| Profit for the period | | | | 6,387,809 |

12 month financial year ended 31 December 2011

| | Malaysia | South East Asia | China | Total |
|---|---|---|---|---|
| | RM | RM | RM | RM |
| Revenue | 36,407,803 | 11,215,880 | 5,971,552 | 53,595,235 |
| Profit before taxation | | | | 8,806,368 |
| Taxation | | | | (175,351) |
| Profit for the period | | | | 8,631,017 |

**A9. Revaluation of Property, Plant and Equipment**

The Group did not revalue any of its property, plant and equipment for the current financial quarter under review.

**A10. Subsequent Events**

There were no material events subsequent to the end of the date of this announcement, which will have a material effect on the financial results of the Group for the current financial quarter under review.

**A11. Changes in the Composition of the Group**

The changes in the composition of the Group for the current financial year under review are as follow:

i) On 12 March 2012 through its wholly owned subsidiaries, Cuscapi Hong Kong Limited ("CHKL"), Cuscapi Malaysia Sdn. Bhd. ("CMSB") and Cuscapi International Pte. Ltd. ("CIPL") subscribed for 1.0 million shares in Cuscapi (Thailand) Company Limited ("CTCL") representing 100% of share capital of CTCL. CTCL is a company incorporated in Thailand as limited company with an authorised share capital of 100,000,000 Baht comprising 1,000,000 shares of 100 Baht each and a paid up capital of 25,000,000

ii) On 16 May 2012, Cuscapi Hong Kong Limited, a wholly-owned subsidiary of Cuscapi International Pte. Ltd. which in turn a wholly-owned subsidiary of the Company had incorporated a new subsidiary in Republic of The Philippines known as Cuscapi Philippines, Inc. with an authorized capital stock of PHP110,000,000 and paid up capital stock of PHP9,000,000.

iii) On 23rd of July 2012, Cuscapi Philippines, Inc., a subsidiary of the Company entered into Deed of Assignment Agreement with Wilton C. Ng, Annabelle L. Ngo, Galvin Radley Ngo, Linsay Nicole Ngo and Margaux Hilary Ngo and Tills N Labels System Marketing, Inc. ("Tills N Labels") for the acquisition of 90,000 shares of common stock with a par value of One Hundred Philippine Pesos (PHP100) each in Tills N Labels representing 100% of the issued and paid-up share capital of Tills N Labels for a total cash consideration of USD2,000,000.

## A12. Contingent Liabilities

The changes in contingent liabilities since the last annual balance sheet date are tabulated below:

**Bank Guarantee**

| | RM |
|---|---|
| Balance as at 1 January 2012 | 141,859 |
| Extended during the year | - |
| Discharged during the year | - |
| Balance as at 31 December 2012 | 141,859 |

## A13. Capital Commitment

The Company has no capital commitment in respect of property, plant and equipment as at the date of this report.

## A14. Related Party Transactions

As at the end of the current financial year under review, the Group has entered into/or completed the following related party transactions:

| | **12 months period ended 31.12.12** |
|---|---|
| Transactions with AmBank (M) Berhad, a Company with a common director: | RM |
| - Sales of Network Infrastructure and Security Solutions and Services Rendered | 424,936 |

Due to Dato' Larry Gan Nyap Liou @ Gan Nyap Liow being on the Board of Directors of AmBank (M) Berhad as its Independent Non-Executive Director and by virtue of him being a Director and a substantial shareholder of the Company, the transactions between the Group and AmBank (M) Berhad are deemed related party transactions.

The above related party transactions are recurrent transactions of a revenue or trading nature and are entered into in the ordinary course of business on terms not more favourable to the related party than those generally available to the public.

CUSCAPI BERHAD
(Company No: 43190-H)

## B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

### B1. Review of Performance

For the current financial quarter under review, the Group's revenue of RM14.177 million was higher compared to the preceding year corresponding quarter's revenue of RM13.451 million. The increase was mainly attributable to continued growth in Group's international business. The Group recorded a lower profit before tax ("PBT") of RM1.721 million during the current financial quarter under review compared to the PBT of RM1.903 million for the preceding year's corresponding quarter due to the Group's continual investment in overseas offices and capacity expansion.

For the current twelve months financial year under review, the Group's revenue of RM60.239 million was higher compared to the preceding year's corresponding period of RM53,595 million. However, PBT in the same period is lower at RM6.579 million compared to PBT of RM8.806 million for the preceding year's corresponding period due to higher operating expenses arising from continual investment in overseas offices and capacity expansion.

The summary of the revenue and profit before taxation for the current and previous financial year are as follow:

| | Individual Quarters Ended | | |
|---|---|---|---|
| | 31/12/2012 | 31/12/2011 | Change |
| | RM | RM | % |
| Revenue | 14,177,370 | 13,451,184 | 5.40% |
| Profit before taxation | 1,720,806 | 1,902,736 | -9.56% |

| | Cumulative Quarter Ended | | |
|---|---|---|---|
| | 31/12/2012 | 31/12/2011 | Change |
| | RM | RM | % |
| Revenue | 60,239,339 | 53,595,235 | 12.40% |
| Profit before taxation | 6,579,421 | 8,806,368 | -25.29% |

The China market has continued to register strong growth in revenue of RM9.230 million for the current financial year compared with the preceding of RM5.972 million, a growth rate of 54.6%. With the completion of the acquisition of a new subsidiary in the Philippines i.e. Tills N Labels System Marketing, Inc in the current financial year, this has put the Group in a strong position to secure more new customers in the Philippines market. Consequently, the Philippines market contributed strong revenue of RM4.126 million for the current financial year. In the short term, there will be increases in the operating expenses as the Group continues to invest in capacity expansion to grow its presence in the bigger markets in China and Indonesia.. In addition to that, the Group is also investing to establish the necessary infrastructure to launch new innovative products in the financing year ending 2013.

## B2. Material Changes in the Quarterly Results Compared to the Immediate Preceding Quarter

The Group's revenue for the current financial quarter under review was lower at RM14.177 million compared to the immediate preceding quarter's RM 14.492 million due to the materialization of several significant projects in the immediate preceding quarter. However, PBT was higher at RM1.721 million compared to RM1.137 million from the immediate preceding quarter as the Group progressively review and control its operating costs.

The summary of the revenue and profit before taxation for the current financial quarter as compared to the immediate preceding quarter are as follow:

| | Individual Quarters Ended | | |
|---|---|---|---|
| | 31/12/2012 | 30/09/2012 | Change |
| | RM | RM | % |
| Revenue | 14,177,370 | 14,492,455 | -2.18% |
| Profit before taxation | 1,720,806 | 1,137,241 | 51.31% |

## B3. Prospects

The Board remains optimistic of the Group's financial performance for the financial year ending 31st December 2013.

## B4. Profit Forecast

No financial forecast was announced or made hence there was no comparison between actual results and forecast.

## B5. Taxation

| | Individual Quarter Ended | | Cumulative Quarter Ended | |
|---|---|---|---|---|
| | 31/12/2012 | 31/12/2011 | 31/12/2012 | 31/12/2011 |
| | RM | RM | RM | RM |
| - Current income tax | (141,905) | 27,000 | (393,520) | (291,895) |
| - Deferred tax | 88,132 | (73,308) | 236,872 | 4,112 |
| - In respect of prior year | (34,964) | (37,000) | (34,964) | 112,432 |
| | (88,737) | (83,308) | (191,612) | (175,351) |

## B6. Profit on Sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments or properties during the current financial quarter under review.

## B7. Purchase or Disposal of Quoted Securities

There was no purchase and disposal of quoted securities during the current financial quarter and year under review,

**B8. Corporate Proposals**

**Status of Corporate Proposals as at 28st February 2013**
(being a date not earlier than seven (7) days from the date of this announcement)

There were no corporate proposals announced but not completed as at the date of this announcement except for the followings:

On 26 November 2012, OSK had, on behalf of the Board, announced that the Company proposes to undertake the following proposals:-

i. A transfer of the listing of and quotation for the entire issued and paid-up share capital of Cuscapi Berhad ("Cuscapi" or the "Company") from the ACE Market to the Main Market of Bursa Securities ("Proposed Transfer");

ii. A renounceable rights issue of up to 146,749,640 new ordinary shares of RM0.10 each in Cuscapi ("Cuscapi Shares") ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing Cuscapi Shares together with up to 146,749,640 free detachable warrants in Cuscapi ("Warrants") on the basis of one (1) free Warrant for every one (1) Rights Share subscribed for, on the Entitlement Date;

iii. A bonus issue of up to 73,374,820 new Cuscapi Shares ("Bonus Shares") to be credited as fully paid-up on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed for pursuant to the Proposed Rights Issue with Warrants;

iv. An increase in the authorised share capital of Cuscapi from RM60,000,000 comprising 600,000,000 Cuscapi Shares to RM120,000,000 comprising 1,200,000,000 Cuscapi Shares; and

v. Amendments to the Memorandum and Articles of Association of Cuscapi.

Item ii, iii, iv. and v. above shall collectively referred to as the "Proposals"

On 17 January 2013, OSK had, on behalf of Cuscapi, announced that Bursa Securities had vide its letter dated 16 January 2013, resolved to approve the following:-

i. Admission of the Warrants to the official list of Bursa Securities and the listing of and quotation for up to 146,749,640 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;

ii. Listing of up to 146,749,640 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;

iii. Listing of up to 73,374,820 Bonus Shares to be issued pursuant to the Proposed Bonus Issue; and

iv. Listing of up to 146,749,640 new Cuscapi Shares to be issued arising from the exercise of the Warrants,

on the Main Market/ ACE Market of Bursa Securities depending on the timing of the listing of the above-mentioned securities and shall be subject to the conditions as disclosed in Section 7 of the Circular sent out to shareholders on 30 January 2013. The Proposals were approved by the shareholders of the Company at the Extraordinary General Meeting held on 21st February 2013.

An introductory document which sets out further details of the Proposed Transfer will be despatched to the shareholders of the Company upon procuring the necessary approvals from the relevant authorities.

**B9. Group Borrowings and Debt Securities**

The Group has no borrowings and it did not issue any debt securities.

**B10. Off Balance Sheet Financial Instruments**

As at 28th February 2013, being the latest practicable date, the Company does not have any financial instruments with off balance sheet risk.

**B11. Material Litigation as at 28th February 2013**
(being a date not earlier than seven (7) days from the date of issue of this quarterly report)

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Company or its subsidiaries which might materially and adversely affect the position or business of the Group.

**B12. Dividends**

The Board has declared a first interim dividend of 1.5 sen per share less 25% income tax in respect of the financial year ending 31 December 2013 and payable on 18 April 2013. The entitlement date has been fixed on 29 March 2013.

A Depositor shall qualify for the entitlement only in respect of:
a. Shares transferred to the Depositor's Securities Account before 5:00p.m. on 29 March 2013 in respect of ordinary transfers.
b. Shares bought on Bursa Malaysia Securities Berhad ("BMSB") on a cum entitlement basis according to the rules of BMSB.

## B13. Earnings Per Share

### (a) Basic earnings per share

The earnings per share are calculated by dividing the net profit attributable to ordinary owners of the parent by the weighted average number of ordinary shares in issue during the period.

| | Individual Quarter Ended | | Cumulative Quarter Ended | |
|---|---|---|---|---|
| | 31/12/12 | 31/12/11 | 301/12/12 | 31/12/11 |
| Net profit attributable to owners of the parent (RM) | 1,632,069 | 1,819,429 | 6,387,809 | 8,631,017 |
| Weighted average number of ordinary shares in issue | 245,335,067 | 233,432,267 | 245,096,006 | 225,204,870 |
| Basic earnings per share (sen) | 0.67 | 0.78 | 2.61 | 3.83 |

### (b) Diluted earnings per share

The diluted earnings per share are calculated by dividing the net profit attributable to ordinary owners of the parent by the weighted average number of ordinary shares in issue during the period, adjusted for dilutive effects of potential ordinary shares from share options granted pursuant to the Employees' Share Option Scheme ("ESOS")

| | Individual Quarter Ended | | Cumulative Quarter Ended | |
|---|---|---|---|---|
| | 31/12/12 | 31/12/11 | 31/12/12 | 31/12/11 |
| Net profit attributable to owners of the parent (RM) | 1,632,069 | 1,819,429 | 6,387,809 | 8,631,017 |
| Total weighted average number of ordinary shares in issue | 245,335,067 | 233,432,267 | 245,096,006 | 225,204,870 |
| Effects of dilution: ESOS shares | 17,272,500 | 29,506,559 | 16,529,864 | 20,183,181 |
| Total number of ordinary shares in issue and issuable | 262,607,567 | 232,142,614 | 261,263,562 | 261,263,562 |
| Diluted earnings per share (sen) | 0.62 | 0.69 | 2.44 | 3.52 |

## B14. Realised/Unrealised Retained Profits/Losses

| | Current Period 31/12/12 |
|---|---|
| Total retained profits of Cuscapi and its subsidiaries: | RM |
| - Realised | 23,475,372 |
| - Unrealised | (527,117) |
| Total retained profits c/f | 22,948,255 |

## B15. Profit for the Period

| | Current Period 31/12/2012 RM |
|---|---|
| **Profit for the period is arrived at after charging :** | |
| - Depreciation of plant & equipment | 2,213,672 |
| - Amortisation of development costs | 1,817,867 |
| - Share based payment under ESOS | 325,940 |
| - Interest paid | 21,245 |

By Order of the Board

DATUK TAN LEH KIAH
Secretary
Kuala Lumpur
28th February 2013

## DIRECTORS' REPORT

cuscapi

Cuscapi Berhad (43190-H)
formerly known as Datascan Berhad
Level 1, Block B
Peremba Square
Saujana Resort
Seksyen U2
40150 Shah Alam
Selangor, Malaysia.

T +603 7623 7777
F +603 7622 1999
www.cuscapi.com

**Registered Office:**

Level 1, Block B, Peremba Square
Saujana Resort, Seksyen U2
40150 Shah Alam
Selangor Darul Ehsan

Date: 25 MAR 2013

To: The Shareholders of Cuscapi Berhad ("Cuscapi" or the "Company")

On behalf of the Board of Directors of Cuscapi ("Board"), I wish to report that after making due enquiries in relation to Cuscapi and its subsidiaries ("Group") during the period between 31 December 2011, being the date to which the latest audited consolidated financial statements have been made up, and the date of this letter, being a date not earlier than 14 days before the date of this Abridged Prospectus:-

(a) In the opinion of the Board, the business of our Group has been satisfactorily maintained;

(b) In the opinion of the Board, no circumstances have arisen since the latest audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;

(c) The current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) Save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;

(e) There has been no default or any known event that could give rise to a default situation on payment of either interest and/ or principal sums for any borrowings in our Group since the latest audited consolidated financial statements of our Group; and

(f) Save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the latest audited consolidated financial statements.

Yours faithfully,
For and on behalf of the Board of
**CUSCAPI BERHAD**

**HER CHOR SIONG**
CHIEF EXECUTIVE OFFICER

## ADDITIONAL INFORMATION

### 1. SHARE CAPITAL

i. No other securities in our Company will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of this Abridged Prospectus.

ii. As at the LPD, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely the ordinary shares of RM0.10 each, all of which rank *pari passu* with one another.

iii. As at the LPD, save as disclosed below, no person has been or is entitled to be given an option to subscribe for any shares or stocks of our Company or our subsidiaries:-

a. The Provisional Allotment pursuant to the Rights Issue with Warrants and the Bonus Issue; and

b. ESOS Options

| **Exercise price RM** | **Number of ESOS Options exercisable** |
|---|---|
| 0.270 | 6,484,700 |
| 0.420 | 1,056,000 |
| 0.390 | 8,373,300 |
| 0.295 | 7,161,600 |

One-third of the ESOS Options are exercisable by the Directors and employees of Cuscapi Group on or after every anniversary from the date of the acceptance of the offer up to 23 January 2014.

iv. All the Rights Shares, the Bonus Shares and the new Cuscapi Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank pari passu in all respects with the existing Cuscapi Shares, save and except that such Shares will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of such Shares.

## 2. DIRECTORS' REMUNERATION

The provisions in our Articles of Association in relation to the remuneration of our Directors are set out below:-

**Article 74**

The Company in a general meeting shall from time to time determine the fees of the Director. Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of proposed increase has been given in the notice convening the meeting. The Directors shall also be entitled to be paid all travelling and hotel expenses properly incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from meetings of Directors or general meetings or which he may otherwise incur on or about the business of the Company. If by arrangement with the Directors, any Director shall perform or render any special duties or service outside his ordinary duties as a Director, in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra service or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the company or in giving special attention to the business of the company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be way of a fixed sum, or otherwise as may be arranged. PROVIDED THAT no non-executive Director shall be remunerated by a commission on or percentage of profits or turnover. The fee payable to non-executive Directors shall be fixed sums as shall be determined by the Company in general meeting and shall not be by commission on or percentage of profits or turnover. The remuneration of any executive Director may be by way of salary but shall not include a commission on or a percentage of turnover.

## 3. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Abridged Prospectus:-

i. On 23 July 2012, Cuscapi had entered into a deed of assignment agreement with Wilton C. Ngo, Annabelle L. Ngo, Galvin Radley Ngo, Linsay Nicole Ngo and Margaux Hilary Ngo and Tills N Labels System Marketing Inc ("Tills N Labels") for the acquisition by Cuscapi Philippines Inc of 90,000 shares of common stock with a par value PHP100 each in Tills N Labels, representing 100% of the issued and paid-up share capital of Tills N Labels, for a total cash consideration of USD2 million. The transaction was completed on 31 October 2012; and

ii. The Deed Poll for the Warrants.

## 4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, our Group has not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware and has no knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of our Group.

## 5. GENERAL

i. There is no existing or proposed service contract entered into or to be entered into by our Group with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.

ii. Save as disclosed in this Abridged Prospectus, and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:-

   a. known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;

   b. material commitments for capital expenditure of our Group, the purpose of such commitments and the source of fundings;

   c. unusual, infrequent events or transactions or significant economic changes which materially affected the amount of reported income from operations and the extent to which income was so affected;

   d. known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on our Group's revenue or operating income;

   e. fluctuation in revenues; and

   f. material information, including special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

## 6. CONSENTS

Our Adviser, Company Secretaries, Share Registrar, Principal Bankers and Solicitors for the Corporate Exercises and Bloomberg LP have given and have not subsequently withdrawn their written consents to the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consent to the inclusion in this Abridged Prospectus of its name, the proforma consolidated statements of financial position of our Group as at 31 December 2011 together with reporting accountants' letter thereon, the audited consolidated financial statements of our Group for the FYE 31 December 2011 together with the auditors' report thereon and all references thereto in the form and context in which they appear in this Abridged Prospectus.

## 7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Level 1, Block B, Peremba Square, Saujana Resort, Seksyen U2, 40150 Shah Alam, Selangor Darul Ehsan during normal business hours (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:-

i. Memorandum and Articles of Association of our Company;

ii. Audited consolidated financial statements of our Group for the past two (2) financial years up to the FYE 31 December 2011 and the latest unaudited consolidated financial statements of our Group for the FYE 31 December 2012;

iii. The irrevocable undertaking letters referred to in Section 5 of this Abridged Prospectus;

iv. The proforma consolidated statements of financial position of our Group as at 31 December 2011 together with reporting accountants' letter thereon set out in Appendix III of this Abridged Prospectus;

v. The Directors' Report, as set out in Appendix VI of this Abridged Prospectus;

vi. The material contracts referred to in Section 3 of this Appendix VII;

vii. The letters of consent referred to in Section 6 of this Appendix VII; and

viii. The Deed Poll for the Warrants.

## 8. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with the NPA and the RSF have been seen and approved by our Board. They collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement herein false or misleading.

OSK, being the Adviser for the Corporate Exercises, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Corporate Exercises.

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