

**CUSCAPI BERHAD**  
(Company No: 43190-H)

**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

**A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in compliance with Financial Reporting Standards ("FRS") 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 2009. 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 2009.

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 2009 EXCEPT FOR THE FOLLOWING Financial Reporting Standards ("FRSs") and IC Interpretations that had been issued by the Malaysian Accounting Standards Board ("MASB"):-

**Effective for financial periods beginning on or after 1 January 2010**

FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing costs (revised)
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Statements of Cash Flows
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 117	Leases
Amendment to FRS 119	Employee Benefits
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendment to FRS 128	Investments in Associates
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 138	Intangible Assets
Amendment to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 9	Reassessment of Embedded Derivative
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions

IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the above new FRSs and IC Interpretations do not have material impact on the results and the financial position of the Group.

**A2. Auditors' Report**

The audit report for the annual financial statements of the Group for the financial year ended 31 December 2009 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 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 quarter under review.

**A6. Debt and Equity Securities**

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

**A7. Dividends Paid**

No dividend has been paid during the current quarter under review.

**A8. Segmental Reporting**

No segmental analysis is prepared as the Group is primarily engaged in a single business segment of information technology ("IT") and IT related services.

**A9. Revaluation of Property, Plant and Equipment**

The Group did not revalue any of its property, plant and equipment for the current 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 quarter under review.

#### A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review up to the date of this report.

#### A12. Contingent Liabilities

The changes in contingent liabilities since the last annual balance sheet date are tabulated below:

##### Bank Guarantee

	RM'000
Balance as at 31 December 2009	0
Extended during the year	234
Discharged during the year	0
Balance as at 31 December 2010	234

#### 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 period under review, the Group has entered into/or completed the following related party transactions:

(i)	<b>12 months ended 31.12.10</b>
Transactions with A&W (Malaysia) Sdn Bhd, a wholly-owned subsidiary of KUB Malaysia Berhad, a Company with a common director:	RM
- Rental, Sales and Maintenance of Point-of-Sales ("POS") System	1,010,375

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Dato' Rosman bin Abdullah is a Non-Executive Director and substantial shareholder of the Company via his substantial shareholdings in Transight Systems Sdn Bhd. Dato' Rosman bin Abdullah is also a Director of KUB Malaysia Berhad. Therefore transactions with A&W (Malaysia) Sdn Bhd, a wholly-owned subsidiary of KUB Malaysia 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.

(ii)	<b>12 months ended 31.12.10</b>
Transactions with AmBank (M) Berhad, a Company with a common director:	RM
- Sales of Network Infrastructure and Security Solutions and Services Rendered	<u>34,636</u>

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.

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**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. Review of Performance**

For the quarter under review, the Group generated revenue of RM13.063 million and profit before tax (“PBT”) of RM4.247 million, which were higher than the preceding year corresponding quarter’s revenue and PBT of RM11.112 million and RM1.198 million, respectively. The increase was mainly due to improved contributions from international accounts.

For the full financial year under review, the Group achieved an increase in revenue to RM48.783 million compared to the preceding corresponding year’s revenue of RM38.925 million. The increase was due to improved contributions from international accounts. Compounding to the higher revenue generated, lower operating costs during the year under review resulted in PBT increasing to RM10.040 million compared to the PBT of RM0.507 million recorded in the preceding corresponding year.

**B2. Material Changes in the Quarterly Results Compared to the Immediate Preceding Quarter**

The Group’s revenue for the quarter under review rose to RM13.063 million compared to the immediate preceding quarter’s RM9.978 million due mainly to higher contributions from international accounts. The higher PBT of RM4.247 million compared to the immediate preceding quarter’s PBT of RM1.470 million was mainly due to higher software related sales during the quarter under review.

**B3. Prospects**

The Group plans to further expand its international market presence in the coming financial year. The financial outlook remains strong.

**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	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM'000	RM'000	RM'000	RM'000
- Current income tax	(13)	(86)	(786)	(150)
- Deferred tax	(94)	(53)	(259)	(109)
- In respect of prior year	1	-	95	14
	<u>(106)</u>	<u>(139)</u>	<u>(950)</u>	<u>(245)</u>

**B6. Profit on Sale of Unquoted Investments and/or Properties**

There were no disposals of unquoted investments or properties during the quarter under review.

**B7. Purchase or Disposal of Quoted Securities**

During the current quarter under review and financial period to date, there was no purchase and disposal of quoted securities.

**B8. Corporate Proposals**

**Status of Corporate Proposals as at 25 Feb 2011**

(being a date not earlier than seven (7) days from the date of this announcement)

There were no other corporate proposals announced but not completed as at the date of this announcement.

**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 25 Feb 2011, being the latest practicable date, the Company does not have any financial instruments with off balance sheet risk.

**B11. Material Litigation as at 25 Feb 2011**

(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 does not recommend any further dividend in respect of the financial year ended 31 December 2010.

During the financial year ended 31 December 2010, the Company paid the following dividends :

- i. first interim dividend in respect of financial year ended 31 December 2010, of 1.3 sen per share, less income tax of 25% amounting to RM2,168,715 was paid on 30 June 2010
- ii. second interim dividend in respect of financial year ended 31 December 2010, of 1.3 sen per share, less income tax of 25% amounting to RM2,168,715 was paid on 11 Jan 2011

**B13. Earnings Per Share****(a) Basic earnings per share**

The earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/10	31/12/09	31/12/10	31/12/09
Net profit/(loss) attributable to equity holders of the parent (RM)	4,140,277	1,059,338	9,090,442	262,367
Weighted average number of ordinary shares in issue	222,432,267	222,432,267	222,432,267	222,432,267
Basic earnings/(loss) per share (sen)	1.86	0.48	4.09	0.12

**(b) Diluted earnings per share**

The profit/(loss) for the period attributable to ordinary equity holders of the parent is not subjected to any dilutive elements.

**B14. Realised/Unrealised Retained Profits/Losses**

	Current Quarter 31.12.10
Total retained profits of Cuscapi and its subsidiaries:	RM'000
- Realised	14,075,883
- Unrealised	(697,214)
Total retained profits c/f	13,378,669

By Order of the Board

DATUK TAN LEH KIAH  
Secretary  
Kuala Lumpur  
25 Feb 2011