

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

**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011**

**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 2010. 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 2010.

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 2010 EXCEPT FOR THE FOLLOWING New and Revised Financial Reporting Standards (“FRSs”), Amendments/Improvements to 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 2011**

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 124	Related Party Disclosures
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment
Amendments to FRS 3	Business Combination
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 101	Presentation of Financial Statements
Amendments to FRS 121	The Effects of changes in Foreign Exchange Rates
Amendments to FRS 128	Investments in Associates
Amendments to FRS 131	Interests in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
and Amendments to	Improvements to FRSs (2010)
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
and Amendments to	
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	Prepayments of a Minimum Funding Requirement

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 2010 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**

The Company had on 11 Jan 2011 paid the second interim dividend, in respect of the financial year ending 31 December 2010, of 1.3 sen per share less 25% income tax on 222,432,267 ordinary shares amounting to RM2,168,715

**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

##### Acquisition of a Subsidiary

- (i) On 13 April 2011, the Group's wholly owned subsidiary, Cuscapi International Pte. Ltd. incorporated a new subsidiary in Indonesia known as PT. Cuscapi Indonesia (Company Registration No. AHU-0029639.AH.01.09.Tahun 2011).

The paid-up capital of PT. Cuscapi Indonesia is USD150,000 of which Cuscapi International Pte. Ltd. holds 99% and the remaining 1% is held by Cuscapi Berhad.

- (ii) On 28 February 2011, the Group acquired the remaining 45,000 ordinary shares of RM1-00 each in the capital of Cuscapi Outsourcing Sdn. Bhd. (Company No. 819696-V) from Proteas Innovation Sdn. Bhd. (Company No. 759976-T) for a total consideration of RM350,000/-, resulting in Cuscapi Outsourcing Sdn. Bhd. ("Cuscapi Outsourcing") becoming a wholly-owned subsidiary of the Company.

The cash outflow on acquisition is as follows:

	<b>3 months ended 31.03.11</b>
Purchase consideration satisfied by cash	350,000
Cash and cash equivalents of subsidiary acquired	(17,316)
	<hr/> <b>332,684</b> <hr/>

#### 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 2010	234
Extended during the year	0
Discharged during the year	0
Balance as at 31 March 2011	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>3 months ended 31.03.11</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	<u>67,454</u>

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>3 months ended 31.03.11</b>
Transactions with AmBank (M) Berhad, a Company with a common director:	RM
- Sales of Network Infrastructure and Security Solutions and Services Rendered	<u>332,641</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 RM15.417 million and profit before tax (“PBT”) of RM2.511 million, which were higher than the preceding year corresponding quarter’s revenue and PBT of RM10.497 million and RM0.798 million, respectively. The increase was mainly due to order fulfilments from several major customers.

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

The Group’s revenue for the quarter under review rose to RM15.417 million compared to the immediate preceding quarter’s RM13.063 million. However, PBT was lower at RM2.511 million compared to the immediate preceding quarter’s PBT of RM4.247 million due to the product mix.

**B3. Prospects**

With international market presence expansion initiatives remaining on track and the strong first quarter’s performance, the Board is optimistic of the Group’s performance for this financial year.

**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	
	31/03/2011	31/03/2010	31/03/2011	31/03/2010
	RM'000	RM'000	RM'000	RM'000
- Current income tax	(573)	(106)	(573)	(106)
- Deferred tax	16	19	16	19
- In respect of prior year	-	-	-	-
	<u>(557)</u>	<u>(87)</u>	<u>(557)</u>	<u>(87)</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 23 May 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.

**Employee Share Option Scheme ("ESOS")**

On behalf of the Board of Directors of Cuscapi, HwangDBS Investment Bank Berhad ("HwangDBS") has on 19 January 2011 announced that Bursa Malaysia Securities Berhad ("Bursa Securities") has, vide its letter dated today, approved the listing of such number of additional new ordinary shares of RM0.10 each in Cuscapi, representing up to 20% of the issued and paid-up ordinary share capital Cuscapi, to be issued pursuant to the exercise of options under the Proposed ESOS subject to, amongst others, HwangDBS submitting a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to paragraph 6.44(1) of the Listing Requirements of Bursa Securities for the ACE Market and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders of Cuscapi in a general meeting.

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

**B11. Material Litigation as at 23 May 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 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	
	31/03/11	31/03/10	31/03/11	31/03/10
Net profit attributable to equity holders of the parent (RM)	1,953,809	710,638	1,953,809	710,638
Weighted average number of ordinary shares in issue	222,432,267	222,432,267	222,432,267	222,432,267
Basic earnings per share (sen)	0.88	0.32	0.88	0.32

**(b) Diluted earnings per share**

The diluted 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, 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	
	31/03/11	31/03/10	31/03/11	31/03/10
Net profit attributable to equity holders of the parent (RM)	1,953,809	710,638	1,953,809	710,638
Weighted average number of ordinary shares in issue	222,432,267	222,432,267	222,432,267	222,432,267
Effects of dilution: ESOS shares	5,777,177	NA	5,777,177	NA
Weighted average number of ordinary shares in issue and issuable	228,209,444	NA	228,209,444	NA
Diluted earnings per share (sen)	0.86	0.32	0.86	0.32

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

	<b>Current Quarter 31.03.11</b>
Total retained profits of Cuscapi and its subsidiaries:	<b>RM</b>
- Realised	16,046,014
- Unrealised	(681,317)
Total retained profits c/f	15,364,697

By Order of the Board

DATUK TAN LEH KIAH  
Secretary  
Kuala Lumpur  
23 May 2011