

CUSCAPI BERHAD
(Company No: 43190-H)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 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").

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 nine (9) months financial period ended 30 September 2012 is tabulated below:-

Geographical Segments9 month financial period ended 30 September 2012

	Malaysia RM	South East Asia RM	China RM	Total RM
Revenue	27,701,778	10,619,085	7,741,106	46,061,969
Profit before taxation				4,858,615
Taxation				(102,875)
Profit for the period				4,755,740

9 month financial period ended 30 September 2011

	Malaysia RM	South East Asia RM	China RM	Total RM
Revenue	25,811,746	8,914,646	5,417,659	40,144,051
Profit before taxation				6,903,632
Taxation				(92,043)
Profit for the period				<u>6,811,588</u>

Included in the revenue of South East Asia region is the contribution from the newly acquired subsidiary in Philippines i.e. Tills N Labels System Marketing, Inc. of RM 1.653 million for the quarter.

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 period under review are as follow:

- i) 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.
- ii) 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, Lindsay 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 31 December 2011	141,859
Extended during the year	-
Discharged during the year	-
Balance as at 30 September 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 period under review, the Group has entered into/or completed the following related party transactions:

	9 months period ended 30.09.12
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.

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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 RM14.492 million was higher compared to the preceding year corresponding quarter's revenue of RM12.910 million. The increase was mainly attributable to continued growth in Group's international business. The Group recorded a lower profit before tax ("PBT") of RM1.140 million during the current financial quarter under review compared to the PBT of RM1.815 million for the preceding year's corresponding quarter due to the Group's continual investment in overseas offices and capacity expansion.

For the current nine months financial period under review, the Group's revenue of RM46.062 million was higher compared to the preceding year's corresponding period of RM40,144 million. However, PBT in the same period is lower at RM4.859 million compared to PBT of RM6.904 million for the preceding year's corresponding period due to higher operating expenses arising from continual investment in overseas offices and capacity expansion.

The China market has continued to register strong growth in revenue of RM3.715 million for the current financial quarter compared with the preceding year's corresponding quarter of RM1.826 million, a growth rate of 103.5%. 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 quarter, this has put the Group in a strong position to secure more new customers in the Philippines market. Consequently, the Philippines market contributed a strong revenue of RM1.653 million for the current financial quarter. 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 next financial year.

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 RM14.492 million compared to the immediate preceding quarter's RM 19.442 million due to the materialization of several significant projects in the immediate preceding quarter. Consequently, PBT was also lower at RM1.140 million compared to RM3.103 million from the immediate preceding quarter. Nevertheless, the China market has performed strongly with a revenue of RM3.715 million for the current financial quarter compared to the immediate preceding quarter of RM2.196 million, a growth rate of 69.2%.

B3. Prospects

The Board remains optimistic of the Group's financial performance for the current financial year ending 31st December 2012.

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	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM	RM	RM	RM
- Current income tax	(52,405)	(155,481)	(251,615)	(312,346)
- Deferred tax	24,010	5,800	148,740	76,800
- In respect of prior year	-	143,502	-	143,503
	<u>(28,395)</u>	<u>(6,179)</u>	<u>(102,875)</u>	<u>(92,043)</u>

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 period under review,

B8. Corporate Proposals**Status of Corporate Proposals as at 21st November 2012**

(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.

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 21st November 2012, being the latest practicable date, the Company does not have any financial instruments with off balance sheet risk.

B11. Material Litigation as at 21st November 2012

(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 dividend in respect of the current financial quarter ended 30 September 2012.

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	
	30/09/12	30/09/11	30/09/12	30/09/11
Net profit attributable to owners of the parent (RM)	1,108,846	1,808,557	4,755,740	6,811,588
Weighted average number of ordinary shares in issue	245,335,067	222,432,267	245,013,315	222,432,267
Basic earnings per share (sen)	0.45	0.81	1.94	3.06

(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	
	30/09/12	30/09/11	30/09/12	30/09/11
Net profit attributable to owners of the parent (RM)	1,108,846	1,808,557	4,755,740	6,811,588
Total weighted average number of ordinary shares in issue	245,335,067	222,432,267	245,013,315	222,432,267
Effects of dilution: ESOS shares	17,272,500	10,682,514	16,250,247	8,772,531
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)	0.42	0.78	1.82	2.95

B14. Realised/Unrealised Retained Profits/Losses

	Current Period 30/09/12
Total retained profits of Cuscapi and its subsidiaries:	RM
- Realised	22,065,767
- Unrealised	(527,117)
Total retained profits c/f	21,538,650

B15. Profit for the Period

**Current Period
30/09/2012
RM**

Profit for the period is arrived at after charging :

- Depreciation of plant & equipment	1,784,192
- Amortisation of development costs	1,351,567
- Share based payment under ESOS	325,940
- Interest paid	6,257

By Order of the Board

DATUK TAN LEH KIAH
Secretary
Kuala Lumpur
21st November 2012