

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").

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 RM	South East Asia RM	China RM	Total 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				<u>6,387,809</u>

12 month financial year ended 31 December 2011

	Malaysia RM	South East Asia RM	China RM	Total 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				<u>8,631,017</u>

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, 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 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.

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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 RM14.177 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		Change
	31/12/2012	30/09/2012	
	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
	<u>(88,737)</u>	<u>(83,308)</u>	<u>(191,612)</u>	<u>(175,351)</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 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