

CUSCAPI BERHAD
(Company No: 43190-H)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDING 31 MARCH 2013

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 2012. 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 2012.

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 2012 except for the adoption of the following where applicable Malaysian Financial Reporting Standard ("MFRS") and Amendments to standards with effect from 1 January 2013:

MFRS 3:	Business Combination
MFRS 10:	Consolidated Financial Statements
MFRS 11:	Joint Arrangements
MFRS 12:	Disclosure of Interests in Other Entities
MFRS 13:	Fair Value Measurement
MFRS 119:	Employee Benefits
MFRS 127:	Consolidated and Separate Financial Statements
MFRS 128:	Investment in Associates and Joint Ventures
Amendment to IC Interpretation 2:	Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009 -2011 Cycle)
Amendment to MFRS 1:	First-time Adoption of Malaysian Financial Reporting Standard - Government Loans
Amendment to MFRS 1:	
Amendment to MFRS 10:	Consolidated Financial Statements: Transition Guidance
Amendment to MFRS 11:	Joint Arrangements: Transition Guidance
Amendment to MFRS 12:	Disclosure of Interests in Other Entities : Transition Guidance
Amendment to MFRS 101:	Presentation of Items of Other Comprehensive Income
Amendment to MFRS 116:	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 132:	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 134:	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendment to MFRS 101:	Presentation of Items of Other Comprehensive Income

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 2012 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 under review except for the issuance of 977,796 new ordinary shares pursuant to the exercise of the share options granted under the Employees' Share Option Scheme ("ESOS").

A7. Dividends Paid

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

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 three (3) months financial period ended 31 March 2013 is tabulated below:-

Geographical Segments

3 month financial period ended 31 March 2013

	Malaysia RM	South East Asia RM	China RM	Total RM
Revenue	6,701,652	2,710,842	2,359,803	11,772,297
Profit before taxation				625,603
Taxation				(31,056)
Profit for the period				594,548

3 month financial period ended 31 March 2012

	Malaysia RM	South East Asia RM	China RM	Total RM
Revenue	7,476,180	2,821,421	1,830,373	12,127,975
Profit before taxation				618,521
Taxation				(51,212)
Profit for the period				<u>567,309</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

There were no changes in the composition of the Group for the current financial quarter under review.

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 2013	141,859
Extended during the period	-
Discharged during the period	-
Balance as at 31 March 2013	141,859

A13. Capital Commitment

The Company has no material 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 quarter under review, the Group has entered into/or completed the following related party transactions:

	3 months period ended 31.03.13
Transactions with AmBank (M) Berhad, a Company with a common director:	RM
- Sales of Network Infrastructure and Security Solutions and Services Rendered	271,215
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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 RM11.772 million was lower compared to the preceding year corresponding quarter's revenue of RM12.128 million. The slight decrease was mainly attributable to the delay in materialization of certain significant projects in Malaysia expected in this quarter. However, this was mitigated by the continued strong growth in Group's China business. Consequently, the Group recorded a slightly higher profit before tax ("PBT") of RM0.625 million during the current financial quarter under review compared to the PBT of RM0.619 million for the preceding year's corresponding quarter as the Group continues to review and control its operating costs. Nevertheless, the Group will continue to invest in overseas offices and capacity expansion as part of its growth strategy.

The summary of the revenue and profit before taxation for the current and previous financial period are as follow:

	Individual Quarter Ended		Change
	31/03/2013	31/03/2012	
	RM	RM	
Revenue	11,772,297	12,127,975	-2.93%
Profit before taxation	625,603	618,521	1.14%

The China market has continued to register strong growth in revenue of RM2.360 million for the current financial quarter compared with the preceding year corresponding quarter of RM1.830 million, a growth rate of 28.96%. 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 31 December 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 RM11.772 million compared to the immediate preceding quarter of RM 14.177 million mainly attributable to the delay in materialization of certain significant projects in Malaysia expected in this quarter. Consequently, PBT was lower at RM0.625 million compared to RM1.721 million from the immediate preceding quarter due to the lower revenue in this quarter.

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
	31/03/2013	31/12/2012	
	RM	RM	
Revenue	11,772,297	14,177,370	-16.96%
Profit before taxation	625,603	1,720,806	-69.64%

B3. Prospects

The Board remains optimistic of the Group's financial performance for the financial year ending 31st December 2013 with contribution from the new overseas offices and new products and services to be launched in 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	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	RM	RM	RM	RM
- Current income tax	(61)	(51)	(61)	(51)
- Deferred tax	30	-	30	-
- In respect of prior year	-	-	-	-
	<u>(31)</u>	<u>(51)</u>	<u>(31)</u>	<u>(51)</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 under review,

B8. Corporate Proposals

Status of Corporate Proposals as at 30th May 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 following:

On 26 November 2012, OSK, 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 be referred to as the "Proposals"

On 17 January 2013, OSK, 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.

The Proposals were completed on 3rd May 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 30th May 2013, being the latest practicable date, the Company does not have any financial instruments with off balance sheet risk.

B11. Material Litigation as at 30th May 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. The entitlement date has been fixed on 29 March 2013 and paid on 18 April 2013.

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	
	31/03/13	31/03/12	31/03/13	31/03/12
Net profit attributable to owners of the parent (RM)	594,548	567,309	594,548	567,309
Weighted average number of ordinary shares in issue	245,335,067	244,549,619	245,335,067	244,549,619
Basic earnings per share (sen)	0.24	0.23	0.24	0.23

(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	
	31/03/13	31/03/12	31/03/13	31/03/12
Net profit attributable to owners of the parent (RM)	594,548	567,309	594,548	567,309
Total weighted average number of ordinary shares in issue	245,335,067	244,549,619	245,335,067	244,549,619
Effects of dilution: ESOS shares	18,393,373	13,216,213	18,393,373	13,216,213
Total number of ordinary shares in issue and issuable	263,728,440	257,765,832	263,728,440	257,765,832
Diluted earnings per share (sen)	0.23	0.22	0.23	0.22

B14. Realised/Unrealised Retained Profits/Losses

	Current Period 31/03/13
Total retained profits of Cuscapri and its subsidiaries:	RM
- Realised	21,809,813
- Unrealised	(374,531)
Total retained profits c/f	21,435,282

B15. Profit for the Period

**Current Period
31/03/2013
RM**

Profit for the period is arrived at after charging :

- Depreciation of plant & equipment	427,324
- Amortisation of development costs	540,085
- Share based payment under ESOS	67,114
- Interest paid	2,007

By Order of the Board

DATUK TAN LEH KIAH
Secretary
Kuala Lumpur
30th May 2013