

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

**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDING 30 JUNE 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 ("Bursa Securities")

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 followings:

- i) Issuance of 977,796 new ordinary shares pursuant to the exercise of the share options granted under the Employees' Share Option Scheme ("ESOS").
- ii) Issuance of 123,156,433 new ordinary shares pursuant to the renounceable rights issue ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing Cuscapa Shares together with free detachable warrants in Cuscapa ("Warrants") on the basis of one (1) free Warrant for every one (1) Rights Share subscribed for. ("Proposed Rights Issue with Warrants")
- iii) Issuance of 61,578,216 new ordinary shares ("Bonus Shares") 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) Issuance of 123,156,433 Warrants pursuant to the Proposed Rights Issue with Warrants.

**A7. Dividends Paid**

The Company had on 18 April 2013 paid the first interim dividend of 1.5 sen per share less 25% income tax in respect of the financial year ending 31 December 2013 amounting to RM2,771,020.

## 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 six(6) months financial period ended 30 June 2013 is tabulated below:-

### Geographical Segments

#### 6 month financial period ended 30 June 2013

	Malaysia RM	South East Asia RM	China RM	Total RM
Revenue	13,632,869	4,751,770	7,766,486	26,151,125
Profit before taxation				999,902
Taxation				(34,181)
Profit for the period				<u>965,721</u>

#### 6 month financial period ended 30 June 2012

	Malaysia RM	South East Asia RM	China RM	Total RM
Revenue	20,973,549	6,569,432	4,026,533	31,569,514
Profit before taxation				3,721,374
Taxation				(74,480)
Profit for the period				<u>3,646,894</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

There are no contingent liabilities since the last annual balance sheet date.

**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:

	<b>6 months period ended 30.06.13</b>
Transactions with AmBank (M) Berhad, a Company with a common director:	RM
- Sales of Network Infrastructure and Security Solutions and Services Rendered	361,140

Due to Dato' Larry Gan NyapLiou @ Gan NyapLiow 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 RM14.38million was lower compared to the preceding year corresponding quarter's revenue of RM19.44 million. The decrease was mainly attributable to the delay in materialization of certain significant projects in Malaysia coupled with a strong quarter in the previous year due to the securing of a major project from a major customer. However, this was mitigated by the continued strong growth in Group's China business.

Consequently, the Group recorded a profit before tax ("PBT") of RM0.37 million during the current financial quarter under review compared to the PBT of RM3.10million for the preceding year's corresponding quarter. Nevertheless, the Group will continue to invest in overseas offices and capacity expansion as part of its long term growth strategy.

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

	Individual Quarter Ended		Change
	30/06/2013	30/06/2012	
	RM	RM	%
Revenue	14,378,828	19,441,540	-26.04%
Profit before taxation	374,300	3,102,853	-87.94%

The China market has continued to register strong growth in revenue of RM7.77million for the current 6 months period compared with the preceding year corresponding period of RM4.03 million, a growth rate of 92.85%. 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. In addition to that, the Group is also investing to establish the necessary infrastructure and delivery & support team to support the mass deployment of its new customer self-service interactive ordering solutions ("CSOS").

**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 higher at RM14.38million compared to the immediate preceding quarter of RM11.77million mainly attributable to the strong growth in the Group's China business. However, Group recorded a lower PBT of RM0.37 million compared to PBT of RM0.63million from the immediate preceding quarter as the Group continues to invest in overseas offices and capacity expansion as part of its long term growth strategy.

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 Quarter Ended		Change
	30/06/2013	31/03/2013	
	RM	RM	
Revenue	14,378,828	11,772,297	22.14%
Profit before taxation	374,300	625,603	-40.17%

**B3. Prospects**

The Board remains optimistic of the Group's financial performance for the financial year ending 31<sup>st</sup> 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 Period Ended	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
	RM	RM	RM	RM
- Current income tax	(3,126)	(147,998)	(33,119)	(199,210)
- Deferred tax	-	124,730	(1,062)	124,730
	<u>(3,126)</u>	<u>(23,268)</u>	<u>(34,181)</u>	<u>(74,480)</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**

### **(a) Status of Corporate Proposals as at 30<sup>th</sup> August 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,

The Proposals were approved by the shareholders of the Company at the Extraordinary General Meeting held on 21<sup>st</sup> February 2013 and completed on 3<sup>rd</sup> May 2013.

The Securities Commission Malaysia ("SC") had, vide its letter dated 18 July 2013 (which was received on 19 July 2013), resolved to approve the Proposed Transfer. Subsequently, Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 31 July 2013, resolve to approve the Proposed Transfer, under the "Technology" Sector.

An introductory document which sets out further details of the Proposed Transfer was despatched to the shareholders of the Company on 30 August 2013. The Company will be quoted in the Main Market of Bursa Securities on 4<sup>th</sup> September 2013

**(b) Status of Utilisation of Proceeds**

On 3 May 2013, the Company had completed its 123,156,433 Rights Shares, 61,578,216 Bonus Shares and 123,156,433 Warrants issued pursuant to the Rights Issue with Warrants and Bonus Issue and were listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad Share..

The details of the utilisation of the proceeds from the Rights Issue with Warrants and Bonus Issue are as follows:-

Description	Proposed Utilisation RM	Actual Utilisation RM	Balance Unutilised RM
Business Expansion	28,321,550	2,219,749	26,101,801
Estimated expenses in relation to the Corporate Exercise	1,500,000	317,000	1,183,000
<b>Total</b>	<b>29,821,550</b>	<b>2,536,749</b>	<b>27,284,801</b>

**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 30<sup>th</sup> August 2013, being the latest practicable date, the Company does not have any financial instruments with off balance sheet risk.

**B11. Material Litigation as at 30<sup>th</sup> August 2013**

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

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 not recommended any further dividend in respect of the financial year ending 31 December 2013 other than the first interim dividend paid on 18<sup>th</sup> 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 Period Ended	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
Net profit attributable to owners of the parent (RM)	371,174	3,079,586	965,721	3,646,894
Weighted average number of ordinary shares in issue	368,799,911	245,057,267	307,869,821	245,057,267
Basic earnings per share (sen)	0.10	1.26	0.31	1.49

**(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 Period Ended	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
Net profit attributable to owners of the parent (RM)	371,174	3,079,586	965,721	3,646,894
Total weighted average number of ordinary shares in issue	368,799,911	245,057,267	307,869,821	245,057,267
Effects of dilution: Warrants	81,658,070	-	41,277,706	-
Effects of dilution: ESOS shares	26,300,025	19,568,100	23,280,072	19,568,100
Total number of ordinary shares in issue and issuable	476,758,066	264,625,367	372,427,599	264,625,367
Diluted earnings per share (sen)	0.08	1.16	0.26	1.38

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

	Cumulative Period ended 30/06/13
Total retained profits of Cuscap and its subsidiaries:	RM
- Realised	22,180,986
- Unrealised	(374,531)

Total retained profits c/f	21,806,455
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**B15. Profit for the Period**

**Cumulative Period Ended  
30/06/2013  
RM**

**Profit for the period is arrived at after charging :**

- Depreciation of plant & equipment	853,162
- Amortisation of development costs	1,100,718
- Share based payment under ESOS	168,862
- Interest paid	3,844

By Order of the Board

DATUK TAN LEH KIAH  
Secretary  
Kuala Lumpur  
30<sup>th</sup> August 2013