

CUSCAPI BERHAD
(Company No: 43190-H)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDING 30 SEPTEMBER 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 3,045,265 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 nine (9) months financial period ended 30 September 2013 is tabulated below:-

Geographical Segments

9 month financial period ended 30 September 2013

	Malaysia RM	South East Asia RM	China RM	Total RM
Revenue	19,720,035	6,736,137	9,404,462	35,860,634
Loss before taxation				(1,647,130)
Taxation				(185,156)
Loss for the period				<u>(1,832,286)</u>

9 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				<u>4,755,740</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 except for the disposal of its twenty percent (20%) equity interest in its wholly-owned subsidiary, Cuscapi Network Solutions Sdn. Bhd. (“CNS”) comprising 200,000 ordinary shares of RM1-00 each in CNS for a cash consideration of Ringgit Malaysia Four Hundred Thousand (RM400,000-00).

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:

	9 months period ended 30.09.13
Transactions with AmBank (M) Berhad, a Company with a common director:	RM
- Sales of Network Infrastructure and Security Solutions and Services Rendered	361,140
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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

At the start of the current financial period, the Group embarked on a strategy to generate increased recurring revenue through the introduction of a new customer self-service interactive ordering solution (“CSOS”). The transformation drove investments in new talents, support infrastructures as well as a new marketing approach to secure multi-year subscription contracts. The strategy resulted in increased operating expenses and short term revenue reduction in exchange for better long term revenue visibility.

Consequently, for the current financial quarter under review, the Group’s revenue of RM9.71 million was lower compared to the preceding year corresponding quarter’s revenue of RM14.49 million. The lower revenue was also attributable to the delay in materialization of certain significant projects in Malaysia and overseas.

Hence, the Group recorded a loss before tax (“LBT”) of RM2.65 million during the current financial quarter under review compared to the PBT of RM3.10 million for the preceding year’s corresponding quarter.

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

	Individual Quarter Ended		Change
	30/09/2013	30/09/2012	
	RM	RM	%
Revenue	9,709,509	14,492,455	-33.00%
Profit/Loss before taxation	(2,647,033)	1,137,241	-332.76%

The China market, however, has continued to register strong growth in revenue of RM9.40 million for the current 9 months period compared with the preceding year corresponding period of RM7.74 million, a growth rate of 21.49%.

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 RM9.71 million compared to the immediate preceding quarter of RM14.38 million, mainly attributable to delay in materialization of certain significant projects in Malaysia and overseas operations..

Consequently, the Group recorded LBT of RM2.65 million compared to PBT of RM0.37 million from the immediate preceding quarter due to the significantly lower revenue for the quarter and as the Group continue 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
	30/09/2013	30/06/2013	
	RM	RM	
Revenue	9,709,509	14,378,828	-32.47%
Profit/(Loss) before taxation	(2,647,033)	374,300	-807.20%

B3. Prospects

The Group remains focused in executing its strategy to increase recurring revenue by continuously investing in the necessary talents and support infrastructure to drive the rapid deployment of its new customer self-service interactive ordering solution ("CSOS").

Currently, the Group has successfully deployed CSOS in 2 pilot restaurants in Malaysia and is rapidly deploying CSOS in other pilot sites in the Asean and China region. To accelerate its growth, the Group is also actively exploring possible conclusions of M&A opportunities in the region.

Through precise execution of the above strategy, the Board is optimistic of the Group's financial performance in the next financial year ending 31st December 2014.

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	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
	RM	RM	RM	RM
- Current income tax	(159,500)	(52,405)	(192,620)	(251,615)
- Deferred tax	8,526	24,010	7,464	148,740
	<u>(150,974)</u>	<u>(28,395)</u>	<u>(185,156)</u>	<u>(102,875)</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 21st November 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.

(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	5,026,470	23,295,080
Estimated expenses in relation to the Corporate Exercise	1,500,000	543,416	956,584
Total	29,821,550	5,569,886	24,251,664

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 2013, 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 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 18th 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	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
Net profit/(loss) attributable to owners of the parent (RM)	(2,798,007)	1,108,846	(1,832,286)	4,755,740
Weighted average number of ordinary shares in issue	432,167,452	245,335,067	349,604,792	245,013,315
Basic earnings per share (sen)	(0.65)	0.45	(0.52)	1.94

(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	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
Net profit/(loss) attributable to owners of the parent (RM)	(2,798,007)	1,108,846	(1,832,286)	4,755,740
Total weighted average number of ordinary shares in issue	432,167,452	245,335,067	349,604,792	245,013,315
Effects of dilution: Warrants	123,156,433	-	68,769,833	-
Effects of dilution: ESOS shares	26,300,025	17,272,500	24,294,071	16,250,247
Total number of ordinary shares in issue and issuable	581,623,910	262,607,567	442,668,696	261,263,562
Diluted earnings per share (sen)	(0.48)	0.42	(0.41)	1.82

B14. Realised/Unrealised Retained Profits/Losses

	Cumulative Period ended 30/09/13
Total retained profits of Cuscapri and its subsidiaries:	RM
- Realised	19,382,980
- Unrealised	(374,531)
Total retained profits c/f	19,008,449

B15. Profit for the Period

**Cumulative Period Ended
30/09/2013
RM**

Profit for the period is arrived at after charging :

- Depreciation of plant & equipment	1,326,227
- Amortisation of development costs	1,705,487
- Share based payment under ESOS	270,611
- Interest paid	5,594

By Order of the Board

DATUK TAN LEH KIAH
Secretary
Kuala Lumpur
21st November 2013