

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

**A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 period under review except for the followings:

- i) Issuance of 3,458,474 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 Cuscapi Shares together with free detachable warrants in Cuscapi ("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 twelve (12) months financial year ended 31 December 2013 is tabulated below:-

### Geographical Segments

#### 12 month financial year ended 31 December 2013

	Malaysia RM	South East Asia RM	China RM	Total RM
Revenue	27,479,193	9,538,364	11,237,146	48,254,703
Loss before taxation				(2,130,589)
Taxation				(1,449,124)
Loss for the year				<u>(3,579,713)</u>

#### 12 month financial year ended 31 December 2012

	Malaysia RM	South East Asia RM	China RM	Total RM
Revenue	37,352,595	12,325,400	9,264,814	58,942,809
Profit before taxation				6,798,479
Taxation				(18,118)
Profit for the year				<u>6,780,361</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 period 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:

	<b>12 months period ended 31.12.13</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
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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 financial year under review, the Group has embarked on a strategy to transform its business into a more recurring based solution model by investing in establishing the necessary infrastructure and delivery & support team to support the mass deployment of its new customer self-service interactive ordering solutions (“CSOS”). In addition to that, the Group has been building its organisation into a more consultancy solution selling group by recruiting new talents from the F&B industry and other major multinational corporations. In the shorter term, this has resulted in an increase in the operating expenses over the period.

In addition to that, the company has been focusing on securing more subscription based long term contract to build the recurring revenue base which will have an impact on the short term revenue.

Consequently, for the current financial quarter under review, the Group’s revenue of RM12.39 million was lower compared to the preceding year corresponding quarter’s revenue of RM14.18 million.

Hence, the Group recorded a loss before tax (“LBT”) of RM0.48 million during the current financial quarter under review compared to the PBT of RM1.72 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
	31/12/2013	31/12/2012	
	RM	RM	%
Revenue	12,394,069	14,177,370	-12.58%
Profit/(Loss) before taxation	(483,459)	1,720,805	-128.09%

Nevertheless, the China market has continued to register good growth in revenue of RM11.24 million for the 12 months period under review compared with the preceding year corresponding period of RM9.26 million, a growth rate of 21.29%.

**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 RM12.39 million compared to the immediate preceding quarter of RM9.71 million, mainly attributable to materialization of certain projects in Malaysia and overseas operations which have been delayed from the previous quarters.

Consequently, the Group recorded a lower LBT of RM0.48 million compared to LBT of RM2.65 million from the immediate preceding quarter due to the improvement in revenue for the quarter.

The summary of the revenue and loss before taxation for the current financial quarter as compared to the immediate preceding quarter are as follow:

	Individual Quarter Ended		Change %
	31/12/2013 RM	30/09/2013 RM	
Revenue	12,394,069	9,709,509	27.65%
Loss before taxation	(483,459)	(2,647,033)	81.74%

### B3. Prospects

The Group remains focused in executing its mid-term strategy to increase recurring revenue through establishing the necessary infrastructure and delivery & support team to support the mass deployment of its new customer self-service interactive ordering solutions ("CSOS"). Currently, the Group has deployed CSOS in certain pilot restaurants in Malaysia, Singapore and China. It is also in the midst of deployment CSOS in other pilot sites in ASEAN and China region. As part of the growth strategy of the Group, it has also been exploring M&A opportunities in China and Indonesia.

With the above actions plans been executed in the current financial period, the Board is optimistic of the Group's financial performance for the financial year ending 31<sup>st</sup> December 2014 with contribution from the overseas offices and commercialisation of CSOS.

### 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	
	31/12/2013 RM	31/12/2012 RM	31/12/2013 RM	31/12/2012 RM
- Current income tax	(440,999)	(176,869)	(633,619)	(454,693)
- Deferred tax	(822,969)	88,132	(815,505)	436,575
	<u>(1,263,968)</u>	<u>(88,737)</u>	<u>(1,449,124)</u>	<u>(18,118)</u>

A significant deferred tax liability was provided for a wholly-owned subsidiary, Cuscapi Innovation Lab Sdn Bhd ("CILSB"). CILSB was awarded with MSC status and was eligible to claim incentive for Pioneer Status under the Promotion of Investments Act, 1986 on 30 June 2003. The pioneer status period had expired on 29 June 2013. Therefore, CILSB has recognised the deferred tax liabilities arising from the temporary difference between the tax base and the carrying amount of the development cost upon expiry of the Pioneer Status.

### 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 28<sup>th</sup> February 2014**

(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	7,656,706	20,664,844
Estimated expenses in relation to the Corporate Exercise	1,500,000	792,166	707,834
<b>Total</b>	<b>29,821,550</b>	<b>8,448,872</b>	<b>21,372,678</b>

**B9. Group Borrowings and Debt Securities**

As at 31 December 2013, total borrowings of the Group are as follows:

**Current Liabilities (secured)**

Trade bills	1,532,461
Finance lease liabilities	78,418
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	1,610,879
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**Non-current Liabilities (secured)**

Finance lease liabilities	103,200
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**B10. Off Balance Sheet Financial Instruments**

As at 28<sup>th</sup> February 2014, being the latest practicable date, the Company does not have any financial instruments with off balance sheet risk.

**B11. Material Litigation as at 28<sup>th</sup> February 2014**

(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 ended 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	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Net profit/(loss) attributable to owners of the parent (RM)	(1,788,479)	1,632,069	(3,620,765)	6,780,361
Weighted average number of ordinary shares in issue	433,347,096	245,335,067	370,486,598	245,096,006
Basic earnings per share (sen)	(0.41)	0.67	(0.98)	2.77

**(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	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Net profit/(loss) attributable to owners of the parent (RM)	(1,788,479)	1,632,069	(3,620,765)	6,780,361
Total weighted average number of ordinary shares in issue	433,347,096	245,335,067	370,486,598	245,096,006
Effects of dilution: Warrants	123,156,433	-	82,329,232	-
Effects of dilution: ESOS shares	26,300,025	17,272,500	24,794,185	16,529,864
Total number of ordinary shares in issue and issuable	582,803,554	262,607,567	477,610,015	261,625,870
Diluted earnings per share (sen)	(0.31)	0.62	(0.76)	2.59



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

	Cumulative Period ended 31/12/13
Total retained profits of Cuscapi and its subsidiaries:	RM
- Realised	17,594,600
- Unrealised	(374,531)
Total retained profits c/f	17,219,969

**B15. Profit for the Period**

Cumulative Period Ended  
31/12/2013  
RM

Profit for the period is arrived at after charging :

- Depreciation of plant & equipment	1,769,870
- Amortisation of development costs	2,372,005
- Share based payment under ESOS	372,360
- Interest paid	14,204

By Order of the Board

DATUK TAN LEH KIAH  
Secretary  
Kuala Lumpur  
28<sup>th</sup> February 2014