

CUSCAPI BERHAD
(Company No: 43190-H)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

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 2013. 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 2013.

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 2013 except for the adoption of the following where applicable Malaysian Financial Reporting Standard (“MFRS”) and Amendments to standards with effect from 1 January 2014:

Amendment to MFRS 12: Financial Instruments - Presentation

Amendment to MFRS 136: Impairment of Assets

Amendment to MFRS 10,
MFRS 12, MFRS 127: Investment Entities

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 2013 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 issuance of 285,015 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 2014 is tabulated below:-

Geographical Segments

3 month financial period ended 31 March 2014

	Malaysia RM	South East Asia RM	China RM	Total RM
Revenue	8,362,423	2,023,572	2,925,198	13,311,193
Profit before taxation				357,369
Taxation				84,933
Profit for the year				<u>442,302</u>

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 year				<u>594,547</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:

	3 months period ended 31/3/14
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 financial period under review, the Group continued its strategy to transform its business into a more recurring based solution model. In addition to that, the company has been focusing on securing more subscription based long term contracts to build the recurring revenue base.

Whilst the Group's revenue of RM13.31 million for the current financial quarter under review, was higher compared to the preceding year corresponding quarter's revenue of RM11.77 million, the Group recorded a profit before tax ("PBT") of RM0.36 million compared to the PBT of RM0.63 million for the preceding year's corresponding quarter mainly due to the increase in operating costs.

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

	Individual Quarter Ended		Change
	31/3/2014	31/3/2013	
	RM	RM	%
Revenue	13,311,193	11,772,297	13.07%
Profit before taxation	357,369	625,603	-42.88%

The China market has continued to register good growth in revenue of RM2.93 million for the 3 months period under review compared with the preceding year corresponding period of RM2.36 million representing a growth rate of 23.96%.

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 slightly higher at RM13.31 million compared to the immediate preceding quarter of RM12.54 million, mainly attributable to materialization of certain major projects in Malaysia.

Consequently, the Group recorded a PBT of RM0.36 million compared to LBT of RM1.28 million in the immediate preceding quarter.

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

	Individual Quarter Ended		Change
	31/3/2014	31/12/2013	
	RM	RM	%
Revenue	13,311,193	12,540,835	6.14%
Profit/Loss before taxation	357,369	(1,277,312)	127.98%

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. As part of the growth strategy of the Group, it has also been exploring M&A opportunities in China and Indonesia.

The Group has also been building its organisation into a more consultancy solution selling group by recruiting new talents

The Board is optimistic of the Group’s financial performance for the 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	
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM	RM	RM	RM
- Current income tax	(30,000)	(61,364)	(30,000)	(61,364)
- Deferred tax	114,933	30,308	114,933	30,308
	<u>84,933</u>	<u>(31,056)</u>	<u>84,933</u>	<u>(31,056)</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 29th May 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 listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

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	12,562,985	15,758,565
Estimated expenses in relation to the Corporate Exercise	1,500,000	709,527	790,473
Total	29,821,550	13,272,512	16,549,038

B9. Group Borrowings and Debt Securities

As at 31 March 2014, total borrowings of the Group are as follows:

Current Liabilities (secured)

Trade bills	-
Finance lease liabilities	99,180
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Non-current Liabilities (secured)

Finance lease liabilities	6,234
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B10. Off Balance Sheet Financial Instruments

As at 29th May 2014, being the latest practicable date, the Company does not have any financial instruments with off balance sheet risk.

B11. Material Litigation as at 29th May 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 dividend in respect of the financial year ending 31 December 2014.

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	
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
Net profit attributable to owners of the parent (RM)	424,394	594,547	424,394	594,547
Weighted average number of ordinary shares in issue	433,700,181	245,335,067	433,700,181	245,335,067
Basic earnings per share (sen)	0.10	0.24	0.10	0.24

(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	
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
Net profit attributable to owners of the parent (RM)	424,394	594,547	424,394	594,547
Total weighted average number of ordinary shares in issue	433,700,181	245,335,067	433,700,181	245,335,067
Effects of dilution: Warrants	123,156,433	-	123,156,433	-
Effects of dilution: ESOS shares	23,885,068	18,393,373	23,885,068	18,393,373
Total number of ordinary shares in issue and issuable	579,741,682	263,728,440	579,741,682	263,728,440
Diluted earnings per share (sen)	0.07	0.23	0.07	0.23

B14. Realised/Unrealised Retained Profits/Losses

	Cumulative Period ended 31/3/14
Total retained profits of Cuscapi and its subsidiaries:	RM
- Realised	18,157,836
- Unrealised	(379,716)
Total retained profits c/f	17,778,120

B15. Profit for the Period

Cumulative Period Ended
31/3/2014
RM

Profit for the period is arrived at after charging :

- Depreciation of plant & equipment	536,600
- Amortisation of development costs	916,063
- Share based payment under ESOS	101,749
- Interest paid	21,981

By Order of the Board

DATUK TAN LEH KIAH
Secretary
Kuala Lumpur
29th May 2014