

CUSCAPI BERHAD
(Company No: 43190-H)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 2,005,187 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 nine (9) months financial period ended 30 September 2014 is tabulated below:-

Geographical Segments

9 month financial period ended 30 September 2014

	South East Asia RM	China RM	Total RM
Revenue	32,138,572	6,568,494	38,707,066
Loss before taxation			(6,705,266)
Taxation			48,905
Loss for the year			<u>(6,565,361)</u>

9 month financial period ended 30 September 2013

	South East Asia RM	China RM	Total RM
Revenue	26,456,172	9,404,462	35,860,634
Loss before taxation			(1,647,130)
Taxation			(185,156)
Loss for the year			<u>(1,832,286)</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:

	9 months period ended 30/9/14
Transactions with AmBank (M) Berhad, a Company with a common director:	RM
- Sales of Network Infrastructure and Security Solutions and Services Rendered	285,750
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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 develop sustainable relationships with our customers through the introduction of managed services and solution subscription models. This has resulted in a higher recurring revenue contribution.

The Group's revenue for the current financial quarter under review was higher compared to the preceding year corresponding quarter's revenue due to the initiation of billings for managed services projects secured in the previous quarter.

The Group recorded a loss before tax ("LBT") of RM3.85 million compared to LBT of RM2.65 million for the preceding year's corresponding quarter due to higher investment in resources to support its managed services business as well as its new products and services.

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
	30/9/2014	30/9/2013	
	RM	RM	%
Revenue	11,628,280	9,709,509	19.76%
(Loss)/Profit before taxation	(3,853,149)	(2,647,033)	-45.56%

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 compared to the immediate preceding quarter, mainly attributable to the delayed implementation of secured subscription deals and a lower contribution of outright-purchase software sales

The Group recorded a LBT of RM3.85 million compared to LBT of RM3.21 million in the immediate preceding quarter due to the delayed implementation and billings of secured subscription deals.

The Group has secured managed services contracts and Call Order Delivery Services ("CODS") solutions contracts totalling RM 53.85 million over the next 5 years, a 107% increase compared to RM25.99 million as reported in the previous 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
	30/9/2014	30/6/2014	
	RM	RM	
Revenue	11,628,280	13,767,593	-15.54%
Profit/Loss before taxation	(3,853,149)	(3,209,485)	-20.06%

B3. Prospects

The Group is committed to building sustainable relationships with our customers by offering subscription based POS solutions and REV tablet solutions.

The completion of the implementation and roll out of subscription based POS solutions for 175 stores of a prominent coffee chain in Malaysia will contribute positively to the Group's recurring revenue in the following quarters.

The Group has also secured its first commercial implementation of the REV tablet solution in Singapore in the quarter under review. The deal represents a ten-fold increase in revenue per client outlet and the commencement of a new multi-year revenue stream for the Group.

The Group continues to focus on growing its business in China and explore M&A opportunities in China.

The Board is of the opinion that the Group is on track to execute its longer term strategy of a breakaway growth driven by new and multi-year revenue streams.

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	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM	RM	RM	RM
- Current income tax	(24,028)	(159,500)	(66,028)	(192,620)
- Deferred tax	-	8,526	114,933	7,464
	<u>(24,028)</u>	<u>(150,974)</u>	<u>48,905</u>	<u>(185,156)</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 27th November 2014

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

On 17 November 2014 the Company has announced that the Company had received a notice from I-Net Sdn. Bhd. (Company No. 634918-U) ("I-Net") to exercise its call option to purchase the remaining eighty percent (80%) equity interest in its subsidiary, Cuscapi Network Solutions Sdn. Bhd. (Company No. 586307-D) ("CNS") comprising 800,000 ordinary shares of RM1.00 each in CNS ("CNS Shares") ("Sale Shares"), to I-Net for a cash consideration of Ringgit Malaysia Three Million Four Hundred Thirty Eight Thousand One Hundred Eighty Four and Cents Thirty Six Only (RM3,438,184.36) only.

Upon completion of the Proposed Disposal, CNS will cease to be a subsidiary company of Cuscapi.

Other than the above, there were no other corporate proposals announced but not completed at the reporting date.

(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	18,344,251	9,977,299
Estimated expenses in relation to the Corporate Exercise	1,500,000	709,527	790,473
Total	29,821,550	19,053,778	10,767,772

B9. Group Borrowings and Debt Securities

As at 30 September 2014, total borrowings of the Group are as follows:

Current Liabilities (secured)

Trade bills	-
Finance lease liabilities	519,320
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Non-current Liabilities (secured)

Finance lease liabilities	1,271,984
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B10. Off Balance Sheet Financial Instruments

As at 27th November 2014, being the latest practicable date, the Company does not have any financial instruments with off balance sheet risk.

B11. Material Litigation as at 27th November 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	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
Net profit attributable to owners of the parent (RM)	(3,900,805)	(2,798,007)	(6,791,426)	(1,832,286)
Weighted average number of ordinary shares in issue	435,032,176	432,167,452	434,221,460	349,604,792
Basic earnings per share (sen)	(0.90)	(0.65)	(1.56)	(0.52)

(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	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
Net profit attributable to owners of the parent (RM)	(3,900,805)	(2,798,007)	(6,791,426)	(1,832,286)
Total weighted average number of ordinary shares in issue	435,032,176	432,167,452	434,221,460	349,604,792
Effects of dilution:	123,156,433	123,156,433	123,156,433	68,769,833

Warrants				
Effects of dilution: ESOS shares	22,885,068	26,300,025	22,885,068	24,294,071
Total number of ordinary shares in issue and issuable	581,073,677	581,623,910	538,911,166	442,668,696
Diluted earnings per share (sen)	(0.67)	(0.48)	(1.26)	(0.41)

B14. Realised/Unrealised Retained Profits/Losses

	Cumulative Period ended 30/9/14
Total retained profits of Cuscapi and its subsidiaries:	RM
- Realised	11,077,082
- Unrealised	(379,716)
Total retained profits c/f	10,697,366

B15. Profit for the Period

	Cumulative Period Ended 30/9/2014 RM
Profit for the period is arrived at after charging :	
- Depreciation of plant & equipment	1,666,618
- Amortisation of development costs	2,745,962
- Share based payment under ESOS	304,960
- Interest paid	48,905

By Order of the Board

DATUK TAN LEH KIAH
Secretary
Kuala Lumpur
27th November 2014