

CUSCAPI BERHAD
(Company No: 43190-H)

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

A1. Basis of Preparation

The condensed consolidated interim financial statements (Condensed Report) 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")

This Condensed Report should be read in conjunction with the audited financial statements for the year ended 31 December 2014. These explanatory notes attached to the Condensed Report 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 2014.

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 2014 except for the adoption of the following where applicable Malaysian Financial Reporting Standard ("MFRS") and Amendments to standards with effect from 1 January 2015:

Amendment to MFRS 1:	First time Adoption of Malaysia Financial Reporting Standards
Amendment to MFRS 2:	Share-based Payment
Amendment to MFRS 3:	Business Combination
Amendment to MFRS 8:	Operating Segments
Amendment to MFRS 13:	Fair Value Measurement
Amendment to MFRS 116:	Property, Plant and Equipment
Amendment to MFRS 119:	Employee Benefits – Defined Benefit Plans: Employee Contributions
Amendment to MFRS 124:	Related Party Disclosures
Amendment to MFRS 138:	Intangibles Assets
Amendment to MFRS 140:	Investment Property

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 2014 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.

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 six (6) months financial period ended 30 June 2015 is tabulated below:-

Geographical Segments

6 months financial period ended 30 June 2015

	South East Asia RM	China RM	Total RM
Revenue	17,177,253	5,886,215	23,063,468
Loss before taxation			(3,080,861)
Taxation			(163,447)
Loss for the period			<u>(3,244,308)</u>

6 months financial period ended 30 June 2014

	South East Asia RM	China RM	Total RM
Revenue	22,125,630	4,953,157	27,078,787
Loss before taxation			(2,852,116)
Taxation			72,933
Loss for the period			<u>(2,779,183)</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.

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

The Group's revenue for the current financial quarter was lower compared to the preceding year corresponding quarter's revenue due to the divestment of the network security solution business unit which contributed RM4.4million revenue in the preceding year corresponding quarter,

Arising from the divestment of the network security solution business unit, the group experienced lower operating cost. In addition, there were significant savings from stringent cost control measures. The operating loss for the current financial quarter under review narrowed to RM1.2million from the operating loss of RM1.7million in the preceding year's corresponding quarter.

The Group recorded a higher investment in research & development that resulted in higher amortisation cost reported for the current financial quarter under review.

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 due to a sudden weaker market condition.

The Group recorded a loss before tax of RM3.3 million compared to profit before tax of RM0.22 million.

B3. Prospects

The Group expects the weak market condition to persist in the short to medium term. The weakening of Ringgit against major currencies will have an adverse impact on the operations.

The Group currently records a relatively healthy sales order book amounting RM55 million including recurring revenue up to 2018. The Group has progressively commercialised its REV offering and there are immediate opportunities in SEA and China.

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	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RM	RM	RM	RM
- Current income tax	(141,541)	(12,000)	(163,447)	(42,000)
- Deferred tax	0	0	0	114,933
	<u>(141,541)</u>	<u>(12,000)</u>	<u>(163,447)</u>	<u>72,933</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 28th August 2015**

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

There were no 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	25,394,084	2,927,466
Estimated expenses in relation to the Corporate Exercise	1,500,000	709,527	790,473
Total	29,821,550	26,103,611	3,717,939

B9. Group Borrowings and Debt Securities

As at 30 June 2015, total borrowings of the Group are as follows:

Current Liabilities (secured)

HP Creditor	6,183
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B10. Off Balance Sheet Financial Instruments

As at 28th August 2015, being the latest practicable date, the Company does not have any financial instruments with off balance sheet risk.

B11. Material Litigation as at 28th August 2015

(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 2015.

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 Quarter Ended	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
Net loss attributable to owners of the parent (RM)	(3,445,616)	(3,315,014)	(3,244,308)	(2,890,619)
Weighted average number of ordinary shares in issue	435,533,377	434,003,326	435,533,377	433,811,647
Basic loss per share (sen)	(0.79)	(0.76)	(0.74)	(0.67)

(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 Quarter Ended	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
Net loss attributable to owners of the parent (RM)	-	(3,315,014)	-	(2,872,710)
Total weighted average number of ordinary shares in issue	-	434,003,326	-	433,811,647
Effects of dilution: Warrants	-	123,156,433	-	123,156,433
Effects of dilution: ESOS shares	-	22,885,068	-	22,885,068
Total number of ordinary shares in issue and issuable	-	580,044,827	-	579,853,148
Diluted loss per share (sen)	N/A	(0.57)	N/A	(0.50)

The profit/(loss) for the period attributable to ordinary equity holders of the parent is not subjected to any dilutive elements.

B14. Realised/Unrealised Retained Profits/Losses

	Cumulative Period ended 30/06/15
Total retained profits of Cuscapi and its subsidiaries:	RM
- Realised	7,437,281
- Unrealised	(64,926)
Total retained profits c/f	7,372,355

B15. Loss for the Period

Cumulative Period Ended
30/06/2015
RM

Loss for the period is arrived at after charging :

- Depreciation of plant & equipment	1,079,089
- Amortisation of development costs	3,336,516
- Interest paid	4,944

By Order of the Board

DATUK TAN LEH KIAH
Secretary
Kuala Lumpur
28th August 2015