

# CWORKS SYSTEMS BERHAD

(Company No: 554979-T)

(Incorporated in Malaysia)

Quarterly report on consolidated results for the 2nd quarter ended 30.06.2011

## CONDENSED CONSOLIDATED INCOME STATEMENTS

(These figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/06/2011	30/06/2010	30/06/2011	30/06/2010
	RM('000)	RM('000)	RM('000)	RM('000)
Revenue	703	1,541	2,829	3,279
Operating expenses	(852)	(1,548)	(2,969)	(3,580)
Other operating income	92	-	113	-
Loss from operations	(57)	(7)	(27)	(301)
Finance cost	-	-	-	-
Investing results	-	-	-	-
Loss before taxation	(57)	(7)	(27)	(301)
Taxation	-	-	-	-
Loss for the period	<u>(57)</u>	<u>(7)</u>	<u>(27)</u>	<u>(301)</u>
Attributable to:				
Equity holders of the parent	(27)	(74)	14	(387)
Minority interests	<u>(30)</u>	<u>67</u>	<u>(41)</u>	<u>86</u>
	<u>(57)</u>	<u>(7)</u>	<u>(27)</u>	<u>(301)</u>
Earnings/(Loss) per share attributable to equity holders of the parent (Sen)				
(a) Basic	(0.03)	(0.07)	0.01	(0.39)
(b) Fully diluted	N/A	N/A	N/A	N/A

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

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Quarterly report on consolidated results for the 2nd quarter ended 30.06.2011

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(These figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/06/2011	30/06/2010	30/06/2011	30/06/2010
	RM('000)	RM('000)	RM('000)	RM('000)
Loss for the period	(57)	(7)	(27)	(301)
Other comprehensive income/(loss), net of tax:				
Translation of foreign subsidiary	1	(7)	13	14
Total comprehensive loss	<u>(56)</u>	<u>(14)</u>	<u>(14)</u>	<u>(287)</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	(26)	(81)	27	(373)
Minority interests	<u>(30)</u>	<u>67</u>	<u>(41)</u>	<u>86</u>
	<u>(56)</u>	<u>(14)</u>	<u>(14)</u>	<u>(287)</u>

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

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Quarterly report on consolidated results for the 2nd quarter ended 30.06.2011

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(These figures have not been audited)

	AS AT END OF CURRENT YEAR QUARTER 30/06/2011 RM('000)	AS AT PRECEDING FINANCIAL YEAR END 31/12/2010 RM('000)
PROPERTY, PLANT AND EQUIPMENT	225	293
INTANGIBLE ASSETS	5,079	3,877
OTHER INVESTMENTS	*	*
<b>CURRENT ASSETS</b>		
<i>Trade Receivables</i>	3,257	3,739
<i>Other Receivables and Prepaid Expenses</i>	107	847
<i>Tax Recoverable</i>	22	22
<i>Cash and Bank Balances</i>	123	80
	3,509	4,688
<b>CURRENT LIABILITIES</b>		
<i>Trade Payables</i>	28	268
<i>Other Payables and Accrued Expenses</i>	842	663
<i>Amount Owing To Directors</i>	79	49
	949	980
<b>NET CURRENT ASSETS</b>	2,560	3,708
	7,864	7,878
<b>FINANCED BY:</b>		
Share Capital	10,000	10,000
Reserves		
<i>Accumulated Loss</i>	(3,537)	(3,551)
<i>Share Premium</i>	957	957
<i>Exchange Adjustment</i>	54	41
	7,474	7,447
Minority interest	390	431
<b>TOTAL EQUITY</b>	7,864	7,878
Net assets per share attributable to ordinary equity holders of the parent (sen)	7.47	7.45

\* Denotes RM19

(The Condensed Statements of Financial Position should be read in conjunction with  
the Annual Financial Report for the year ended 31 December 2010)

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Quarterly report on consolidated results for the 2nd quarter ended 30.06.2011

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(These figures have not been audited)

	<-----Attributable to Equity Holders of the Company----->					Minority interest	Total Equity
	Share Capital	Non- Distributable - Share Premium	Non- Distributable - Exchange Adjustment	Accumulated Loss	Total		
	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)		
<b>6 months ended 30 June 2011</b>							
Balance as at 1 January 2011	10,000	957	41	(3,551)	7,447	431	7,878
Total comprehensive profit for the period	-	-	13	14	27	(41)	(14)
<b>Balance as at 30 June 2011</b>	<u>10,000</u>	<u>957</u>	<u>54</u>	<u>(3,537)</u>	<u>7,474</u>	<u>390</u>	<u>7,864</u>
<b>6 months ended 30 June 2010</b>							
Balance as at 1 January 2010	10,000	957	(2)	(2,376)	8,579	371	8,950
Total comprehensive loss for the period	-	-	14	(387)	(373)	86	(287)
<b>Balance as at 30 June 2010</b>	<u>10,000</u>	<u>957</u>	<u>12</u>	<u>(2,763)</u>	<u>8,206</u>	<u>457</u>	<u>8,663</u>

(The Condensed Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

# CWORKS SYSTEMS BERHAD

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Quarterly report on consolidated results for the 2nd quarter ended 30.06.2011

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

(These figures have not been audited)

	6 months ended 30.06.2011	6 months ended 30.06.2010
	RM('000)	RM('000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(27)	(301)
Adjustments for:		
Amortisation of intangible assets	331	575
Bad debts written off	42	-
Impairment loss on trade receivables	636	288
Depreciation of property, plant and equipment	68	117
Operating profit before working capital changes	1,050	679
Changes in working capital:		
Net change in current assets	544	188
Net change in current liabilities	(31)	(125)
Cash From Operations	1,563	742
Development cost incurred	(1,533)	(954)
<b>Net cash from/(used in) operating activities</b>	<b>30</b>	<b>(212)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(2)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(2)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>30</b>	<b>(214)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<b>13</b>	<b>15</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>80</b>	<b>392</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>123</b>	<b>193</b>

(Note A15)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with  
the Annual Financial Report for the year ended 31 December 2010)

# CWORKS SYSTEMS BERHAD

(Company No: 554979-T)

(Incorporated in Malaysia)

## Quarterly report on consolidated results for the 2nd quarter ended 30.06.2011

### NOTES

#### A EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING

##### A1 Basis of preparation

The interim financial report has been prepared in compliance with FRS 134, Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 December 2010, except for in the current period ended 30 June 2011, the Group adopted the following new and revised Financial Reporting standards ("FRSs"), Issues Committee ("IC") Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Amendments to FRS 2, Share-based Payment
FRS 3	Business Combinations
FRS 5	Amendments to FRS 5, Non-Current Assets Held for Sale and Discontinued Operations
FRS 7	Amendments to FRS 7, Improving Disclosures about Financial Instruments
FRS 121	Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Amendments to FRS 132, Financial Instruments: Presentation
FRS 134	Amendment to FRS 134, Interim Financial Reporting
FRS 138	Amendments to FRS 138, Intangible Assets
FRS 139	Amendments to FRS 139, Financial Instruments: Recognition and Measurement
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 9	Reassessment of Embedded Derivatives (Amendments relating to consequential amendments arising from revised FRS 3)
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments relating to prepayments of a minimum funding requirement)
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-Cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 19	Extinguish Financial Liabilities with Equity Instruments

The adoption of the above FRSs, amendments and interpretations are not expected to have any significant impact on the financial statements of the Group.

### **Standards and Interpretations in issue but not yet effective**

The Group and the Company have not applied the new and revised FRSs and the IC Interpretations which have been issued as at the reporting date by the Malaysian Accounting Standards Board ("MASB") as described hereunder:

		<b>Effective for financial period beginning on or after</b>
FRS 124	Amendment to FRS 124, Related Party Disclosures	1 January 2012
IC Interpretation 15	Agreement for the Construction of Real Estate	1 January 2012

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

#### **A2 Auditors' report of preceding annual financial statements**

The auditors' report on the preceding year's annual audited financial statements was not subject to any qualification.

#### **A3 Seasonal or cyclical factors**

The Group's operations were not subject to any seasonal or cyclical changes.

#### **A4 Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group since the last annual audited financial statements.

#### **A5 Material changes in estimates**

There were no changes in estimates of amounts reported in prior financial years, which may have a material effect in the current financial quarter.

#### **A6 Debt and equity securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

#### **A7 Dividend paid**

There were no dividends paid during the current financial quarter

#### **A8 Segment information**

Segmental information is presented only in respect of the Group's geographical segments. There is no information on business segments as the Group is principally involved in software development.

GEOGRAPHICAL SEGMENTS	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/06/2011 RM('000)	PRECEDING YEAR CORRESPONDING QUARTER 30/06/2010 RM('000)	CURRENT YEAR TO DATE 30/06/2011 RM('000)	PRECEDING YEAR CORRESPONDING PERIOD 30/06/2010 RM('000)
<b>REVENUE</b>				
Malaysia	453	1,409	2,393	2,925
United States of America	250	132	436	354
	<u>703</u>	<u>1,541</u>	<u>2,829</u>	<u>3,279</u>

GEOGRAPHICAL SEGMENTS	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
	QUARTER	CORRESPONDING	TO DATE	CORRESPONDING
	30/06/2011	30/06/2010	30/06/2011	30/06/2010
	RM('000)	RM('000)	RM('000)	RM('000)
<b><u>PROFIT/(LOSS) BEFORE TAXATION</u></b>				
Malaysia	(29)	92	52	(183)
United States of America	(28)	(99)	(79)	(118)
	<u>(57)</u>	<u>(7)</u>	<u>(27)</u>	<u>(301)</u>

**A9 Valuation of property, plant and equipment**

The Group has not carried out any valuation on its property, plant and equipment.

**A10 Material events subsequent to the end of the quarter**

There were no material events subsequent to the current financial quarter ended 30 June 2011 up to the date of this report which, is likely to substantially affect the results of the operations of the Group.

**A11 Changes in the composition of the Group**

There were no changes in the composition of the Group for the current financial quarter.

**A12 Contingent liabilities**

There were no contingent liabilities as at the date of this announcement.

**A13 Capital commitments**

There were no capital commitments as at the date of this announcement.

**A14 Significant related party transactions**

There were no significant related party transactions as at the date of this announcement.

**A15 Cash and cash equivalents**

	30.06.2011	30.06.2010
	RM('000)	RM('000)
Cash and Bank Balances	<u>123</u>	<u>193</u>

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE ACE MARKET**

**B1 Review of performance**

The Group recorded a turnover of approximately RM0.7 million for the current financial quarter, this represents a reduction of approximately 54% as compared to the same corresponding financial quarter in 2010 ("Q2 2010) due to lower sales from its operations in Malaysia. As a result of lower turnover, the Group recorded a loss before taxation of RM57,000 for the current quarter as compared to a loss before taxation of RM7,000 recorded in the same corresponding quarter in 2010.

For the six (6) month period ended 30 June 2011, the Group recorded a turnover and loss before taxation of approximately RM2.83 million and RM27,000 respectively.



**B2 Variation of results against preceding quarter**

The Group recorded a turnover of approximately RM0.7 million for the current financial quarter, this represents a reduction of approximately 67% as compared to the preceding financial quarter ("Q1 2011) due to lower sales from its operations in Malaysia in current financial quarter. As a result of lower turnover, the Group recorded a loss before taxation of RM57,000 in current quarter against profit before taxation of RM30,000 recorded in Q1 2011.

**B3 Prospects**

Based on the performance to date, the Board expects that Year 2011 will be a challenging year for the Group.

**B4 Profit forecast and profit guarantee**

The Group did not announce any profit forecast nor profit guarantee during the financial quarter.

**B5 Taxation**

The Company and its subsidiary have been awarded Multimedia Super Corridor status. Accordingly, there is no tax charge on the business income for the financial quarter under review as the Company and its subsidiary have been granted pioneer status under the Promotion of Investments (Amendment) Act, 1997.

No provision for income tax has been made for foreign subsidiary as the foreign subsidiary incurred operating loss.

**B6 Unquoted investments and properties**

There were no acquisitions or disposals of unquoted investments and properties for the financial quarter under review.

**B7 Quoted securities**

There were no acquisitions or disposals of quoted securities for the financial quarter under review.

**B8 Status of corporate proposals**

There were no corporate proposals announced but still pending completion as at to date.

**B9 Group's borrowings and debt securities**

There were no borrowings and debt securities for the financial quarter under review.

**B10 Off balance sheet financial instruments**

There were no financial instruments with off-balance sheet risk as at the date of this announcement applicable to the Group.

**B11 Material litigations**

On 23 November 2006, the Company filed a Writ of Summons and a Statement of Claim with the Shah Alam High Court (Suit No. MT4-22-1551-2006) and the copy of sealed Writ of Summons and Statement of Claim were served on Metronic Global Berhad's ("Metronic") solicitors on 8 January 2007.

The Company is claiming for an outstanding amount of RM1,751,617.27 and interest charges at the rate of 8% per annum on the aforesaid amount from the date of filing of the Writ of Summons until the payment date. The claims represent outstanding payments due from Metronic for the development and provision of the Company's software pursuant to the Software Development Agreement dated 9 May 2005 between the Company and Metronic.

The legal proceeding is still on-going.

**B12 Dividends**

No dividend has been declared in respect of the financial period under review.

**B13 Earnings/(Loss) per share**

## a. Basic earnings/(loss) per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/06/2011	30/06/2010	30/06/2011	30/06/2010
	RM('000)	RM('000)	RM('000)	RM('000)
Profit/(Loss) attributable to ordinary equity holders of the parent	<u>(27)</u>	<u>(74)</u>	<u>14</u>	<u>(387)</u>
Weighted average number of ordinary shares in issue ('000)	<u>100,001</u>	<u>100,001</u>	<u>100,001</u>	<u>100,001</u>
Basic earnings/(loss) per share (sen)	<u>(0.03)</u>	<u>(0.07)</u>	<u>0.01</u>	<u>(0.39)</u>

## b. Diluted earnings/(loss) per share

The fully diluted earnings/(loss) per share have not been presented as there is no diluted effect for the shares of the Group.

**B14 REALISED AND UNREALISED PROFITS/(LOSSES) DISCLOSURE**

Supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad are as follow:

	3 Months Ended	
	30 June 2011 Current Quarter RM('000)	31 March 2011 Preceding Quarter RM('000)
Total cumulated loss of the Company and its subsidiaries:		
Unrealised	-	-
Realised	<u>(3,537)</u>	<u>(3,510)</u>
	<u>(3,537)</u>	<u>(3,510)</u>
Add: Consolidated adjustments	54	53
Total cumulated loss	<u>(3,483)</u>	<u>(3,457)</u>

By Order of the Board

Wong Keo Rou (MAICSA 7021435)  
Lim Hui Lee (MAICSA 7055378)  
Secretaries

Kuala Lumpur  
Date: 26 August 2011