Embargoed until 7am 14 December 2015

CSF Group plc
("CSF" or "the Group")

HALF-YEAR RESULTS
For the six months ended 30 September 2015

CSF Group plc (AIM: CSFG), a leading provider of data centre facilities and services in South East Asia and the largest provider of data centre services in Malaysia, today announces its unaudited half-year results for the six months ended 30 September 2015.

Financial highlights:

- Group revenue of RM34.1m (£5.1m*) (H1 2015: RM47.5m (£7.1m*)).

- Profit before tax of RM1.8m** (£0.3m*) compared to a loss before tax of RM6.4m (£1.0m*) for the corresponding period of the previous financial year.

- Earnings per share : 0.72 sen (0.11p*) per share (H1 2015: loss of 4.15 sen (loss 0.62p*) per share).

- Closing cash position as at 30 September 2015 higher at RM46.7m (£7.0m*) (31 March 2015: RM29.2m (£4.4m*)). The higher cash position was mainly due to cash receipts of advances and trade receivable from the CX5 project owner upon the completion of Block C of CX5 in June 2015, amounting to RM31.4 million (£4.7m*).

Operational highlights:

- Completed the fit-out works for two new tenancy contracts at Block A and Block B of CX5 in time for the commencement of the tenancies in July 2015 and October 2015 respectively.

- Completed the negotiations with the freeholder of CX1, CX2 and CX5 data centres to restructure the lease rental payments in December 2015. The freeholder has agreed to revise the terms of the leases of CX1, CX2 and CX5 that includes rescheduled terms of payment that would improve the operating cash flow of the Group especially in the earlier years and a revision of the lease period to 9 years commencing 1 January 2016 with an option to extend for an additional 16 years.

- Enhancement of the terms of certain tenancy agreements in order to arrive at rental prices that are more commensurable to the level of data centre infrastructure and services provided to the tenants.

- Continuing to pursue the pipeline of potential customers.

* *The proforma balances in pounds Sterling are included solely for convenience. The proforma balances in pounds Sterling are stated, as a matter of arithmetical computation only, on the basis of all current and prior year balances being translated from Malaysian Ringgits into pounds Sterling at the rate prevailing on 30 September 2015 of RM6.6715 : £1.00. This translation should not be construed as meaning that the Malaysian Ringgit amounts actually represent, have been, or could be converted into the stated number of pounds Sterling.*

** *Includes a reversal and utilisation of provision of onerous leases of RM23.0m (£3.5m*) and reversal of impairment of tangible assets of RM13.1m (£2.0m*).*

For further information:

CSF Group +603 8318 1313
Phil Cartmell, Chairman

Allenby Capital Limited (Nominated Adviser & Broker) +44 (0)20 3328 5656
Nick Naylor / David Hart / Alex Brearley

CHAIRMAN'S STATEMENT

Overview of the current financial period

The Group continued to incur gross loss during the six months ended 30 September 2015 as both the CX2 and CX5 data centres have not yet attained the optimum level of occupancy. The recently completed fit out works for two new tenancy contracts only started to generate rental revenue in H1 2016 and H2 2016 respectively.

The profit before tax for the financial period was RM1.8m (£0.3m*) compared to the loss before tax of the corresponding period of the previous financial year ("H1 2015") of RM6.4m (£1.0m*) mainly due to the inclusion of the following items in the results of H1 2016:

(i) reversal and utilisation of provision of onerous lease of RM23.0m (£3.5m*); and

(ii) reversal of impairment of tangible assets of RM13.1m (£2.0m*).

As at 30 September 2015 the Group has cash and cash equivalents of RM46.7m (£7.0m*) (31 March 2015: RM29.2m (£4.4m*)). In addition, the Group has approximately RM36.9m (£5.5m*) (31 March 2015: RM68.4m (£10.3m*)) tied up as working capital for the development of CX5 which will be received progressively in line with the expiry of the warranty period of certain components of the fit-out works, which is expected to end in the first half of financial year ending 31 March 2018.

The Group has completed its negotiations with the freeholder of CX1, CX2 and CX5 data centres to restructure the lease rental payments in December 2015. The salient terms agreed by the freeholder are as follows:

(i) Settlement of the outstanding lease rental payable accrued up to 31 December 2015 by way of monthly instalments over a period of ten (10) years commencing on 1 January 2016 ("Debt Settlement"). The monthly instalment payments, which shall include finance charges, shall be lower in the earlier years and progressively increasing thereafter;

(ii) Restructured schedule of lease rental payments commencing 1 January 2016 whereby the lease rental payments shall be lower in the earlier years and progressively increasing thereafter ("Restructured Lease Rental Payments"); and

(iii) The tenure of the leases for CX1, CX2 and CX5 shall be 9 years commencing 1 January 2016 with an option to extend by an additional 16 years subject to lease rental rates to be mutually agreed between the parties at the relevant time ("Revised Lease Period").

The above terms will be encapsulated in the following agreements to be executed in due course between the Group and the freeholder:

(a) Debt Settlement Agreement pertaining to the Debt Settlement; and

(b) Supplemental Lease Agreement pertaining to the Restructured Lease Rental Payments and the Revised Lease Period.

The completion of the restructuring of the lease rental payments will reduce the burden on operating cash flow whilst allowing the Group to focus on securing new tenancy contracts in order to further reduce the burn rate of its cash reserve.

Current trading and outlook

As highlighted in last year's results, which were announced in July 2015, the Group remains focused on filling the remaining capacity of its data centres. It has also undertaken a number of strategic initiatives to improve its financial performance.

Given the need to reduce the burn rate of our cash reserves, the Board will continue to ensure that there is no significant cash outlay other than sums required to cover the committed lease rentals and other necessary operating overheads, subject to any further capital or operating expenditure that may be required in relation to tenancy contracts.

The Board believes that the key strategic initiatives that are being undertaken have positioned the business in the right direction and seen some positive development in the Group, the Board remains focused on these plans going forward.

The Board and management team continue to follow-up on the key strategies and pursue the pipeline of potential customers and business alliances. An update will be made to shareholders on this progress in due course.

Dividends

The Board does not propose any payment of dividends in respect of the six month period ended 30 September 2015 (H1 2015: Nil).

Phil Cartmell
Chairman
CSF Group plc

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CHIEF FINANCIAL OFFICER'S REVIEW

Introduction

The Group recorded basic earnings per share ("EPS") of 0.72 sen (0.11 p*) (H1 2015: loss 4.15 sen (loss 0.62 p*)).

Financial results

			Proforma	
	6 months ended 30 September 2015 RM'000 (unaudited)	**6 months ended 30 September 2014 RM'000 (unaudited)**	**6 months ended 30 September 2015 £'000 (unaudited)**	**6 months ended 30 September 2014 £'000 (unaudited)**
Total Group revenue	**34,072**	**47,523**	**5,107**	**7,123**
Gross loss	(22,550)	(12,617)	(3,380)	(1,891)
Other operating income	8	4	1	1
Gain on disposal of joint venture	-	17,001	-	2,548
Share of loss after tax of joint venture	-	(1,309)	-	(196)
Administrative expenses	(8,088)	(9,549)	(1,211)	(1,431)
Bad debts written off	(51)	(379)	(8)	(57)
Net allowance for doubtful debts	(1,160)	488	(174)	73
Reversal of impairment of tangible assets	13,100	-	1,964	-
Reduction of contingent consideration	950	-	142	-
Provision of onerous leases	23,025	3,906	3,451	585
Profit / (loss) from operations	**5,234**	**(2,455)**	**785**	**(368)**
Net finance income / (cost)	369	(3)	55	-
Unwinding of discounts on provision	(3,825)	(3,906)	(573)	(585)
Profit / (loss) before tax	**1,778**	**(6,364)**	**267**	**(953)**
Tax	(619)	(279)	(93)	(42)
Profit / (loss) for the financial period	**1,159**	**(6,643)**	**174**	**(995)**
Net foreign exchange (loss) / gain	(704)	29	(106)	4
Total comprehensive income for the period	**455**	**(6,614)**	**68**	**(991)**
Basic EPS	0.72 sen	(4.15) sen	0.11 p	(0.62) p

Revenue

			Proforma	
	6 months ended 30 September 2015 RM'000 (unaudited)	6 months ended 30 September 2014 RM'000 (unaudited)	6 months ended 30 September 2015 £'000 (unaudited)	6 months ended 30 September 2014 £'000 (unaudited)
Data centre rental income	26,826	33,473	4,021	5,017
Maintenance income	4,794	5,238	719	785
	31,620	38,711	4,740	5,802
Design and fit-out of data centre facilities	2,452	8,812	367	1,321
Total Group revenue	**34,072**	**47,523**	**5,107**	**7,123**

Data centre rental revenue decreased by 19.9% from RM33.5m (£5.0m*) in H1 2015 to RM26.8m (£4.0m*) in the six months under review, mainly due to the non-renewal of a tenancy contract at CX2 which expired in November 2014.

Revenue from the design and fit-out of data centre facilities decreased from RM8.8m (£1.3m*) in H1 2015 to RM2.5m (£0.4m*) mainly due to the completion of the final phase of the CX5 project in the previous financial year.

Gross loss margin

The Group incurred a higher gross loss margin of 66.2% (H1 2015: gross loss margin of 26.5%) mainly due to the lease rental expenses on Block C of CX5 which commenced in May 2015 and the non-renewal of a tenancy contract at CX2 which expired in November 2014.

Profit from operations

Profit from operations for the financial period amounted to RM1.2m (£0.2m*) (H1 2015 loss from operations: RM2.5m (£0.4m*)). The profit was mainly attributable from reversal and utilisation of provision of onerous lease of RM23.0m (£3.5m*) and reversal of impairment of tangible assets of RM13.1m (£2.0m*).

Cash and working capital

As at 30 September 2015 the Group had cash and cash equivalents of RM46.7m (£7.0m*). The Group incurred a higher net operating cash outflow of RM6.6m (£1.0m*) compared to a net operating cash outflow of RM2.7m (£0.4m*) in H1 2015 mainly due to higher operating cost with the commencement of the lease of Block C of CX5 in May 2015 and the delay in collection of trade receivables.

The net cash flow generated from investing activities of RM27.1m (£4.1m*) was mainly due to the repayment of advances by CX5 project owner of RM27.9m (£4.2m*) in June 2015 and partially offset by the utilisation of RM1.5m (£0.2m*) to purchase additional plant and equipment.

Critical accounting judgment and key sources of estimation uncertainty

The areas of critical accounting judgment and key sources of estimation uncertainty as disclosed on pages 41 to 43 of the Group's Annual Report for the year ended 31 March 2015 remain valid for the six months ended 30 September 2015.

Post balance sheet event

The significant post balance sheet event relates to the terms of the restructured lease rental commitments and is described in Note 13.

Going concern

These financial statements have been prepared on a going concern basis. The directors' consideration of going concern and the associated uncertainties are provided in Note 1.

Lee King Loon
Chief Financial Officer
CSF Group plc

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 September 2015

	Note	6 months to 30 September 2015 RM'000 (unaudited)	6 months to 30 September 2014 RM'000 (unaudited)	Proforma 6 months to 30 September 2015 £'000 (unaudited)	Proforma 6 months to 30 September 2014 £'000 (unaudited)
Revenue	4	34,072	47,523	5,107	7,123
Cost of sales		(56,622)	(60,140)	(8,487)	(9,014)
Gross loss		(22,550)	(12,617)	(3,380)	(1,891)
Other operating income		8	4	1	1
Gain on disposal of joint venture		-	17,001	-	2,548
Share of loss after tax					
- joint venture	5	-	(1,309)	-	(196)
Administrative expenses		(8,088)	(9,549)	(1,211)	(1,431)
Net allowance for doubtful debts		(1,160)	488	(174)	73
Bad debts written off		(51)	(379)	(8)	(57)
Reversal of impairment of tangible assets		13,100	-	1,964	-
Reduction of contingent consideration		950	-	142	-
Provision for onerous leases	6	23,025	3,906	3,451	585
Total operating expenses		27,776	(5,534)	4,164	(830)
Operating profit / (loss)		5,234	(2,455)	785	(368)
Finance income		686	467	103	70
Interest payable on bank loans, overdrafts and finance leases		(317)	(470)	(48)	(70)
Unwinding of discounts on provisions		(3,925)	(3,906)	(573)	(585)
Finance costs		(4,142)	(4,376)	(621)	(655)
Profit / (loss) before tax		1,778	(6,364)	267	(953)
Tax		(619)	(279)	(93)	(42)
Profit / (loss) for the financial period		1,159	(6,643)	174	(995)
Other comprehensive income					
Foreign currency translation		(704)	29	(106)	4
Total comprehensive income for the period		455	(6,614)	68	(991)
EPS					
- Basic (sen)	7	0.72	(4.15)	0.11 p	(0.62) p
- Diluted (sen)	7	0.72	(4.15)	0.11 P	(0.62) P

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2015

	Note	As at 30 September 2015 RM'000 (unaudited)	As at 31 March 2015 RM'000 (audited)	Proforma As at 30 September 2015 £'000 (unaudited)	Proforma As at 31 March 2015 £'000 (unaudited)
Non-current assets					
Property, plant and equipment		25,716	13,446	3,855	2,015
Interest in associate		-	-	-	-
Other investments		153	153	23	23
Trade receivables		566	566	85	85
Deferred tax asset		1,510	1,969	226	295
		27,945	16,134	4,189	2,418
Current assets					
Inventories		2,355	2,054	353	308
Trade receivables		58,403	61,121	8,754	9,162
Other receivables	8	23,681	47,804	3,549	7,166
Current tax assets		311	242	47	36
Restricted cash		15,434	13,095	2,313	1,963
Cash and cash equivalents		48,946	31,379	7,337	4,703
		149,130	155,695	22,353	23,338
Total assets		177,075	171,829	26,542	25,756
Current liabilities					
Trade and other payables		94,900	73,130	14,225	10,962
Current tax liabilities		3	-	1	-
Bank borrowings		1,164	1,164	174	174
Obligations under finance leases		140	140	21	21
		96,207	74,434	14,421	11,157
Non-current liabilities					
Obligations under finance leases		223	305	33	46
Bank borrowings		916	1,498	137	225
Trade and other payables		20,712	17,830	3,105	2,672
Onerous leases	6	42,000	61,200	6,295	9,173
		63,851	80,833	9,570	12,116
Total liabilities		160,058	155,267	23,991	23,273
Net assets		17,017	16,562	2,551	2,483

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2015

	Note	As at 30 September 2015 RM'000 (unaudited)	As at 31 March 2015 RM'000 (audited)	Proforma As at 30 September 2015 £'000 (unaudited)	Proforma As at 31 March 2015 £'000 (unaudited)
Equity/ (deficit)					
Share capital		78,936	78,936	11,832	11,832
Share premium		104,499	104,499	15,663	15,663
Shares held under Employee Benefit Trust		(2,300)	(2,300)	(345)	(345)
Other reserve		(66,153)	(66,153)	(9,916)	(9,916)
Share option reserve		4,117	4,117	617	617
Translation reserve		(1,107)	(403)	(166)	(60)
Accumulated loss		(100,975)	(102,134)	(15,134)	(15,308)
Total equity		17,017	16,562	2,551	2,483

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 30 September 2015

	6 months ended 30 September 2015 RM'000 (unaudited)	6 months ended 30 September 2014 RM'000 (unaudited)	Proforma 6 months ended 30 September 2015 £'000 (unaudited)	Proforma 6 months ended 30 September 2014 £'000 (unaudited)
Net cash used in operating activities **(Note 9)**	(6,601)	(2,695)	(989)	(404)
Investing activities				
Interest received	686	467	103	70
Capital expenditure	(1,485)	(3,291)	(223)	(493)
Repayment of advances from joint venture	-	8,921	-	1,337
Repayment of advances from the owner of a development project	27,936	20,000	4,189	2,998
Proceeds from sale of property, plant and equipment	-	18	-	3
Net cash generated from investing activities	27,137	26,115	4,069	3,915
Financing activities				
Repayment of obligations under finance leases	(82)	(70)	(13)	(10)
(Increase) / decrease in restricted cash	(2,339)	1,025	(351)	154
Repayment of borrowings	(582)	(194)	(88)	(29)
Net cash (used in) / generated from financing activities	(3,003)	761	(452)	115
Net increase in cash and cash equivalents	17,533	24,181	2,628	3,626
Cash and cash equivalents at beginning of financial period **(Note 10)**	29,182	19,839	4,374	2,974
Cash and cash equivalents at end of financial period	46,715	44,020	7,002	6,600

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 6 months ended 30 September 2015

	Share capital RM'000 (unaudited)	Share premium RM'000 (unaudited)	Shares held under Employee Benefit Trust RM'000 (unaudited)	Other reserve RM'000 (unaudited)	Share option reserve RM'000 (unaudited)	Accumulated loss RM'000 (unaudited)	Translation reserve RM'000 (unaudited)	Total RM'000 (unaudited)
At 1 April 2014	78,936	104,499	(2,300)	(66,153)	4,117	(70,980)	(221)	47,898
Loss for the period	-	-	-	-	-	(6,643)	29	(6,614)
At 30 September 2014	78,936	104,499	(2,300)	(66,153)	4,117	(77,623)	(192)	41,284
At 1 April 2015	78,936	104,499	(2,300)	(66,153)	4,117	(102,134)	(403)	16,562
Profit for the period	-	-	-	-	-	1,159	(704)	455
At 30 September 2015	78,936	104,499	(2,300)	(66,153)	4,117	(100,975)	(1,107)	17,017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 6 months ended 30 September 2015

	Proforma							
	Share capital £'000 (unaudited)	Share premium £'000 (unaudited)	Shares held under Employee Benefit Trust £'000 (unaudited)	Other reserve £'000 (unaudited)	Share option reserve £'000 (unaudited)	Accumulated loss £'000 (unaudited)	Translation reserve £'000 (unaudited)	Total £'000 (unaudited)
At 1 April 2014	11,832	15,663	(345)	(9,916)	617	(10,639)	(33)	7,179
Loss for the period	-	-	-	-	-	(995)	4	(991)
At 30 September 2014	11,832	15,663	(345)	(9,916)	617	(11,634)	(29)	6,188
At 1 April 2015	11,832	15,663	(345)	(9,916)	617	(15,308)	(60)	2,483
Profit for the period	-	-	-	-	-	174	(106)	68
At 30 September 2015	11,832	______ 15,663	(345)	(9,916)	617	(15,134)	(166)	2,551

Notes 1 to 14 form an integral part of the condensed consolidated interim financial results.

1. General information

These preliminary announcement and condensed consolidated interim financial results were approved for issue by the Board of Directors on 11 December 2015 and are unaudited.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Group published full financial statements that comply with IFRSs in March 2015, which were approved by the Board of Directors on 2 July 2015 and delivered to the Jersey Registrar of Companies in September 2015. The auditor reported on those accounts was unqualified but did contain an emphasis of matter as described below.

In forming their opinion on the financial statements, which was not qualified, the auditors considered the adequacy of the disclosure made in the financial statements concerning the Group's ability to continue as a going concern and the basis of calculation of the onerous lease provision.

The preliminary announcement does not include the adjustments that would result if the company was unable to continue as going concern.

(i) Basis of preparation

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial results have been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements. The condensed consolidated interim financial results should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with IFRSs as adopted by the European Union.

(ii) Proforma

The proforma balances in pounds Sterling are included solely for convenience. The proforma balances in pounds Sterling are stated, as a matter of arithmetical computation only, on the basis of all current and prior year balances being translated from Malaysian Ringgits into pounds Sterling at the rate prevailing on 30 September 2015 of RM6.6715 : £1.00 This translation should not be construed as meaning that the Malaysian Ringgit amounts actually represent, have been or could be converted into the stated number of pounds Sterling.

(iii) Basis of accounting

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2015, as described in those financial statements.

Taxes on income in interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

1. General information (Cont'd)

(iv) Forward-looking statements

Certain statements in these condensed consolidated interim financial results are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

(v) Going concern

The Directors have prepared financial projections, including cash flows, for a period up to 31 March 2018. The projections include sensitivity testing to consider a reasonable worst case scenario. Based on these projections and taking into consideration the current financial position of the Group and future capital and lease commitments, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. In reaching this conclusion the directors have paid particular attention to the following factors:

- As at 30 September 2015, the Group's cash and cash equivalents excluding deposits held on behalf of the Employee Benefit Trust stand at RM46.7 million;

- The positive progress that is already being made in restructuring the business and the heightened focus on cash management;

- The existing cash reserves of the business, and the fact that the Group has low levels of bank borrowings with low financial covenants;

- The Group's business model is to lease its data centres as opposed to outright ownership. As a result, the Group is committed to regular lease rental payments, which constitute a significant proportion of the Group's cost base. The Group therefore needs to achieve a certain level of tenant occupancy to cover the minimum lease and other costs of ownership of a given data centre;

- The Group has already secured new tenants for part of CX5 and is in active discussions with a number of other potential tenants to secure an adequate level of occupancy;

- Due to changes in the data centre rental market, current market rentals have declined. In this regard, the Group engaged in active negotiations to restructure the operating lease rental of CX1, CX2 and CX5 and the freeholder has agreed in December 2015 to revise the existing lease rental terms with effect from 1 January 2016;

- The Group received significant cash receipts of RM31.4 million on the advances and trade receivables from the CX5 project owner upon the completion of Block C of CX5 in June 2015. The balance of amounts receivable relating to the CX5 project of RM36.9 million is due to be received progressively in line with the expiry of the warranty period of certain components of the fit-out works relating to CX5, which is expected to end in the first half of the financial year ending 31 March 2018;

- The funding requirements of existing and proposed new ventures and/or projects.

1. General information (Cont'd)

(v) Going concern (Cont'd)

Given prevailing market conditions and the current levels of occupancy in the Group's data centres, the Group is forecast to continue to make operating losses and have operating cash outflows. The Board is continuing to review the Group's business model with the aim of establishing sustainable profitable trading. Notwithstanding the foregoing, the financial projections show that with the completion of the restructuring of the lease rental commitments, the Group will be able to sustain its working capital requirements for a period of not less than 18 months. However, the Group will need to secure additional revenues in order to achieve a sustainable business model. On this basis they continue to adopt the going concern basis.

The directors note that the receipt of proceeds of the remaining balance of CX5 project is governed by existing contractual arrangements and that based on the current status of the development and discussions with the project owner they have no reason to believe that the receipt of proceeds will be subject to significant delay or other issue. Notwithstanding the foregoing, the Directors are of the view that the Group will be able to meet its working capital requirements for a period of not less than 18 months even without the collection of the aforementioned proceeds.

Premised on the above and taking into consideration the current financial position, future capital and lease commitments of the Group, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated half-yearly financial statements for the period ended 30 September 2015. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2. Basis of consolidation (Cont'd)

Under the purchase method of accounting, the cost of an acquisition is measured as the aggregate of the fair values of the assets acquired, liabilities incurred or assumed and equity instruments issued at the date of exchange. The excess of acquisition cost over the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill, while the shortfall is immediately credited to the consolidated income statement.

Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

3. Revenue recognition and contract accounting

Revenue represents amounts receivable for work carried out in the rental of data centre space (including reimbursement for electricity consumed by customers), design and development of data centre facilities and the maintenance of data centres.

Revenue from design and development is recognised in the consolidated statement of comprehensive income based on the stage of completion which is determined based on the contract costs incurred for work performed to date in proportion to the estimated total contract costs and recognised over the period of the activity and in accordance with the underlying contract. Revenue is measured by reference to the fair value of consideration received or receivable from customers. Cost overspends on design and development are recognised as they arise and cost under-spends recognised when it is known with reasonable certainty the final position of the relevant contract. Where design and development projects are in progress and sales invoiced exceed the value of work completed, the excess is shown as deferred income, within other financial assets. When it is probable that total fit-out costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

Income from support and maintenance agreements and the rental of data centre space is recognised on a straight line basis over the period of the related activity. Data centre space is rented out under operating leases.

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4. Segment reporting

The management regularly reviews segment information based on the key products and services provided to its customers; rental of data centre space, maintenance (including) support of data centres, and the design and development of data centre.

6 months ended 30 September 2015	**Data centre rental RM'000 (unaudited)**	**Maintenance RM'000 (unaudited)**	**Design and development of data centre RM'000 (unaudited)**	**Consolidated RM'000 (unaudited)**
Revenue	26,826	4,794	2,452	34,072
Cost of Sales	(53,669)	(1,289)	(1,664)	(56,622)
Gross profit	(26,843)	3,505	788	(22,550)
Other operating income	6	-	2	8
Onerous leases	23,025	-	-	23,025
Administrative cost	(1,224)	(1,062)	(1,201)	(3,487)
Allowance for doubtful debts	(804)	-	(647)	(1,451)
Write back of doubtful debts	-	-	291	291
Bad debts written off	-	-	(165)	(165)
Staff costs	(1,318)	(603)	(629)	(2,550)
Segment depreciation	(10)	(8)	(34)	(52)
Segment result	(7,168)	1,832	(1,595)	(6,931)
Bad debts written back				114
Corporate costs				(2,809)
Reversal of impairment of tangible assets				13,100
Reduction of contingent consideration				950
Gain on foreign exchange				810
Finance income				686
Finance cost				(4,142)
Profit before tax				1,778
Tax				(619)
Profit for the financial period				1,159
Other comprehensive income				
Foreign exchange loss				(704)
Total comprehensive income for the period				455

4. Segment reporting (continued)

6 months ended 30 September 2014	Data centre rental RM'000 (unaudited)	Maintenance RM'000 (unaudited)	Design and development of data centre RM'000 (unaudited)	Consolidated RM'000 (unaudited)
Revenue	33,473	5,238	8,812	47,523
Cost of Sales	(50,143)	(2,234)	(7,763)	(60,140)
Gross profit	(16,670)	3,004	1,049	(12,617)
Other operating income	-	-	4	4
Onerous leases	3,906	-	-	3,906
Administrative cost	(1,869)	(603)	(823)	(3,295)
Allowance for doubtful debts	(102)	-	-	(102)
Write back of doubtful debts	346	-	244	590
Loss on disposal of plant and equipment	(46)	-	-	(46)
Staff costs	(2,370)	(391)	(735)	(3,496)
Segment depreciation	(14)	(10)	(44)	(68)
Segment result	(16,819)	2,000	(305)	(15,124)
Bad debts written off				(379)
Corporate costs				(2,436)
Loss on foreign exchange				(208)
Gain on disposal of joint venture				17,001
Share of loss of jointly controlled entity				(1,309)
Finance income				467
Finance cost				(4,376)
Loss before tax				(6,364)
Tax				(279)
Loss for the financial period				(6,643)
Foreign exchange gain				29
Total comprehensive income for the period				(6,614)

5. Joint venture

	Six months ended 30 September 2015 RM'000 (unaudited)	Six months ended 30 September 2014 RM'000 (unaudited)
Share of loss after tax – joint venture	-	1,309

The prior year loss represents the share of result of the Group's former investment in PT Cyber CSF, which is incorporated in Jakarta, Indonesia. The Group owned 49% of the equity interest in the entity. On 22 May 2014, the Group completed the disposal of its entire interest in PT Cyber CSF including the settlement of the net receivable owed by PT Cyber CSF.

6. Onerous leases

Movement in provision of onerous leases	As at 30 September 2015 RM'000 (unaudited)	As at 31 March 2015 RM'000 (audited)
At start of financial period/ year	61,200	62,500
(Reversal) / additional provision	(4,519)	29,025
Utilisation of provision	(18,506)	(38,138)
Unwinding of discount	3,825	7,813
At end of financial period/ year	42,000	61,200

The Group's business model is to lease data centres and committed to lease rentals and certain other costs of ownership. As such, the Group needs to achieve a certain level of rental income from tenants over the life of the data centre lease such that revenue received will exceed costs.

The provision of onerous leases in the financial statements represents the present value of the future lease payments that the Group is presently obliged to make under non-cancellable operating lease contracts, less revenue expected to be earned on the lease. The estimate may vary as a result of changes in the utilisation of the data centres. Based on the restructured lease rental commitments, the unexpired term of the leases is approximately 9 years.

The onerous lease provision included in long term liabilities has been calculated based on the restructured terms of the lease rental of CX1, CX2 and CX5, and based on the assumption that the rental revenue of the Group increases progressively over the future period. This is a significant judgement which is considered to represent a material uncertainty.

7 Earnings per share

The calculation for earnings per share, based on the weighted average number of shares, is shown in the table below:

	Six months ended 30 September 2015 (unaudited)	**Six months ended 30 September 2014 (unaudited)**
Net profit / (loss) for the financial period after taxation attributable to members (RM'000)	1,159	(6,614)
Weighted average number of ordinary shares for basic earnings per share ('000)	160,029	160,029
Weighted average number of ordinary shares for diluted earnings per share ('000)	160,029	160,029

The number of ordinary shares for diluted earnings per share is the weighted average number of ordinary shares of CSF Group plc that would have been in issue. The calculation of the diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would increase the net profit or decrease the net loss per share. As the Group is currently in a loss making position than the inclusion of potential ordinary shares associated with share options in the diluted loss per share calculation would serve to decrease the net loss per share. On that basis, no adjustment has been made for diluted loss per share.

8. Other receivable (current)

	As at 30 September 2015 RM'000 (unaudited)	**As at 31 March 2015 RM'000 (audited)**
Advances to the project owner of CX5 data centre	-	27,936
Deposits, prepayment and other receivables	23,681	19,868
	23,681	47,804

During this period, the Group received repayment of advances of RM27.9 million from the project owner of CX5 data centre in line with the completion of block C of CX5.

9. Note to the cash flow statement

	6 months ended 30 September 2015 RM'000 (unaudited)	6 months ended 30 September 2014 RM'000 (unaudited)
Profit / (loss) for the financial period	1,159	(6,643)
Adjustments for:		
Allowance for doubtful debts	1,451	102
Allowance for doubtful debts written back	(291)	(590)
Bad debts written off	51	379
Depreciation of property, plant and equipment	2,315	1,881
Foreign currency translation	(704)	29
Gain on disposal of joint venture	-	(17,001)
Loss on disposal of property, plant and equipment	-	46
Interest expense	4,142	4,376
Interest income	(686)	(467)
Share of loss after tax of jointly controlled entity	-	1,309
Reversal of impairment of tangible assets	(13,100)	-
Reduction of contingent consideration	(950)	-
Onerous leases	(23,025)	(3,906)
Tax	620	279
Operating cash outflow before movements in working capital	(29,018)	(20,206)
Increase in inventories	(301)	(512)
(Increase) / decrease in receivables	(2,309)	6,130
Increase in payables	25,570	12,630
Cash used in operations	(6,058)	(1,958)
Interest paid	(317)	(470)
Income taxes paid	(226)	(267)
Net cash used in operating activities	(6,601)	(2,695)

10. Cash and cash equivalents

	Six months ended 30 September 2015 (unaudited)	Six months ended 30 September 2014 (unaudited)
Cash and cash equivalents- statement of financial position	31,379	21,972
Deposit held on behalf of employee benefit trust	(2,197)	(2,133)
Cash and cash equivalents at beginning of the financial period – cash flow	29,182	19,839

	As at 30 September 2015 RM'000 (unaudited)	As at 31 March 2015 RM'000 (audited)
Cash and cash equivalents- statement of financial position	48,946	31,379
Deposit held on behalf of employee benefit trust	(2,231)	(2,197)
Cash and cash equivalents at the end of the financial period – cash flow	46,715	29,182

11. Dividend

The Board does not propose any payment of dividends in respect of the six months period to 30 September 2015 (H1 2015: Nil).

12. Contingencies

The Group holds a number of guarantees with various banks in respect of banking facilities as follows:

	As at 30 September 2015 RM'000 (unaudited)	As at 31 March 2015 RM'000 (audited)
Banking guarantees	27,029	27,549

13. Post balance sheet event

The negotiations with the freeholder of CX1, CX2 and CX5 data centres to restructure the lease rental payments were completed in December 2015 and the salient terms agreed by the freeholder are as follows:

(i) Settlement of the outstanding lease rental payable accrued up to 31 December 2015 by way of monthly instalments over a period of ten (10) years commencing on 1 January 2016 (“Debt Settlement”). The monthly instalment payments, which shall include finance charges, shall be lower in the earlier years and progressively increasing thereafter;

(ii) Restructured schedule of lease rental payments commencing 1 January 2016 whereby the lease rental payments shall be lower in the earlier years and progressively increasing thereafter (“Restructured Lease Rental Payments”); and

(iii) The tenure of the leases for CX1, CX2 and CX5 shall be 9 years commencing 1 January 2016 with an option to extend by an additional 16 years subject to lease rental rates to be mutually agreed between the parties at the relevant time (“Revised Lease Period”).

The above terms will be encapsulated in the following agreements to be executed in due course between the Group and the freeholder:

(a) Debt Settlement Agreement pertaining to the Debt Settlement; and

(b) Supplemental Lease Agreement pertaining to the Restructured Lease Rental Payments and the Revised Lease Period.

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