



CLOUDARON GROUP BERHAD
(Registration No. 201701016516 (1230681-M))
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE FIRST HALF-YEAR
ENDED 30 SEPTEMBER 2019**

CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY CLOUDARON GROUP BERHAD (“CLOUDARON” OR THE “COMPANY”). SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019⁽¹⁾

	As at 30.09.2019 Unaudited RM'000	As at 31.03.2019 Audited RM'000
<u>ASSETS</u>		
Non-current assets		
Plant and equipment	206	360
Intangible assets	59,843	57,905
Total non-current assets	60,049	58,265
Current assets		
Contract assets	4,564	5,633
Trade and other receivables	21,721	23,356
Deposits, cash and bank balances	1,949	2,679
Total current assets	28,234	31,668
Total assets	88,283	89,933
<u>LIABILITIES AND EQUITY</u>		
Equity		
Share capital	52,643	52,643
Merger reserve	(7,496)	(7,496)
Translation reserve	1,073	778
Other reserve	3,184	3,164
Retained earnings	17,102	16,095
Total equity	66,506	65,184
Non-current liabilities		
Other payables	889	889
Finance lease liabilities	3	4
Borrowing	-	765
Deferred tax liabilities	825	864
Total non-current liabilities	1,717	2,522
Current liabilities		
Contract liabilities	1,765	2,263
Trade and other payables	16,146	18,078
Finance lease liabilities	3	3
Borrowing	827	1,265
Tax payable	1,319	618
Total current liabilities	20,060	22,227
Total liabilities and equity	88,283	89,933
Net assets per share (sen)⁽²⁾	8.00	7.84

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Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position are detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 March 2019 of the Company and the accompanying explanatory notes attached to this interim financial report.*
- (2) Net assets per share is calculated based on the Company's number of ordinary shares in issue of 831,188,488 as at the end of the financial reporting period.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST HALF-YEAR ENDED 30 SEPTEMBER 2019⁽¹⁾

	Individual 6 months ended		Cumulative 6 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Revenue	26,008	30,275	26,008	30,275
Cost of sales	(18,095)	(22,347)	(18,095)	(22,347)
Gross profit	7,913	7,928	7,913	7,928
Other income	117	283	117	283
Administrative expenses	(5,846)	(6,761)	(5,846)	(6,761)
Other operating expenses	(92)	(588)	(92)	(588)
Acquisition expenses	-	(409)	-	(409)
Finance costs	(303)	(260)	(303)	(260)
Profit before tax	1,789	193	1,789	193
Taxation	(782)	(61)	(782)	(61)
Profit for the financial period	1,007	132	1,007	132
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Exchange translation differences for foreign operations	315	728	315	728
Other comprehensive income for the financial period, net of tax	315	728	315	728
Total comprehensive income for the financial period	1,322	860	1,322	860
Profit for the financial period attributable to owners of the Company	1,007	132	1,007	132
Total comprehensive income attributable to owners of the Company	1,322	860	1,322	860
Earnings per ordinary share ("EPS") (sen):				
- Basic	0.12	0.02	0.12	0.02
- Diluted	0.12	0.02	0.12	0.02

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Note:

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 March 2019 of the Company and the accompanying explanatory notes attached to this interim financial report.*

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST HALF-YEAR ENDED 30 SEPTEMBER 2019⁽¹⁾

	Non-distributable			Distributable		Total equity RM'000
	Share capital RM'000	Merger reserve RM'000	Translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000	
Balance at 1 April 2018	37,984	(7,496)	(120)	-	10,906	41,274
Total comprehensive income for the financial period						
Profit for the financial period	-	-	-	-	132	132
Other comprehensive income for the financial period	-	-	728	-	-	728
Total	-	-	728	-	132	860
Transaction with owners, recognised directly in equity						
Issuance of new ordinary shares ⁽²⁾	14,659	-	-	-	-	14,659
Total	14,659	-	-	-	-	14,659
Balance at 30 September 2018	52,643	(7,496)	608	-	11,038	56,793

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST HALF-YEAR ENDED 30 SEPTEMBER 2019⁽¹⁾
(CONT'D)**

	← Non-distributable →				Distributable	Total equity RM'000
	Share capital RM'000	Merger reserve RM'000	Translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000	
Balance at 1 April 2019	52,643	(7,496)	778	3,164	16,095	65,184
Total comprehensive income for the financial period						
Profit for the financial period	-	-	-	-	1,007	1,007
Other comprehensive income for the financial period	-	-	295	20	-	315
Total	-	-	295	20	1,007	1,322
Balance at 30 September 2019	52,643	(7,496)	1,073	3,184	17,102	66,506

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity are detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 March 2019 of the Company and the accompanying explanatory notes attached to this interim financial report.
- (2) A total of 55,921,386 new ordinary shares in the Company ("**Shares**") was issued during the first half-year ended 30 September 2018 for the following purposes:
- (a) 16,507,936 new Shares was issued at RM0.315 each, for the acquisition of the entire equity interest in DACS Network Solutions Sdn Bhd; and
- (b) 39,413,450 new Shares was issued at RM0.24 each, for the acquisition of the remaining 90% equity interest in Realtors8 Pte Ltd.

For further details, please refer to the Company's circular to shareholders dated 6 June 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FIRST HALF-YEAR ENDED 30 SEPTEMBER 2019⁽¹⁾

	6 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000
Cash flows from operating activities		
Profit before taxation	1,789	193
Adjustments for:		
Amortisation of intangible assets	295	399
Depreciation of plant and equipment	209	233
Interest income	(3)	(11)
Interest expense	303	260
Operating profit before working capital changes	2,593	1,074
Changes in working capital		
Contract assets	1,069	-
Trade and other receivables	1,636	6,979
Contract liabilities	(498)	-
Trade and other payables	(2,194)	(2,177)
Cash generated from operations	2,606	5,876
Income tax refunded	115	-
Income tax paid	(220)	(191)
Interest income received	3	11
Interest expense paid	(30)	(4)
Net cash generated from operating activities	2,474	5,692
Cash flows from investing activities		
Net cash outflows from acquisition of subsidiary companies	-	(69)
Purchase of plant and equipment	(14)	(8)
Software development expenditure	(1,766)	(7,957)
Net cash used in investing activities	(1,780)	(8,034)
Cash flows from financing activities		
Repayment of trade financing loan	(1,295)	-
Net changes in amount due to directors	(1)	-
Repayment of finance lease liabilities	-	(112)
Net cash used in financing activities	(1,296)	(112)
Net decrease in cash and cash equivalents	(602)	(2,454)
Effect of exchange translation differences on cash and cash equivalents	(128)	19
Cash and cash equivalents at the beginning of the financial period	2,679	5,917
Cash and cash equivalents at the end of the financial period	1,949	3,482

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Note:

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows are detailed in Note A1 and should be read in conjunction with the Audited Consolidated Financial Statements for the financial year ended 31 March 2019 of the Company and the accompanying explanatory notes attached to this interim financial report.*

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST HALF-YEAR ENDED 30 SEPTEMBER 2019

A1. BASIS OF PREPARATION

The interim financial statements of Cloudaron and its subsidiaries (the “**Group**”) are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“**MFRS**”) 134: Interim Financial Reporting.

This is the interim financial report on the consolidated results for the first half-year ended 30 September 2019 announced by the Company in compliance with Rule 6.12 of the LEAP Market Listing Requirements of Bursa Securities (“**Listing Requirements**”).

The interim financial report should be read in conjunction with the Audited Consolidated Financial Statements of the Company for the financial year ended 31 March 2019 and the accompanying explanatory notes attached to this interim financial report.

A2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the Audited Consolidated Financial Statements for the financial year ended 31 March 2019 except for the following:

MFRSs	Effective date
MFRS 16 <i>Leases</i>	1-Jan-2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1-Jan-2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1-Jan-2019
Amendments to MFRS 119 <i>Plan Amendments, Curtailment or Settlement</i>	1-Jan-2019
Amendments to MFRS 128 <i>Long-term interests in Associates and Joint Venture</i>	1-Jan-2019
Annual Improvements to MFRSs 2015 – 2017 Cycle:	1-Jan-2019
• Amendments to MFRS 3	
• Amendments to MFRS 11	1-Jan-2019
• Amendments to MFRS 112	1-Jan-2019
• Amendments to MFRS 123	1-Jan-2019

The adoption of the above pronouncement has no material financial impacts on the results and financial position of the Group for the current financial period other than as set out below:

i. MFRS 16: Leases

At the beginning of the current financial year, the Group has adopted MFRS 16: Leases. MFRS 16 had replaced MFRS 117. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires leases to account for all leases under a single on-balance sheet model similar to the accounting for finance lease under MFRS 117.

MFRS 16 has been adopted by the Group as at 1 January 2019 using the modified retrospective method of adoption which measures the lease liabilities based on the present value of future lease payments calculated using the incremental borrowing rate and exchange rate at date of transition. Lease payments would be split into principal and interest payments, using the effective interest method.

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL FOR THE FIRST HALF-YEAR ENDED 30 SEPTEMBER 2019 (Cont'd)

Correspondingly, the right-of-use assets will be the present value of the liability at the commencement date of the lease, adding any directly attributable costs. The right-of-use assets will be depreciated on a straight-line basis over the shorter of the lease term and useful life of the leased asset.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying assets is of low value ("low-value assets"). As the modified retrospective method of adoption is applied comparative figures are not restated.

The application of MFRS 16 does not have a material effect on the Group's financial statements.

A2. SEASONAL OR CYCLICAL FACTORS

Generally, the Group will achieve higher revenue during second half of its financial year as compared to first half of its financial year, mainly due to year-end spending of remaining annual IT budgets by majority of the Group's customers.

A3. UNUSUAL ITEMS

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial period.

A4. MATERIAL CHANGES IN ESTIMATES

There were no material changes in accounting estimates in the current financial period.

A5. DEBT AND EQUITY SECURITIES

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

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL FOR THE FIRST HALF-YEAR ENDED 30 SEPTEMBER 2019 (Cont'd)

A6. SEGMENTAL INFORMATION

The Group's revenue based on its activities is presented as follows:

	Individual 6 months ended		Cumulative 6 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Enterprise solutions	18,088	24,384	18,088	24,384
Infrastructure services	2,807	1,443	2,807	1,443
Digital platform	5,113	4,448	5,113	4,448
Total	26,008	30,275	26,008	30,275

The Group's revenue based on geographical location is presented as follows:

	Individual 6 months ended		Cumulative 6 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Singapore	20,017	24,384	20,017	24,384
Malaysia	3,400	1,842	3,400	1,842
North America	1,371	809	1,371	809
China (including Hong Kong)	441	3,240	441	3,240
Philippines	260	-	260	-
Others	519	-	519	-
Total	26,008	30,275	26,008	30,275

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A EXPLANATORY NOTES TO THE INTERIM FINANCIAL FOR THE FIRST HALF-YEAR ENDED 30 SEPTEMBER 2019 (Cont'd)

A7. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There were no material events subsequent to the end of the current financial period.

A8. CHANGES IN THE COMPOSITION OF THE GROUP

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

A9. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Save as disclosed in the unaudited consolidated financial statements for the financial period ended 30 September 2019, there are no other contingent assets and contingent liabilities as at the date of this interim financial report.

A10. CAPITAL COMMITMENTS

There were no material capital commitments in respect of plant and equipment as at the end of the current financial period.

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B ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

The Group recorded a revenue of RM26.01 million during the financial period ended (“FPE”) 30 September 2019, reflecting a decrease of RM4.27 million or 14.10% as compared to RM30.28 million revenue achieved during the FPE 30 September 2018.

The revenue of the Group for the FPE 30 September 2019 can be analysed as follows:

- (i) enterprise solutions business’ revenue decreased by approximately RM6.30 million or 25.82% as compared to the FPE 30 September 2018, was mainly due to lower spending of IT budgets by majority of the Group’s customers during first half of its financial year;
- (ii) infrastructure services business’ revenue increased by approximately RM1.36 million or 94.53% as compared to the FPE 30 September 2018, was mainly due to the Group’s expansion into the provision of network connectivity services in Malaysia; and
- (iii) digital platform business’ revenue increased by RM0.67 million or 14.95% as compared to the FPE 30 September 2018, was mainly due to higher demand from the public sector in Singapore and new revenues recognised from the Group’s acquisitions.

The Group recorded a profit before tax of RM1.79 million during the FPE 30 September 2019, reflecting an increase of RM1.60 million as compared to the FPE 30 September 2018. The increase was mainly due to lower administrative expenses, absence of acquisition expenses incurred in the FPE 30 September 2018. and higher profitability due to shift of focus to provision of higher margin projects.

Provision for tax was higher during the FPE 30 September 2019 mainly due to higher profits achieved. Notwithstanding, the Group had applied tax exemption for newly acquired subsidiaries with MSC status and if the application is approved, it is expected to reduce the tax to be paid and contribute positively to the Group’s net profits in the future.

B2. PROSPECTS

“In line with the Company’s overall strategy, the Group continue to expand our digital platform services unit, with the Ubertor platform and its expansion to the North America market. In addition, the Company is also growing in the Enterprise Solutions space. Recently, the Company secured an AI Smart Cloud Platform project with a contract value of approximately SGD 4.3 million for Sensetime, one of the world’s most valuable AI start-up companies. This project will position us for further growth in newer solution areas for enterprises.

Barring any unforeseen circumstances, the Board of Directors of the Company is of the opinion that the prospects of the Group for the financial year ending 31 March 2020 remains favourable.”

B3. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST AND PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

C OTHER INFORMATION

C1. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but pending completion as at the date of this report.

C2. MATERIAL LITIGATION

There are no material litigations pending as at the date of this report.

C3. DIVIDENDS

The Board does not propose any interim dividend payment for the current financial period.

C4. EARNINGS PER SHARE

- (i) The basic earnings per share for the current financial period and financial year-to-date are computed as follows:

	Individual 6 months ended		Cumulative 6 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	1,007	132	1,007	132
Weighted average number of ordinary shares in issue ('000)	831,188	794,690	831,188	794,690
Basic earnings per share (sen)	0.12	0.02	0.12	0.02

The earnings per share for the financial period ended 30 September 2019 and 30 September 2018 were computed based on weighted average number of shares adjusted to take into account the issuance of new shares.

- (ii) Diluted earnings per share is the same as the basic earnings per share as there are no convertible securities in issue.