



CLOUDARON GROUP BERHAD

(Company No. 1230681-M)

(Incorporated in Malaysia)

**FINANCIAL STATEMENTS FOR THE 2nd HALF-YEAR
ENDED 31 MARCH 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.

CLOUDARON GROUP BERHAD
(Company No. 1230681-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019⁽¹⁾

	As at 31.03.2019 Unaudited RM'000	As at 31.03.2018 Audited RM'000
<u>ASSETS</u>		
Non-current assets		
Plant and equipment	360	502
Other investment	-	1,386
Intangible assets	57,934	24,854
Total non-current assets	58,294	26,742
Current assets		
Trade and other receivables	28,945	34,534
Deposits, cash and bank balances	2,679	5,917
Total current assets	31,624	40,451
Total assets	89,918	67,193
<u>LIABILITIES AND EQUITY</u>		
Equity		
Share capital	52,643	37,984
Merger reserves	(7,496)	(7,496)
Translation reserve	791	(120)
Retained earnings	16,111	10,906
Total equity	62,049	41,274
Non-current liabilities		
Finance lease liabilities	4	8
Finance Loan	2,030	-
Other Payables	4,053	-
Deferred tax liabilities	864	667
Total non-current liabilities	6,951	675
Current liabilities		
Finance lease liabilities	3	3
Contract Liabilities	531	-
Trade and other payables	19,810	25,190
Derivative financial liabilities	-	3
Tax payable	574	48
Total current liabilities	20,918	25,244
Total liabilities and equity	89,918	67,193
Net assets per share (sen)⁽²⁾	7.47	5.32

CLOUDARON GROUP BERHAD
(Company No. 1230681-M)

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 Financial Statements for the financial year ended 31 March 2018 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 of 831,188,488 at the end of the reporting period and 775,267,102 for the Financial Year Ended 31 March 2018.*

CLOUDARON GROUP BERHAD
(Company No. 1230681-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 2nd HALF-YEAR ENDED 31 MARCH 2019⁽¹⁾

	Individual 6 months ended		Cumulative 12 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Revenue	32,861	49,878	63,137	77,275
Cost of sales	(20,791)	(38,158)	(43,139)	(56,996)
Gross profit	12,070	11,720	19,998	20,279
Other income	669	224	750	462
Administrative expenses	(6,003)	(6,391)	(12,765)	(13,192)
Other operating expenses	-	(308)	(385)	(168)
Acquisition / Listing expenses	(87)	-	(496)	(1,715)
Impairment loss on financial assets	(613)	-	(613)	-
Finance costs	(357)	(260)	(616)	(530)
Profit before taxation	5,679	4,985	5,873	5,136
Taxation	(604)	108	(665)	88
Profit for the financial period / year	5,075	5,093	5,208	5,224
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Exchange translation differences for foreign operations	183	(1,385)	911	(1,975)
Other comprehensive income / (loss) for the financial period / year, net of tax	183	(1,385)	911	(1,975)
Total comprehensive income for the financial period / year	5,258	3,708	6,119	3,249
Profit for the financial period / year attributable to owners of the Company	5,075	5,093	5,208	5,224
Total comprehensive income attributable to owners of the Company	5,258	3,708	6,119	3,249
Earnings per ordinary share (sen):				
- Basic	0.61	0.66	0.64	0.70
- Diluted	0.61	0.66	0.64	0.70

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Note:

- (1) *The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income are detailed in Note A1 and should be read in conjunction with the Audited Financial Statements of the Group for the financial year ended 31 March 2018 and the accompanying explanatory notes attached to this interim financial report.*

CLOUDARON GROUP BERHAD

(Company No. 1230681-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE 2nd HALF-YEAR ENDED 31 MARCH 2019⁽¹⁾

	← Non-distributable →				Distributable	Total equity RM'000
	Share capital RM'000	Capital reserve RM'000	Merger reserves RM'000	Translation reserve RM'000	Retained earnings RM'000	
Balance at 1 April 2017	23,241	194	(107)	1,855	5,488	30,671
Total comprehensive income for the financial year						
Profit for the financial year	-	-	-	-	5,224	5,224
Other comprehensive loss for the financial year	-	-	-	(1,975)	-	(1,975)
Total	-	-	-	(1,975)	5,224	3,249
Transaction with owners, recognised directly in equity						
Termination of share warrants	-	(194)	-	-	194	-
Conversion of convertible loan notes	2,007	-	-	-	-	2,007
Adjustment arising from restructuring exercise	7,389	-	(7,389)	-	-	-
Issuance of new ordinary shares arising from Excluded Issue <i>(as defined in Note A6)</i>	5,500	-	-	-	-	5,500
Share issuance expenses	(153)	-	-	-	-	(153)
Total	14,743	(194)	(7,389)	-	194	7,354
Balance at 31 March 2018	37,984	-	(7,496)	(120)	10,906	41,274

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE 2nd HALF-YEAR ENDED 31 MARCH 2019⁽¹⁾ (CONT'D)

	← Non-distributable →			Distributable		Total equity RM'000
	Share capital RM'000	Capital reserve RM'000	Merger reserves RM'000	Translation reserve RM'000	Retained earnings RM'000	
Balance at 1 April 2018, as previously stated	37,984	-	(7,496)	(120)	10,906	41,274
Opening balance adjustments from adoption of MFRS 9	-	-	-	-	(3)	(3)
At 1 April 2018, as restated	37,984	-	(7,496)	(120)	10,903	41,271
Total comprehensive income for the financial year						
Profit for the financial year	-	-	-	-	5,208	5,208
Other comprehensive gain for the financial year	-	-	-	911	-	911
Total	-	-	-	911	5,208	6,119
Transaction with owners, recognised directly in equity						
Issuance of new ordinary shares	14,659	-	-	-	-	14,659
Total	14,659	-	-	-	-	14,659
Balance at 31 March 2019	52,643	-	(7,496)	791	16,111	62,049

Note:

- (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 Financial Statements of the Group for the financial year ended 31 March 2018 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE 2nd HALF-YEAR ENDED 31 MARCH 2019⁽¹⁾

	12 months ended	
	Unaudited	Audited
	31.03.2019 RM'000	31.03.2018 RM'000
Cash flows from operating activities		
Profit before income tax	5,873	5,136
Adjustments for:		
Depreciation of plant and equipment	482	388
Amortisation of intangible assets	570	539
Deposit written-off	-	2
Fair value gain on derivative financial liabilities	(3)	(164)
Interest income	(15)	(1)
Interest expense	616	530
Net loss on impairment of financial assets	613	-
Operating profit before working capital changes	8,136	6,430
Changes in working capital		
Trade and other receivables	9,200	(7,035)
Trade and other payables	(10,752)	3,028
Contract liabilities	531	-
Cash generated from operations	7,115	2,423
Income tax paid	(278)	(119)
Interest paid	(7)	(530)
Interest received	15	1
Tax refund	-	173
Net cash from operating activities	6,845	1,948
Cash flows from investing activities		
Purchase of plant and equipment	(106)	(46)
Disposal of Motor Vehicle	6	-
Software development expenditure	(12,009)	(4,367)
Acquisitions of subsidiaries (net of cash)	(70)	-
Other investment	-	(1,442)
Net cash used in investing activities	(12,179)	(5,855)
Cash flows from financing activities		
Draw down of banking facilities	1,990	-
Proceeds from issuance of ordinary shares	-	5,500
Payment of share issue expenses	-	(153)
Repayment of finance lease liabilities	(110)	(4)
Net cash from financing activities	1,880	5,343

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE 2nd HALF-YEAR ENDED 31 MARCH 2019⁽¹⁾ (CONT'D)

	Unaudited	Audited
	31.03.2019	31.03.2018
	RM'000	RM'000
Net increase in cash and cash equivalents	(3,454)	1,436
Effect of exchange translation differences on cash and cash equivalents	216	(582)
Cash and cash equivalents at the beginning of the financial year	<u>5,917</u>	<u>5,063</u>
Cash and cash equivalents at the end of the financial year	<u><u>2,679</u></u>	<u><u>5,917</u></u>

Notes:

- (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 Financial Statements of the Group for the financial year ended 31 March 2018 and the accompanying explanatory notes attached to this interim financial report.*

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 2nd HALF-YEAR HALF-YEAR ENDED 31 MARCH 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 2nd half-year ended 31 March 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 Financial Statements of the Group for the financial year ended 31 March 2018 and the accompanying explanatory notes attached to this interim financial report.

A2. CHANGES IN ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 March 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 March 2018 except as disclosed below.

As of 1 April 2018, the Group has adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

MFRSs and amendments effective for annual period beginning on or after 1 January 2018:

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)

Amendments to MFRS 2: Share-based Payment: Classification and Measurement of Share-based Payment Transactions

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

MFRS 15: Revenue from Contracts with Customers: Clarifications to MFRS 15

Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)

Amendments to MFRS 140: Investment Property: Transfers of Investment Property

IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of the above pronouncement has no material financial impact to the Group other than as asset out below:

i. MFRS 9: Financial instruments

The Group adopted MFRS 9: Financial Instruments on 1 March 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

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MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss (“FVTPL”). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale. The Group has elected to classify the equity investments as FVTPL and present subsequent changes in the investment’s fair value to profit or loss.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (“ECL”) model. Under MFRS 9, loss allowances will be measured on either 12 month ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

Effects arising from the initial application of the new impairment model and the recognition of equity investments to FVTPL are as follows:

	Impact of adoption of MFRS 9 to opening balance at 1 March 2018
	RM ‘000
Decrease in retained earnings	3
Decrease in trade receivables	3

ii. MFRS 15: Revenue from Contract with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The application of MFRS 15 does not have a material effect on the Group’s financial statements.

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 2nd HALF-YEAR ENDED 31 MARCH 2019 (CONT'D)

A3. SEASONAL OR CYCLICAL FACTORS

Based on previous years, the Group's revenue is generally stronger for the second half of the financial year primarily due to clients utilising the remainder of their annual IT budgets.

A4. 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 and the financial year-to-date under review.

A5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in accounting estimates in the current financial period and financial year-to-date under review.

A6. DEBT AND EQUITY SECURITIES

Save as disclosed below, there were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period and financial year-to-date under review:

- (i) On 15 February 2018, Cloudaron Pte Ltd, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with 8Common Limited to acquire the remaining 90.0% equity interest in Realtors8 Pte Ltd for a purchase consideration of SGD4.23 million (approximately RM12.58 million), which shall be satisfied *via* issuance of 52,427,325 new ordinary shares of the Company ("**Consideration Share**") in 2 tranches. The first tranche being SGD3.18 million (approximately RM9.46 million) *vide* the issuance of 39,413,450 Consideration Shares was listed on 7 August 2018 and the second tranche being SGD1.05 million (approximately RM3.12 million) *vide* the issuance of 13,013,875 Consideration Shares shall be issued subject to the salient terms of the sale and purchase agreement as disclosed in the Circular to Shareholders dated 6 June 2018 ("**Realtors8 Acquisition**"); and
- (ii) On 30 March 2018, the Company entered into a sale and purchase agreement with Edmund Low Chun Hoong to acquire 100% equity interest in DACS Network Solutions Sdn Bhd for a purchase consideration of RM7.20 million, which shall be satisfied *via* a combination of cash and issuance of Consideration Shares as set out in the salient terms of the sale and purchase agreement disclosed in the Circular to Shareholders dated 6 June 2018. The issuance of 16,507,936 Consideration Shares amounting to RM5.20 million was listed on 9 July 2018 ("**DACS Acquisition**").

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL FOR THE 2nd HALF-YEAR ENDED 31 MARCH 2019 (CONT'D)

A7. SEGMENTAL INFORMATION

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

	Individual 6 months ended		Cumulative 12 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Enterprise solutions	21,634	33,223	46,017	55,568
Infrastructure services	3,213	6,072	4,657	6,072
Digital platform	8,014	10,583	12,463	15,635
Total	32,861	49,878	63,137	77,275

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

	Individual 6 months ended		Cumulative 12 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Singapore	21,634	44,732	46,017	67,038
Indonesia	1,337	9	1,337	679
Malaysia	5,167	1,199	7,010	1,770
Philippines	3,000	30	3,000	3,880
China	189	885	3,429	885
North America	1,534	-	2,344	-
Sweden	-	3,023	-	3,023
Total	32,861	49,878	63,137	77,275

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL FOR THE 2nd HALF-YEAR ENDED 31 MARCH 2019 (CONT'D)

A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

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

A9. CHANGES IN THE COMPOSITION OF THE GROUP

Save as disclosed in Note A6, there were no changes in the composition of the Group for the current financial period.

A10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingent assets and contingent liabilities as at the date of this interim financial report.

A11. CAPITAL COMMITMENTS

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

B ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

a) Financial Year-to-date vs. Previous Financial Year-to-date

The Group recorded a revenue of RM63.14 million for the current financial year ended 31 March 2019, as compared to RM77.28 million in the previous financial year, representing a decrease of RM14.14 million or 18.30% mainly due to shifting focus to higher margin projects.

The Group recorded an improved profit before taxation of RM5.87 million for the current financial year ended 31 March 2019 as compared to a profit before taxation of RM5.14 million in the previous financial year, representing an increase of RM0.73 million or 14.20%. The improvement in profit before taxation ("**PBT**") was mainly due to the lower acquisition/listing expenses for the current financial year.

The provision for taxation was higher for the current financial year mainly attributed to the newly acquired profitable subsidiaries.

b) Current Period vs. Previous Year Corresponding Period

The Group recorded a revenue of RM32.86 million for the current financial period ended 31 March 2019, as compared to RM49.88 million in the previous year corresponding period, representing a decrease of RM17.02 million or 34.12% mainly due to shifting focus to higher margin projects as mentioned above.

The Group recorded an improved PBT of RM5.68 million for the current financial period ended 31 March 2019 as compared to RM4.99 million in the previous year corresponding period, representing an increase of RM0.69 million or 13.83%. The improvement in PBT was mainly due to the lower acquisition/listing expenses for the current financial period.

Notwithstanding, the profit after tax is similar to the previous year corresponding period due to higher provision for taxation during the current financial period which was mainly attributed to the newly acquired profitable subsidiaries.

c) Current Period vs. Immediate Preceding Period

The Group recorded a revenue of RM32.86 million for the current financial period ended 31 March 2019, as compared to RM30.28 million in the immediate preceding period, representing an increase of RM2.58 million or 8.52% mainly from its digital platforms businesses.

The digital platforms business increased by approximately RM3.57 million or 80.17% mainly due to the Group's expansion into the North America market.

The Group recorded a profit before taxation of RM5.68 million for the current financial period ended 31 March 2019 as compared to RM0.19 million in the immediate preceding period, representing an increase of RM5.49 million or 2889.47% mainly due to higher margin projects.

B ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS (CONT'D)

B2. PROSPECTS

In line with our overall strategy, we continue to expand our digital platform services unit, with the Ubertor platform and its expansion to the North America market. Infrastructure services is also expected to grow with our penetration into the China market. This will support our shift to higher margin projects. Barring any unforeseen circumstances, the Board of Directors of the Company ("**Board**") is of the opinion that the prospects of the Group's for the financial year ending 31 March 2020 will remain 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 that have been announced but have not been completed as at 31 March 2019.

C2. UTILISATION OF PROCEEDS

The status of utilisation of the proceeds from the Excluded Issue of RM5.50 million are as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation ⁽¹⁾ RM'000	Deviation RM'000	Balance RM'000	Estimated timeframe for utilisation upon listing
Overseas establishment costs	2,400	(2,400)	-	-	Within 24 months
Working capital	1,900	(1,900)	-	-	Within 24 months
Estimated listing expenses ⁽²⁾	1,200	(1,200)	-	-	Immediate
Total	5,500	(5,500)	-	-	

Notes:

(1) Utilisation as at 31 March 2019.

(2) The Group incurred listing expenses of RM1.87 million, of which RM0.67 million was financed from internally generated funds.

C3. MATERIAL LITIGATION

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

C4. DIVIDENDS

The Board does not recommend any dividend for the current period.

C OTHER INFORMATION (CONT'D)

C5. 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 12 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	5,075	5,093	5,208	5,224
Weighted average number of ordinary shares in issue ('000)	831,188	775,267	812,889	750,473
Basic earnings per share (sen)	0.61	0.66	0.64	0.70

The earnings per share for the financial period/year ended 31 March 2019 and 31 March 2018 were computed based on weighted average number of issued ordinary shares adjusted to take into account the issuance of new ordinary shares.

- (ii) Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive instruments.