ANACLE
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ANNUAL
REPORT

Anacle Systems Limited
(Incorporated in the Republic of Singapore with limited liability)
Stock Code: 8353

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Anacle Systems Limited (the "Company") collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries (together the "Group"). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Welcome to Anacle's Annual Report 2018

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lau E Choon Alex (*Chief Executive Officer*)
Mr. Ong Swee Heng (*Chief Operating Officer*)

Non-Executive Directors

Mr. Lee Suan Hiang (Chairman)
Prof. Wong Poh Kam
Mr. Robert Chew

Independent Non-Executive Directors

Mr. Alwi Bin Abdul Hafiz
Mr. Elango Subramanian
Mr. Li Man Wai

BOARD COMMITTEES

Audit Committee

Mr. Li Man Wai (Chairman)
Mr. Elango Subramanian
Mr. Robert Chew

Remuneration Committee

Mr. Alwi Bin Abdul Hafiz (Chairman)
Mr. Li Man Wai
Prof. Wong Poh Kam

Nomination Committee

Mr. Lee Suan Hiang (Chairman)
Mr. Alwi Bin Abdul Hafiz
Mr. Elango Subramanian

COMPLIANCE OFFICER

Mr. Ong Swee Heng

JOINT COMPANY SECRETARIES

Mr. Kwok Siu Man
Ms. Sylvia Sundari Poerwaka

PRINCIPAL BANKER

DBS Bank Ltd
12 Marina Bay Boulevard, Level 3
Marina Bay Financial Centre Tower 3
Singapore 018982

AUTHORISED REPRESENTATIVES

Mr. Lau E Choon Alex
Mr. Ong Swee Heng

AUDITOR

BDO Limited

COMPLIANCE ADVISER

KGI Capital Asia Limited

HONG KONG LEGAL ADVISER

Deacons

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
21/F, 148 Electric Road
North Point
Hong Kong

HEADQUARTERS, REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

1 Fusionopolis View
#08-02 Sandcrawler
Singapore 138577

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

31/F, 148 Electric Road
North Point
Hong Kong

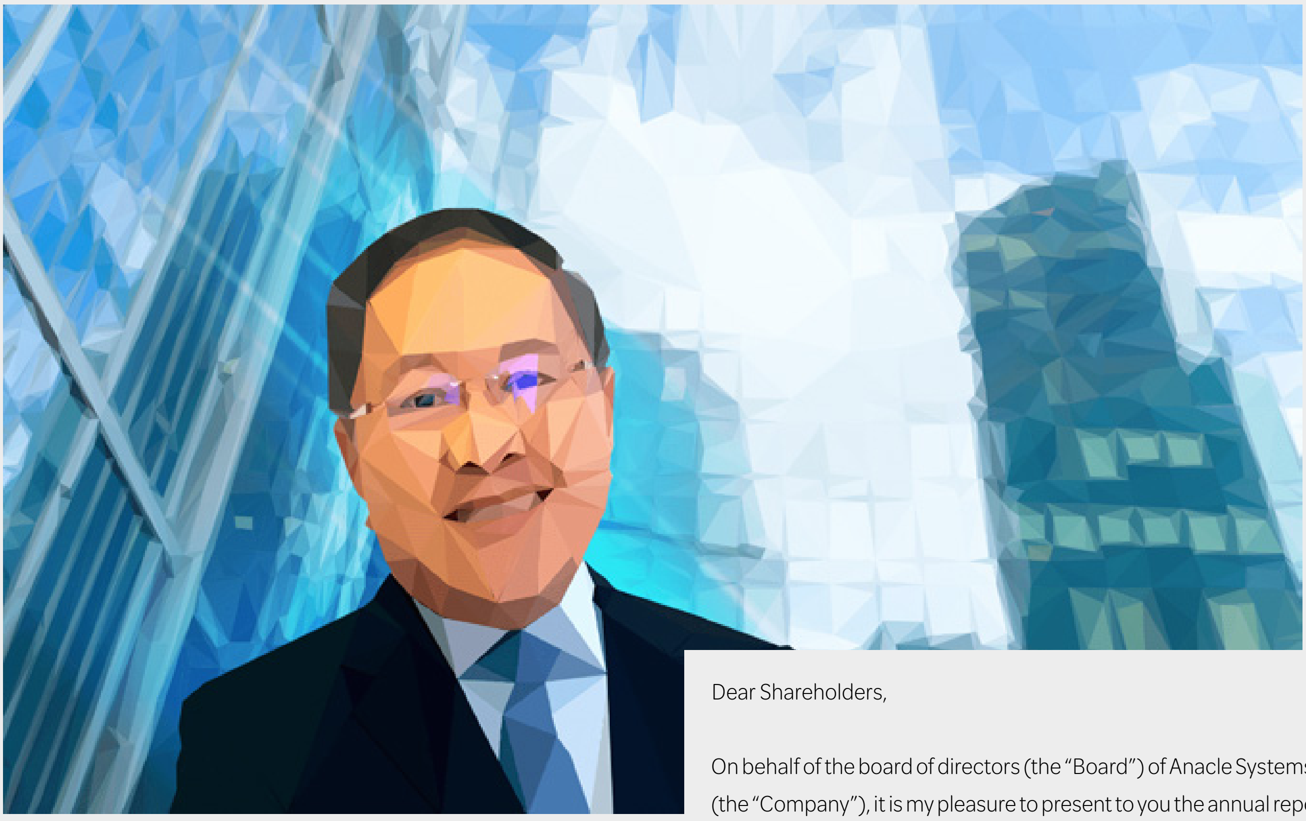
COMPANY WEBSITE

www.anacle.com

GEM STOCK CODE

8353

CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the board of directors (the "Board") of Anacle Systems Limited (the "Company"), it is my pleasure to present to you the annual report of the Company and its subsidiaries (together the "Group") for the year ended 31 May 2018 (the "Financial Year 2018").

Charting new path for growth

Urbanization is non ending phenomenon. Combined with the overall population growth, we recognise the challenges that urbanization will pose to environmental, social and economic sustainability. Smart city technologies are therefore paramount to achieving sustainable growth in the face of rapid expansion that is taxing global municipal resources. Our vision is to build a global technology company that will make socially positive and environmentally responsible contributions for our future generations. We make it our mission to design and deliver practical and easy to use innovations that will have immediate positive impact on our customers. To better position ourselves in the smart city arena, we have streamlined our portfolio of businesses into two major clusters – Smart City Management Software (Commercial Real Estate Management, Corporate Real Estate Management, Industrial Asset Management, Utilities Revenue Assurance) under the Simplicity® brand, and Smart Energy and Water Management under the Starlight® brand. We are confident that with our strategic positioning, the Group is well positioned for further success and be able to deliver further growth in 2019.

Progress in the smart energy arena

Starlight®, our Smart Energy and Water Management solution, addresses the growing market for energy and water management. We recognize that the demand for energy management continues to grow because of escalating energy prices and the pressure to reduce energy costs without compromising work processes. As a result of the growing demand of energy management, our revenue from Starlight® has grown rapidly over the past four years as we become the largest private metering vendor in Singapore. Of notable mention is our two significant milestones that we have achieved recently. We have completed the development of and have acquired the necessary certifications for our hyper-smart IoT energy meter, the Tesseract®. During the Financial Year 2018, we stepped-up our marketing efforts to launch the Tesseract® with significant positive feedback from the market. As a result, in our domestic Singapore market we are getting a number of smart energy projects involving the Tesseract®. We are confident that Starlight® will continue to achieve rapid growth in the years to come.

Strategies for continuing growth in real estate and industrial asset management

Our Simplicity® business segment comprises the Commercial Real Estate Management, Corporate Real Estate Management, Industrial Asset Management and Utilities Revenue Assurance solutions. Our challenge in the real estate and industrial asset management has been the size of the served available market in Singapore. Whilst the total addressable market is still very large, our served addressable market has almost reached its maximum. On the positive front, our real estate and industrial asset management solutions are well known in Singapore and expanding our spread to exploit the total addressable market is entirely feasible by increasing our sales and marketing effort to create more brand awareness. In the Financial Year 2018, we embarked on a two-pronged strategy to both enhance our solutions to dominate local competitors and to expand our marketing efforts internationally, taking advantage of Singapore' pole position as the world's smartest city.
Key product enhancement including the Simplicity® GEMINI Digital Twin, which allows visualization and transactions to be driven on a three-dimensional platform.

We are also proud to soft-launch our utilities revenue assurance platform, mybill, in June 2018 on a pay-per-use basis to the energy retailers in Singapore. Due to the attractive business model, a number of energy retailers have already signed up for mybill®.

Since the mid half of the Financial Year 2018 we have started our effort to expand to our first overseas target market, China. China is the fastest growing smart city market in the world, with more than 500 smart cities under development (half of the global total). We have formed a joint venture with Hangzhou-based Enjoytown Holdings, a specialty township developer, to target burgeoning smart city and smart town projects in China.

Our mid-term strategy is to continue to build our brand by increasing our sales and marketing effort to reach the non-addressable market. We believe that as we grow bigger and as we have better brand recognition supported by excellent solutions, we can fully exploit the total addressable market.

Appreciation

Our progress and future success is largely due to the hard work and dedication of all our employees and continuous supports from our business partners and shareholders. On behalf of the Board, I would like to thank each of our employees and our management for their dedication and hard work in delivering our mission to provide innovative, practical and easy to use products and solutions that support our vision of the better future for our next generation. I would also like to thank our business partners and shareholders for their unrelenting belief and continuous support in Anacle as we continue to grow and to seize the opportunities ahead of us.

Lee Suan Hiang
Chairman

Singapore 27 August 2018

GROUP CEO'S REVIEW

Financial Year 2018 is a watershed in the our history, marked by a reorganization of our business divisions and product lines to focus on the explosively growth Smart City market, as well as major product launches.

2018 is the year of the Asian Smart City. A record USD 82 billion was allocated for smart city budgets worldwide, and the spending is expected to grow to USD 220 billion by 2022. The lion's share of the spending (42%) is from Asia (excluding the Middle East). Traditional technology leaders such as Singapore continue to invest in key areas of Smart Municipality, Smart Buildings, Smart Utilities, Smart Infrastructure, Smart Health, Smart Transport and Smart Security. China and India contribute the most smart city projects, at 500+ and 99 respectively. Refreshingly, even conservative players like Hong Kong surprised the market with the announcement of a HKD 50 billion budget for 2019, one of the world's largest.

Under this backdrop, Anacle's direction and advantage become clear. With our Simplicity® and Starlight® product lines, we cover most of the scope of Smart City technologies, ranging from IoT sensors and controllers to advanced data analytics and management software. As the dominant technology supplier and market leader across our range of vertical and horizontal markets in Singapore, and with Singapore consistently ranked as the world's smartest city by multiple surveys, Anacle is effectively the most battle-tested and advanced Smart City

technology provider in Asia, if not the world. Just as pre-13th century Mongolian steppes had provided the toughest incubation ground for the global Mongol blitzkrieg that followed soon, we are fearless and well-prepared for our internationalization drive from 2018, honed by 12 years of bitter competition with and beating large state-owned enterprises and multi-nationals in our unprotected home market.

Our international growth will focus on China and South East Asia. We have set up joint ventures in Hangzhou, China and Kuching, Sarawak. Hangzhou is the epicenter of Chinese software innovation. Our joint venture partner, Enjoytown Holdings, a specialty township developer in Zhejiang and Jiangsu provinces, will provide 20 of their townships under development to introduce Anacle Smart City technologies over the next 3 years. We are also taking advantage of the large human talent pool to build a Digital Technologies R&D Center in Hangzhou and to mitigate Singapore's tight labor market. Sarawak, flushed with new oil allocation revenue, has announced 47 new Digital Economy Initiatives (total USD 400 million budget), of which a large number matches Anacle's products. We have set up a joint venture with key local technology player Blue Meche to introduce Anacle's products. In addition, we have also started business development initiatives into Thailand, Philippines and Japan.

In Financial Year 2018, we have launched 2 major products - the Tesseract® and **mybill**. Tesseract® is the world's smartest meter, by far. With the launch of the Tesseract® we have demonstrated that not only can we develop superior products, we can innovate global disrupters. Breaching the barriers of the traditional roles of sensors and controllers, the Tesseract® brings edge computing to reality, realizing new applications such as non-intrusive load monitoring and signal-based early fault detection. Our ambition for the Tesseract® is to have it as the fundamental unit of the next general global ultra-smart grid infrastructure. **mybill** is a pay-per-use utilities revenue assurance platform for the liberalized electricity market in Singapore. In a newly liberalized and fully competitive electricity market, energy retailers will not know in advanced how many customers they can sign up. The **mybill** platform is targeted at energy retailers that cannot afford multi-million dollar billing software by allowing them a pay-per-use scheme for electricity billing. Post Singapore's soft launch of the open electricity market in late April 2018, Anacle has signed up 4 energy retailers onto the platform.

As the market forces and technology trends are all aligned in our favor, we are extremely optimistic about the future, and will continue to stay focused in our innovation of new Smart City technologies and their evangelism and propagation throughout Asia.

2018 FINANCIAL HIGHLIGHTS

Revenue (S$ 000)	Gross Profit (S$ 000)	Adjusted net profit before tax[(1)] (S$ 000)	Adjusted EBITDA[(2)] (S$ 000)	Earnings/(loss) per share Singapore cents
15,100	**5,897**	**545**	**1,274**	**0.07**
2017: 13,334	2017: 6,088	2017: 658	2017: 1,609	2017: (1.00)
2016: 11,090	2016: 6,707	2016: 3,979	2016: 4,597	2016: 2.74

(S$ 000)	Starlight Smart Energy Solution[(4)]	Simplicity Commercial Real Estate Solution[(5)]	Simplicity Corporate Real Estate Solution[(5)]	Simplicity Industrial Real Estate Solution[(5)]
Revenue[(3)]	**5,387** ▲ **Up 76.1%**	**1,775** ▼ **Down 2.0%**	**4,671** ▲ **Up 9.5%**	**3,259** ▼ **Down 22.3%**
	2017: 3,060	2017: 1,811	2017: 4,266	2017: 4,197
	2016: 2,249	2016: 1,975	2016: 5,712	2016: 974
Gross profit[(3)]	**478** ▼ **Down 7.4%**	**1,139** ▲ **Up 16.3%**	**2,500** ▲ **Up 2.8%**	**1,790** ▼ **Down 17.7%**
	2017: 516	2017: 979	2017: 2,431	2017: 2,176
	2016: 267	2016: 1,357	2016: 4,559	2016: 538

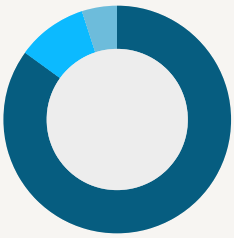
Total assets (S$ 000)	Non-current assets (S$ 000)	Current assets (S$ 000)	Total liabilities (S$ 000)	Non-current liabilities (S$ 000)	Current liabilities (S$ 000)
22,331	**6,450**	**15,881**	**4,476**	**457**	**4,019**
2017: 19,737	2017: 4,823	2017: 14,914	2017: 2,349	2017: 407	2017: 1,942
2016: 10,094	2016: 4,063	2016: 6,031	2016: 2,279	2016: 249	2016: 2,030

(1) Adjusted net profit before tax is calculated as the Group's net income before tax excluding listing expense and share-based payments.
(2) Adjusted EBITDA is calculated as adjusted net profit before tax excluding depreciation, amortization and interest expenses.
(3) This report provides alternative performance measures which are not defined or specified under the requirements of the International Financial Reporting Standards. We believe this measure provide readers with additional information on our business.
(4) Smart Energy Solution is our Starlight® business segment.
(5) Commercial Real Estate, Corporate Real Estate and Industrial Real Estate Solutions are collectively reported as Simplicity® business segment.

2018 BUSINESS REVIEW

STARLIGHT® SMART ENERGY SOLUTION

Starlight® Smart Energy Solution is a cloud-based smart energy management IoT platform. Starlight® provides end-to-end energy management from smart IoT energy sensors to data analytics to monitor, optimise and manage our customers' energy consumption, power demand, power quality, as well as carbon footprint. Our solution is also very reliable for the purpose of utilities billing by landlords who bulk-purchase electricity and sub-sell to their tenants. In addition to energy management, Starlight® also provides water monitoring capabilities such as water leakage monitoring and water consumption monitoring. As a single solution, Starlight® provides multi-utilities meter reading and monitoring for energy and water.



Geographical revenue

- Singapore 94.9%
- Malaysia 3.9%
- Others 1.3%

Revenue (S$ 000)	**5,387** ▲ Up 76.1%
Gross profit (S$ 000)	**478** ▼ Down 7.4%

Brands

TESSERACT®

Starlight® IoT Data Platform

Starlight® IoT Data Analytics

Market growth

In Financial Year 2018, Starlight® witnessed explosive growth of 80% in our core markets in Singapore and Malaysia. This is driven by a combination of (1) product awareness campaign for Tesseract® Hyper-Smart Meter, (2) increased demand for energy and water management solutions, (3) strong market brand as Singapore's most widely deployed smart energy and water solution. This is tempered by a decrease in gross profit which is primarily attributed to market capture pricing for the newly introduced Tesseract® product.

Outlook

With the liberalisation of the energy market in Singapore, coupled with major smart grid initiatives that will be rolled out in Singapore, Malaysia, Thailand and Hong Kong, we expect Financial Year 2019 to be another outstanding year in growth for Starlight®.

(1) This report provides alternative performance measures which are not defined or specified under the requirements of the International Financial Reporting Standards. We believe this measure provide readers with additional information on our business.
(2) Smart Energy Solution is our Starlight® business segment.

2018 BUSINESS REVIEW

SIMPLICITY® COMMERCIAL REAL ESTATE SOLUTION

Simplicity® Commercial Real Estate (CommREM) solution is the most comprehensive, sophisticated and powerful solution to manage the operations of any commercial real estate portfolio.

Simplicity® CommREM provides workflow driven end-to-end automation and advanced big data analytics for rental, finance and property management operations.

Simplicity® CommREM is scalable to thousands of properties covering office, retail, industrial, logistics, self-storage and residential assets because it is simple to implement and easy to use.

SIMPLICITY® CORPORATE REAL ESTATE SOLUTION

Simplicity® Corporate Real Estate (CorpREM) solution provides the operational and financial visibility to all aspects of corporate real estate, including advanced space, asset and shared resources management and optimisation capabilities.

Simplicity® CorpREM Solution utilises 3D models based on digital twin technologies that are easy to create and maintain. Our Simplicity CorpREM is the first solution that is free from cumbersome and expensive traditional 2D-CAD components.

Simplicity® CorpREM Solution is suitable for any large enterprises with more than one million square feet of space or more than ten thousand assets to manage. Simplicity® CorpREM is the best tool there is to optimise corporate assets.

SIMPLICITY® INDUSTRIAL ASSET MANAGEMENT SOLUTION

Simplicity® Industrial Enterprise Asset Management (IndEAM) solution is the most comprehensive and advanced solution for the management of mission critical assets.

Simplicity® IndEAM provides workflow driven end-to-end field-force automation and advanced big data analytics for equipment and assets maintenance, safety and supply chain operations.

Simplicity® IndEAM is scalable to thousands of sites and millions of mission critical assets and network elements, and covering industries including pharmaceutical, food & beverage, chemical, oil & gas, power, water & wastewater, military, transport infrastructure, healthcare as well as data centres and telecommunications.

(S$ 000)	Simplicity® Commercial Real Estate Solution(2)	Simplicity® Corporate Real Estate Solution(2)	Simplicity® Industrial Asset Management Solution(2)
Revenue(1)	**1,775** ▼ Down 2.0%	**4,671** ▲ Up 9.5%	**3,259** ▼ Down 22.3%
Gross profit(1)	**1,139** ▲ up 16.3%	**2,500** ▲ Up 2.8%	**1,790** ▼ Down 17.7%

Brands

Simplicity® Commercial Real Estate Management

Simplicity® Corporate Real Estate Management

Simplicity® Industrial Asset Management

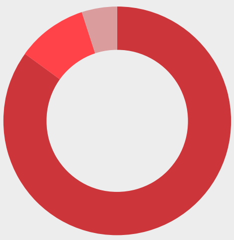
myBill® Utilities Revenue Assurance

Geographical revenue

Singapore 92.4%

Thailand 6.3%

Others 1.3%



(1) *This report provides alternative performance measures which are not defined or specified under the requirements of the International Financial Reporting Standards. We believe this measure provide readers with additional information on our business.*
(2) *Commercial Real Estate, Corporate Real Estate and Industrial Real Estate Solutions are collectively reported as Simplicity® business segment.*

FINANCIAL SUMMARY

	2018 S$	2017 S$	2016 S$
Revenue	15,100,602	13,333,991	11,090,280
Cost of sales	(9,203,237)	(7,246,113)	(4,383,320)
Gross profit	5,897,365	6,087,878	6,706,960
Other revenue	55,112	60,161	208,248
Other gains and losses	(222,353)	(486,400)	(60,094)
Marketing and other operating expenses	(1,558,100)	(1,419,210)	(722,285)
Administrative expenses	(3,643,045)	(3,852,953)	(2,276,705)
Research and development costs	(159,537)	(92,423)	(32,783)
Listing expenses	-	(2,447,780)	(555,977)
Finance costs	-	(887)	(46,124)
Profit/(loss) before income tax	369,442	(2,151,614)	3,221,240
Income tax expense	(84,662)	(172,430)	(727,542)
Profit/(loss) for the year	284,780	(2,324,044)	2,493,698
Profit/(loss) before income tax	369,442	(2,151,614)	3,221,240
Add back:			
Listing expenses	-	2,447,780	555,977
Share-based payments	175,966	362,218	201,848
Adjusted profit before tax	545,408	658,384	3,979,065
Adjust for:			
Depreciation	178,468	306,895	271,058
Amortisation	550,627	642,870	301,248
Finance costs	-	887	46,124
Adjusted EBITDA	1,274,503	1,609,036	4,597,495

	2018 S$	2017 S$	2016 S$
Assets and liabilities			
Non-current assets	6,449,874	4,823,160	4,063,165
Current assets	15,880,895	14,914,181	6,031,478
Current liabilities	(4,018,610)	(1,941,902)	(2,030,412)
Net current assets	11,862,285	12,972,279	4,001,066
Non-current liabilities	(456,857)	(406,845)	(249,247)
Net assets	17,855,302	17,388,594	7,814,984

2018 FINANCIAL REVIEW

Revenue

Starlight® Energy Management Solution

Increased demand for Starlight® Energy Management Solution has contributed to a steady growth in Starlight revenue. Project based revenue from implementation of Starlight energy management system has been on the increase.

Revenue from recurring maintenance service and rental subscription from SaaS model have been steadily increasing.
Rental subscription from SaaS model has been gaining popularity among building owners and energy retailers. Recurring service revenue from maintenance is also expected to grow steadily year-on-year as more Starlight energy management systems are being completed and transiting to maintenance phase.

	Starlight® Energy Management Solution (S$ '000)
Project revenue	**5,160** 2017: 2,951 2016: 2,402
Recurring revenue	**185** 2017: 83 2016: 15
Rental revenue	**42** 2017: 25 2016: 12
Total revenue	**5,387** 2017: 3,059 2016: 2,429

	Simplicity® Commercial Real Estate Solution (S$ '000)	Simplicity® Corporate Real Estate Solution (S$ '000)	Simplicity® Industrial Asset Management Solution (S$ '000)	Simplicity® Total (S$ '000)
Project revenue	**902** 2017: 1,029 2016: 1,253	**3,760** 2017: 3,353 2016: 4,792	**2,852** 2017: 3,792 2016: 660	**7,514** 2017: 8,174 2016: 6,705
Recurring revenue	**873** 2017: 782 2016: 722	**911** 2017: 914 2016: 920	**407** 2017: 405 2016: 314	**2,191** 2017: 2,101 2016: 1,956
Total revenue	**1,775** 2017: 1,811 2016: 1,975	**4,671** 2017: 4,267 2016: 5,712	**3,259** 2017: 4,197 2016: 974	**9,705** 2017: 10,275 2016: 8,661

Simplicity® Commercial Real Estate Solution

Project or CAPEX revenue from the Commercial Real Estate Solution has been on the decline because we have almost reached our served available market in Singapore. Whilst the total addressable market (especially the large multi-national real estate market) is still substantial, we are now competing directly with the larger players in the enterprise software arena. Financial Year 2019 will be focused on preparing our sales & marketing strategy to attack larger customers.

Recurring or OPEX revenue from the Commercial Real Estate Solution has been growing as an indication of our strong and growing customer base.

Simplicity® Commercial Real Estate Solution

Our Corporate Real Estate Solution is still showing sign of promising growth, especially with the major win for the Whole-of-Singapore-Government Shared Resources Booking System project. Project or capex revenue has picked up during the Financial Year 2018 after the temporary dip in the previous financial year due to major project wins in the government sector.

We have a healthy customer base to support the stable recurring revenue from the Corporate Real Estate Solution division.

Simplicity® Industrial Estate Management Solution

The nation-wide Asset Management System project from the Public Utilities Board of Singapore has been the main driver of increase in project based revenue. The implementation phase commenced in the last financial year. As more governments engage in Smart City Asset Management projects, we expect the growth opportunities for the Industrial Asset Management Solution to continue to increase.

Recurring revenue has been stable because of our strong customer base.

2018 FINANCIAL REVIEW

Gross profit

Starlight® Energy Management Solution

Gross profit for Starlight® Energy Management Solution remained stable from Financial Year 2017 levels. However Gross Profit Margin has decreased from 17% to 9% due to aggressive pricing for the newly launched Tesseract® Hyper-Smart Meter designed to capture market share rapidly.

	Starlight® Energy Management Solution (S$ '000)
Gross profit	**478** 2017: 516 2016: 267

	Simplicity® Commercial Real Estate Solution (S$ '000)	Simplicity® Corporate Real Estate Solution (S$ '000)	Simplicity® Industrial Asset Management Solution (S$ '000)	Simplicity® Total (S$ '000)
Gross profit	**1,139** 2017: 979 2016: 1,357	**2,500** 2017: 2,431 2016: 4,559	**1,790** 2017: 2,176 2016: 538	**5,429** 2017: 5,586 2016: 6,454

Simplicity® Commercial Real Estate Solution

Gross profit for the Commercial Real Estate Solution has decreased due to an overall decrease in revenue. However gross profit margin has been restored to Financial Year 2016 levels.

Simplicity® Commercial Real Estate Solution

Gross profit for the Corporate Real Estate Solution has increased due to an overall increase in revenue. However gross profit margin has decreased due to higher initial cost to deliver the base system for the Whole-of-Singapore Government Resources Booking System.

Simplicity® Industrial Estate Management Solution

Gross profit for the Industrial Asset Management solution has decreased due to an overall decrease in revenue. However gross profit margin has been restored to Financial Year 2016 levels.

2018 FINANCIAL REVIEW

	2018 (S$ 000)	2017 (S$ 000)	2016 (S$ 000)
Government grants	**49**	57	204
Others	**6**	3	4
	55	60	208

Other revenue

Capitalised government grant for Starlight wireless technology was fully amortised during FY2017 and there was a decrease in non-recurring other government grant received.

	2018 (S$ 000)	2017 (S$ 000)	2016 (S$ 000)
Net exchange loss	**157**	381	56
Slow-moving inventories	**15**	72	4
Disposal of asset	**-**	5	-
Receivables impairment	**51**	28	2
	223	486	62

Other gains and losses

Exchange loss was mainly due to i) one-off unrealised foreign exchange loss of S$124,105 (2017: S$ 331,281) arising from translation of listing proceeds in Hong Kong Dollars to Singapore Dollars; ii) S$ 30,982 (2017: S$ 26,868) arising from translation of intercompany balances by subsidiaries in Malaysia and India. Disposal of asset pertained to Anacle Malaysia office renovation write-off due to office relocation.

	2018 (S$ 000)	2017 (S$ 000)	2016 (S$ 000)
Sales and marketing	**1,400**	1,160	585
Logistics and distributions	**158**	259	137
	1,558	1,419	722

Marketing and other operating expenses

The increase in marketing & other expenses is due to the addition of sales and marketing headcount as well as numerous marketing events that we organised of participated in. The marketing events include product launches for TESSERACT, pre-marketing launches for myBill. We also expanded our sales effort in China in the Financial Year 2018.

	2018 (S$ 000)	2017 (S$ 000)	2016 (S$ 000)
Simplicity	**76**	55	-
Starlight	**83**	37	33
	159	92	33

Research and development costs

We continue to improve our existing product range to better serve the evolving market.

	2018 (S$ 000)	2017 (S$ 000)	2016 (S$ 000)
Staff emoluments	**1,319**	1,612	896
Staff benefits, recrument and others	**186**	184	84
Share-based payment	**176**	362	202
Depreciation	**97**	226	223
Auditors remuneration	**119**	114	28
Rent	**734**	719	713
Directors' fees	**150**	78	-
Professional fees	**509**	307	16
Others	**353**	251	115
	3,643	3,853	2,277

Administrative expenses

Administrative expenses decreased because of lower depreciation, share-based payment and payment of bonus to staff. Certain assets have reached the end of their useful life resulting in lower depreciation. The vesting of share options has also contributed to lower share-based payment. There was o performance bonus paid to staff during the Financial Year 2018. Professional fees increased due to additional compliance cost after the Listing. Likewise, auditors remuneration also increased post Listing.

LIQUIDITY, FINANCIAL RESOURCES, AND CAPITAL STRUCTURE

/ NET CURRENT ASSET

S$ 11,862,285

2017: S$ 12,972,279

/ CASH

S$ 4,018,466

2017: S$ 7,134,663

/ GEARING RATIO

0%

2017: 0%

Gearing ratio is calculated by dividing total bank borrowings by total equity. The Group did not have any outstanding borrowings as at 31 May 2018 (2017: Nil).

/ CURRENT RATIO

4.0 x

2017: 7.7 x

Current ratio is current assets divided by current liabilities. The increase was mainly due to an increase in trade payables in the current financial year as compared to those of the previous year.

/ QUICK RATIO

3.8 x

2017: 7.5 x

Quick ratio is current assets less inventories divided by current liabilities. The increase was mainly due to an increase in trade payables in the current financial year as compared to those of the previous year.

/ TOTAL EQUITY

S$ 17,855,302

2017: S$ 17,388,594

/ ISSUE SHARE CAPITAL

S$ 20,756,598

2017: S$ 20,756,598

The capital of the Group comprises only ordinary shares. As at 31 May 2018 the number of the Company's issued ordinary shares was 399,158,496 (2017: 399,158,496).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no significant investment, material acquisition and disposal of subsidiaries and associated companies during FY 2018.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plans for material investments and capital assets other than those disclosed in the prospectus of the Company dated 30 November 2016 (the "Prospectus").

COMMITMENTS

As at 31 May 2018, the Group had operating lease commitments in respect of the lease of its offices in Singapore, Malaysia and India. The Group's operating lease commitments as at 31 May 2018 was S$ 1,697,591 (2017: S$ 2,377,103). As at 31 May 2018, the Group had $85,783 of capital commitments in respect of purchase of production equipments for Tesseract®. (2017: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 May 2018 (2017: Nil).

CHARGE ON GROUP'S ASSETS

As at 31 May 2018, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (2017: Nil).

CAPITAL EXPENDITURE

	Property, plant and equipment (S$ 000)	Intangible assets (S$ 000)	Total (S$ 000)
At 31 May 2018	130	2,003	2,133
At 31 May 2017	310	1,402	1,712

FOREIGN EXCHANGE RISK

The Group's main operations are in Singapore. Revenue and costs of Singapore operations are mainly denominated in Singapore Dollars ("S$") which is also the presentation currency of the Group. The Group's operations in Malaysia and India through its subsidiaries are settled in the local currencies of the respective countries.

The Group's main foreign exchange exposure is mainly its cash held in Hong Kong dollars ("HK$"). The management was of the view that the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

The Group did not have any financial instruments to hedge its foreign currency exposure. The management will, however, continue to monitor the foreign exchange exposure of the Group and will take appropriate measure to minimise the risk.

RISK FACTORS FACED BY THE COMPANY AND RISK MITIGATION MEASURES RISKS RELATING TO OUR BUSINESS

Revenue generated from the Singapore market accounted for more than 90% of our total revenue.

In FY2018, revenue derived from our sales in Singapore accounted for approximately 93.3% (2017: 95.3%) of our total revenue. Our business and financial conditions would be adversely affected by any changes in the Singapore government policy or the corporate culture of Singapore, as well as circumstances causing any reduction in the demand for software and IT services in Singapore.

We are attempting to expand our business in Malaysia through our Malaysia subsidiary. We also plan to expand internationally into the People's Republic of China (the "PRC") through our collaboration with our partners.

We derived a substantial portion of our revenue from a single channel partner.

We derived a substantial portion of our revenue from a major channel partner, which accounted for 19.1% of our revenue for FY2018 (FY2017: 24.6%). The concentration of our sales on a major channel partner exposes us to various risks that could have a material adverse impact on our revenue.

The Group actively expands its customer base and its channel partner by acquiring and working with more channel partners locally and overseas. The Group also actively expands its market vertical to lessen the seasonal impact of a single industry.

We are dependent upon our experienced technical staff and senior management team.

We rely on the management skills and technical know-how of our executive Directors, senior management and technical staff. Competition for competent employees is intense in our industry. Failure to attract or retain suitable employees could adversely affect our business, financial conditions and results of operations.

The Group has provided competitive compensation, incentives and benefits to retain the outstanding employees and attract new employees. Meanwhile, the Group strengthened the training of new staff in order to avoid the impact of employee turnover on business operations. The Group has also implemented employee equity incentive program to increase senior management team's loyalty.

Our international competitors may localise and new entrants to our industry may become our strong and direct competitors.

The enterprise software market in Asia is generally dominated by large international corporate vendors over the last decades. According to the Frost & Sullivan Report, these international competitors of our Company lacked localisation and were generally less influential than Asian corporate vendors like our Company. However, these international corporate vendors may decide to expand their businesses in the Asian market and adopt localisation strategies and join the competition to become our strong and direct competitors.

We strive to keep enhancing our products to remain competitive and we have been maintaining good customers relationship to ensure product and brand loyalty.

Our business is subject to seasonal fluctuations.

Our Group generally records lower sales for the six months from June to November each year, and higher sales from December to May in the following year. Failure to manage seasonality in our business may cause our revenue and financial condition to be materially and adversely affected.

We mitigate the seasonal fluctuation in our revenue by controlling our operating capital carefully so as to provide our business with adequate cash for operations.

RISKS RELATING TO OUR INDUSTRY

We are exposed to evolving industry standards and government policies in countries where we operate.

The market in which we operate is characterised by evolving industry standards and government policies, frequent development and enhancement of products and services and changing market demands. Accordingly, our continual success will depend on our abilities to adapt rapidly to the changing industry standards and government policies and to continuously improve the performance, features and reliability of our products in response to competitive offerings and evolving market demands.

We have a team monitoring and anticipating regulatory changes so that we can take action with sufficient time before new regulations set in.

	Adjusted amunt from the Latest Practicable Date to 31 May 2018	Actual use to 31 May 2018
To acquire and set up data centre infrastructure	S$ 72,202	-
To enhance and expand our product offerings	S$ 711,701	S$ 711,701
To strengthen our sales and marketing efforts, and reinforce our brand and product images	S$ 947,996	S$ 947,996
Working capital	S$ 223,168	S$ 223,168
	S$ 1,955,067	**S$ 1,882,865**

USE OF PROCEEDS

Gross proceeds from the Listing was Hong Kong Dollars 74 million or S$13,756,600. After deducting listing expenses of S$ 4,379,781, the net listing proceeds was S$ 9,376,819.

The following is the breakdown of of the intended use of the net listing proceeds from the Latest Practicable Date to 31 May 2018

- Setting up data centre infrastructure : 0.8%
- Enhancing and expanding product offerings: 16.9%
- Strengthening sales, marketing and brand as well as product images: 22.9%
- Acquisition of foreign companies: 23.8%
- Setting up a manufacturing, assembly and testing plant:29.7%
- General working capital: 5.9%

20.85% or S$1,955,067 of the net listing proceeds was to be allocated in the period from 21 November 2016 (the "Latest Practicable Date") to 31 May 2018.

As at the date of this report, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions in Singapore and Hong Kong.

The Directors regularly evaluates the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. At present, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business strategy	Business objectives from the Latest Practicable Date to 31 May 2018	Actual business progress during FY2018
To acquire and set up data centre infrastructure	Approximately 0.77% (equivalent to approximately S$ 0.07 million) of Listing proceeds will be used to acquire additional server infrastructure comprising of approximately six to eight servers in Singapore.	The Group has yet to acquire server infrastructure as the setup of the production environment of myBill.sg has been moved to the next financial year ending 2019 ("FY2019").
To enhance and expand our product offerings	Approximately 7.59% (equivalent to approximately S$ 0.71 million) of Listing proceeds will be used to: • Continue the development of the advanced Starlight IoT platform, the Tesseract and the utilities billing platform, myBill.sg • Launch the Tesseract on a trial basis and commence early marketing activities • Formally launch SpaceMonster with full marketing campaign.	S$ 0.82 million was incurred for TESSERACT product development and S$ 1.1 million for myBill.sg product development. Some of the cost incurred was funded by our internal resources. The formal launch of SpaceMonster has been postponed to FY2019 to allow the marketing team to focus on the Tesseract launch which was given higher priority.
To strengthen our sales and marketing eforts, and reinforce our brand and product images	Approximately 10.11% (equivalent to approximately S$ 0.95 million) of Listing proceeds will be used to: • Recruit a dedicated business development, sales and channel management team of four to develop sales opportunities and to expand network of channel partners in South East Asia, the Middle East, Hong Kong and the PRC. • Engage professional parties for corporate and product branding campaigns and to participate in exhibitions and conferences.	In FY2017 we incurred S$ 0.45 million in the recruitment of dedicated business development and sales staff and S$ 0.09 million in branding and marketing campaign. In FY 2018, we incurred additional S$ 0.5 million in TESSERACT and myBill.sg product launch.
Amount for working capital	Approximately 2.38% (equivalent to approximately S$ 0.22 million) of Listing proceeds will be used as working capital.	We have utilised the working capital in FY2017.

EMPLOYEES AND REMUNERATION POLICIES

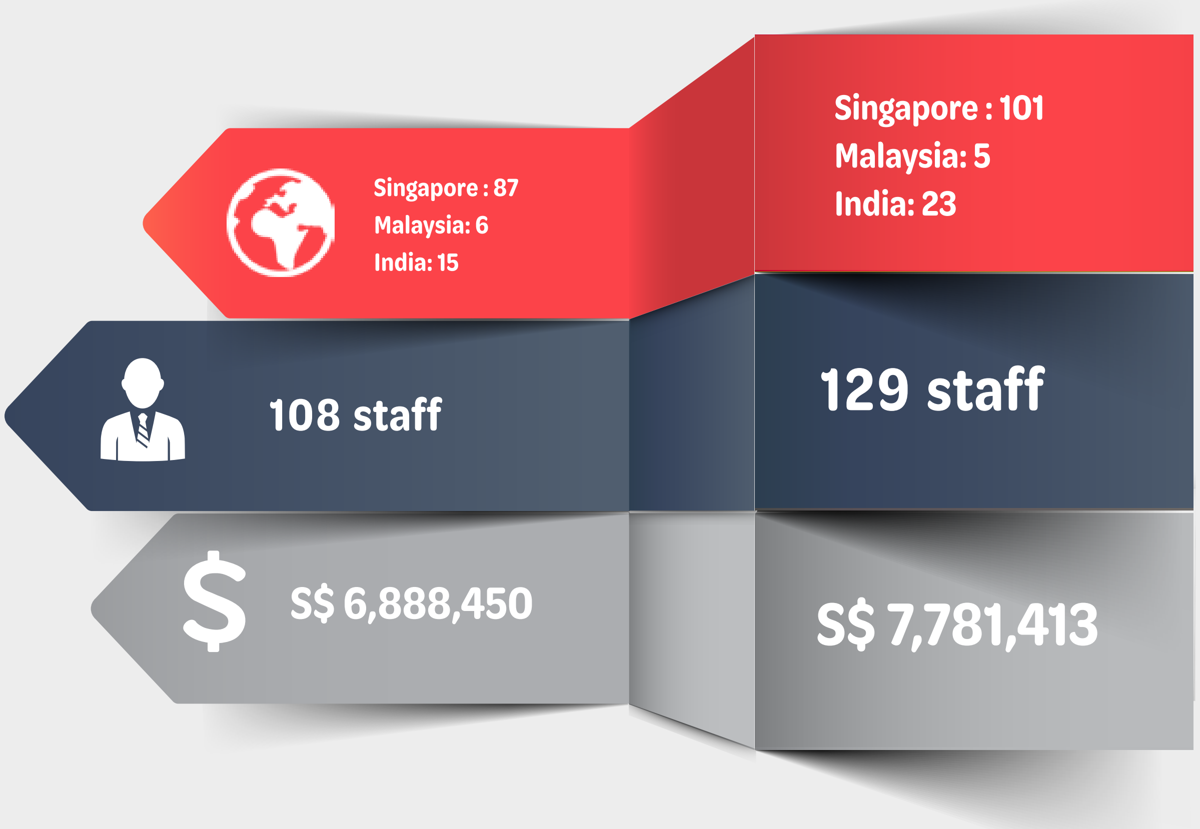
Employee remuneration is determined by reference to market terms and the performance, qualifications and experience of the individual employee.

Remuneration includes monthly salaries, allowances, contributions on defined contribution retirement plans, performance incentives, share-based payments and other benefits.

Remuneration package is reviewed based on performance appraisals and other factors. Discretionary bonus is given based on individual performance.

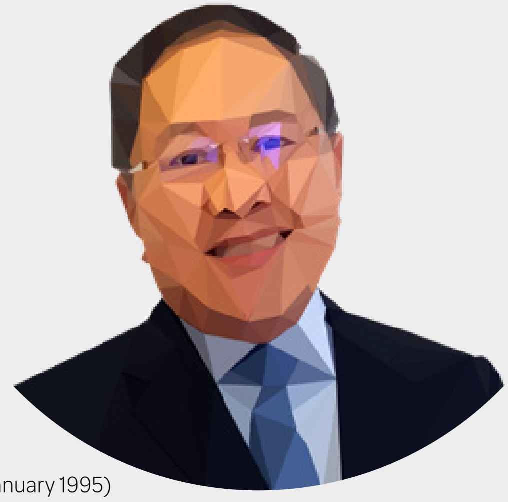
The Group is also committed to the employees' continuing education and development. The Group provide in-house training to the employees to keep them abreast of the latest technological know-how. The Group also may sponsor employees to attend external training and courses.

The Company adopted the Pre-IPO Share Option Schemes to promote the interests of the Company by providing eligible individuals who are responsible for the management, growth and financial success of the Company with the opportunity to acquire a proprietary interest in the company and thereby encourage them to remain in the service of the Company.



BOARD OF DIRECTORS

Lee Suan Hiang, 68



Chairman & Non-Executive Director

Bachelor of Industrial Design (Engineering), Manchester Metropolitan University, Singapore

Date of first appointment as a director:

18 December 2013

Date of appointment as Chairman:

2 June 2014

Board committees served on

Nonmination Committee (Chairman)

Present directorship in other listed companies

- Perennial Real Estate Holdings Limited [Stock code: 40S] (Independent Director)
- Viking Offshore & Marine Limited [Stock code: 557] (Independent Director)
- CITIC Envirotech Ltd [Stock code: U19] (Independent Director)
- United Engineers Ltd [Stock Code: U04] (Independent Director)
- MindChamps PreSchool Ltd [Stock code: CNE] (Independent Director)

Background and working experience

- President of Singapore Economic Development Board Society
- Member of the Board of Governors of the Chartered Management Institute
- Deputy Managing Director of the Singapore Economic Development Board (From April 1993 to January 1995)
- Chief Executive SPRING Singapore (From April 2002 to October 2003)
- Chief Executive of the National Arts Council (From October 2003 to July 2009)
- Council member of ISO (From 2002 to 2003)
- Chief Executive of the Real Estate Developers' Association of Singapore (REDAS) (From December 2011 to April 2016)

Ong Swee Heng, 45

Group Chief Operating Officer & Executive Director

Bachelor Degree in Electrical Engineering, National University of Singapore, Singapore

Master Degree in Management of Technology, National University of Singapore

Date of first appointment as a director:

21 February 2006

Background and working experience

- Defence Engineering and Scientific Officer at the Defence Science & Technology Agency of Control Communications & Computer Systems Organization (From May 1998 to December 1999)
- Project Manager at the Defence Science & Technology Agency of Control Communications & Computer Systems Organization (From January 2000 to November 2003)
- Director of Technical Operations at Buildfolio Technologies Pte. Ltd. (From December 2003 to February 2006)

Robert Chew, 61

Non-Executive Director

Bachelor Degree in Accountancy, National University of Singapore, Singapore

Master Degree in Computer Science,, University of Auckland, New Zealand

Date of first appointment as a director:

31 July 2014

Board committees served on

Audit Committee

Present principal commitments (other than directorship in other listed company)

- iGlobe Partners (II) Pte. Ltd.
- iGlobe Platinum Fund II Pte. Ltd.
- iGlobe Advisors Pte. Ltd.
- Treebox Solutions Pte. Ltd.
- Assurity Trusted Solutions Pte. Ltd.

Background and working experience

- Various positions at Accenture Pte. Ltd. (From September 1993 to October 2017)

Elango Subramanian, 55

Independent Non-Executive Director

Fellow, Association of Chartered Certified Accountants

Fellow, Insolvency Practitioners Association of Singapore Limited

Member, Institute of Singapore Chartered Accountants

Accredited Tax Advisor, Singapore Institute of Accredited Tax Professionals Limited

Date of first appointment as a director:

24 November 2016

Board committees served on

Audit Committee
Nomination Committee

Present principal commitments (other than directorship in other listed company)

- Raffles Corporate Advisory Services Pte. Ltd. (Director)
- Raffles PAC (Director)

Background and working experience

- 22 years of experience in accounting, forensic accounting, corporate advisory, tax advisory, litigation support, corporate restructuring and consulting

Lau E Choon Alex, 45

Group Chief Executive Officer & Executive Director

Bachelor Degree in Computer Science and Electrical Engineering, Cornell University, USA

Master Degree in Electrical Engineering, Stanford University, USA

Date of first appointment as a director:

21 February 2006

Background and working experience

- Co-founder and Director of Buildfolio Technologies Pte. Ltd. (From April 2000 to March 2006).

Awards

- Entrepreneur Of The Year, 2017, by Singapore Computer Society

Prof. Wong Poh Kam, 66

Non-Executive Director

Bachelor Degree in Physics and Electrical Engineering, Massachusetts Institute of Technology, USA

Master degree in Electrical Engineering and Computer Science, Massachusetts Institute of Technology, USA

Doctoral degree in Urban and Regional Planning, Massachusetts Institute of Technology, USA

Date of first appointment as a director:

17 October 2007

Board committees served on

Remuneration Committee

Present principal commitments (other than directorship in other listed company)

- School of Business of National University Singapore (Professor)
- BAF Spectrum Pte. Ltd. (Chairman)

Background and working experience

- Lecturer at Universiti Sains Malaysia (From April 1979 to June 1984)
- Senior Lecturer at School of Business of National University Singapore (From September 1988 to June 1996)
- Associate Professor at School of Business of National University Singapore (From July 1996 to December 2007)
- Professor at School of Business of National University Singapore (Since January 2008)

Alwi Bin Abdul Hafiz, 56

Independent Non-Executive Director

Bachelor Degree in Electrical Engineering, National University of Singapore, Singapore

Date of first appointment as a director:

24 November 2016

Board committees served on

Remuneration Committee (Chairman)
Nomination Committee

Present principal commitments (other than directorship in other listed company)

- Golden Veroleum Liberia Group (Sustainability Advisor)
- Land Transport Authority of Singapore (Board Member)
- Mendaki Social Enterprise Network Pte. Ltd. (Board Member)

Background and working experience

- Research associate in Booz-Allen & Hamilton Pte. Ltd. (From March 1987 to December 1987)
- Various senior management position in Hewlett-Packard, until November 2006 after 19 years
- Managing Director positions in British Standards Institution Group (From January 2007 to April 2013)

Li Man Wai, 60

Independent Non-Executive Director

Diploma in Business Administration, majoring in Accounting, Lingnan University, Hong Kong

Member, Hong Kong Institute of Certified Public Accountants

Member, Association of Chartered Certified Accountants, United Kingdom

Member, Certified Management Accountants of Ontario, Canada

Certified Practising Accountant, Hong Kong

Date of first appointment as a director:

24 November 2016

Board committees served on

Audit Committee (Chairman)
Remuneration Committee

Present directorship in other listed companies

- Next-Generation Satellite Communications Limited [Stock code: B07] (Independent Non-Executive Director)-

Background and working experience

- Founded and the sole proprietor of Raymond Li & Co., Certified Public Accountants (Since 1996)

SENIOR MANAGEMENT

Ho Hai Aik

Head of Business Consulting
Anacle Systems Limited

Hai Aik is primarily responsible for the project management, business consulting, pre-sales support and business development of the Company

Hai Aik has more than 15 years of experience in IT and business consulting. From June 2000 to February 2003, Mr. Ho worked as an IT associate (business development) at Cyber-IB Pte. Ltd., a company engaged in providing IT- based consulting services, where he was responsible for project management, business consulting, pre-sales and business development. He had then worked at Buildfolio as a consultant from March 2003 to June 2006, during which he was responsible for project management, account management, pre-sales support and business development.

Hai Aik graduated from Nanyang Technological University in Singapore with a bachelor's degree in Civil Engineering. He also obtained a specialist diploma in e-Commerce from Nanyang Polytechnic in Singapore and a graduate diploma in Business and Finance from Management Development Institute of Singapore which is recognised by Southern Cross University in Australia.

Li Shan

Senior Principal Software Architect
Anaclee Systems Limited

Li Shan has more than 11 years of experience in software design and development. From May 2005 to June 2006, Mr. Li had worked as a software engineer at Buildfolio where he was responsible for software development. Mr. Li had then worked as a software engineer at United Premas Limited, a company engaged in offering real estate management and development services, from June 2006 to January 2008, during which he was responsible for software development.

Li Shan graduated from Nanyang Technological University in Singapore with a bachelor's degree in Computer Engineering. He also obtained a master's degree in Engineering in the same university.

Jindhar Chougule

Vice President of Product Management
Anacle systems Limited

Jindhar has more than 21 years of experience in energy management and electric metering products industry. Mr. Chougule had worked as a technical assistant at Datapro Electronics Pvt Ltd. from July 1995 to August 2000. From September 2000 to May 2001, Mr. Chougule worked as a senior engineer at Enercon Systems Pvt Ltd. He then worked as a manager of design and development at EMCO Limited, a company which provides products and solutions for power generation, transmission, distribution utilities and industry, from June 2001 to November 2003.

From December 2003 to March 2010, Jindhar worked as a technology specialist at B.B.S. Electronics Pte. Ltd., and he was responsible for the design and development of smart meters, technical marketing and product certification. From March 2010 to June 2010, Mr. Chougule worked as a senior manager at Future Electronics Inc. (Distribution) Pte. Ltd. during which he was responsible for smart meter reference designs and technical marketing. He then worked at B.B.S. Access Pte. Ltd., a company specialising in the development of infrastructure, systems and accessories for telecommunication and utility measurement, as a solution architect from June 2010 to February 2014.

Jindhar obtained a Diploma in Electronics and Communication Engineering from the Board of Technical Examinations of the Government of Maharashtra.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Group for FY2018.

CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules").

The Company is committed to fulfilling its responsibilities to its shareholders (the "Shareholders") and protecting and enhancing Shareholders' value through solid corporate governance. The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control and risk management procedures of the Group so as to achieve effective accountability.

During the year ended 31 May 2018, the Group has complied with all applicable code provisions of the CG Code.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made specific enquiry, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding Director's securities transactions from the date of Listing up to the date of this annual report.

BOARD OF DIRECTORS

Responsibilities

The board of Directors (the "Board") is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's constitution (the "Constitution"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition of the Board

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non- executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment. As at the date of this report, the Board comprises the following eight Directors, of which the non-executive Directors and the independent non-executive Directors represent over 60% of the Board members:

Executive Directors

Mr. Lau E Choon Alex (Chief Executive Officer)

Mr. Ong Swee Heng (Chief Operating Officer)

Non-Executive Directors

Mr. Lee Suan Hiang (Chairman)

Prof. Wong Poh Kam

Mr. Robert Chew

Independent Non-Executive Directors

Mr. Alwi Bin Abdul Hafiz

Mr. Elango Subramanian

Mr. Li Man Wai

The biographical details of each of the Directors are set out in the section headed "Board of Directors" of this annual report.

From the Listing Date up to the date of this annual report, there was no change in the composition of the Board.

No Board member has any relationship (including financial, business, family, or other material relationships) with the other Board members and the chief executive officer of the Company (the "Chief Executive Officer")

During the year ended 31 May 2018, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, accounting for at least one third of the Board, with at least one independent non-executive Director possessing the appropriate professional qualifications, accounting or related financial management expertise.

Directors' Training and Continuing Professional Development

During the year ended 31 May 2018, all Directors have participated in the training regarding director responsibilities and duties arranged by the Company's legal advisers in relation to the GEM Listing Rules, statutes and common law, legal and other regulatory requirements and the Company's business and governance policies. Such programmes were related to corporate governance, listed companies and directors' continuing obligations. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Directors' Attendance at Board Meeting

The Board held meetings on 9 Octber 2017, 8 January 2018, 9 April 2018 and 27 August 2018 and, amongst other matters, discussed and approved (i) the Group's unaudited consolidated financial results for the three months ended 31 August 2017, the six months ended 30 November 2017 and the nine months ended 28 February 2018; (ii) the engagement of independent auditor for FY2018 and the audited consolidated financial statements of the Group for FY2018; (iii) the assessment of the effectiveness of the risk management and internal control systems of the Group; and (iv) the evaluation and drafting of the Environmental, Social and Governance Report for FY2018

The attendance of each Director at the Board meetings during the Period and up to the date of this annual report is as follows:

Directors	Number of board meetings attended/held
Executive Directors	
Mr. Lau E Choon Alex	4/4
Mr. Ong Swee Heng	4/4
Non-Executive Directors	
Mr. Lee Suan Hiang (Chairman)	4/4
Prof. Wong Poh Kam	4/4
Mr. Robert Chew	4/4
Independent Non-Executive Directors	
Mr. Alwi Bin Abdul Hafiz	4/4
Mr. Elango Subramanian	4/4
Mr. Li Man Wai	4/4

During FY2018, the Company held an annual general meeting of thee shareholders on 29 September 2017.

Independent Non-Executive Directors

The independent non-executive Directors are persons with relevant academic and professional qualifications. They advise the Company on strategic development, which enables the Board to maintain high standards of compliance with financial and other regulatory requirements. In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board and with at least one of whom having appropriate professional qualifications, or accounting or related financial management expertise.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the independent non-executive Directors to be independent and meet the requirements set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the code provision A.2.1 of the CG Code, the roles of the Chairman and Chief Executive Officer shall be separate and should not be performed by the same individual. During the Period, the Chairman of the Company was Mr. Lee Suan Hiang and the Chief Executive Officer of the Company was Mr. Lau E Choon Alex. The code provision A. 2.1 of the Code has therefore been complied with.

NON-EXECUTIVE DIRECTORS

The non-executive Directors, Mr. Lee Suan Hiang, Mr. Robert Chew and Prof. Wong Poh Kam have signed a letter of appointment with the Company for an initial term of three years, commencing from 24 November 2016 subject to termination in certain circumstances as stipulated in the letter of appointment.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 24 November 2016 (subject to termination in certain circumstances as stipulated in the relevant service agreement).

Each of the non-executive Director and the independent non- executive Director has entered into a letter of appointment with the Company for an initial term of three years commencing from 24 November 2016 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

Save as disclosed aforesaid, none of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries other than the agreements/letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All the Directors, including independent non-executive Directors, are subject to retirement by rotation and eligible for re-election in accordance with the Constitution. At each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the AGM at which he retires. The Directors to retire by rotation shall include (so far as necessary to obtain the number of Directors required to retire by rotation) any Director who wishes to retire and not to offer himself for re-election but shall not include any Director who is due to retire at the AGM by reason of age. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment or have been in office for the three years since their last election. As between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next AGM after his appointment and shall then be eligible for re- election at such meeting but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

DIRECTORS' LIABILITY INSURANCE

The Company has arranged appropriate insurance to cover the liabilities in respect of legal action against the Directors and officers of the Company that may arise out of the corporate activities. The insurance coverage is reviewed on an annual basis.

BOARD COMMITTEES

The Board established three committees, namely the audit, remuneration and nomination committees, to oversee particular aspects of the Group's affairs. Each of the three committees has its specific terms of reference relating to authority and duties.

The majority of members of the audit, remuneration and nomination committees are independent non-executive Directors.

The Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, they are able to seek independent professional advice in appropriate circumstances at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

Remuneration Committee

The remuneration committee (the "Remuneration Committee") was established on 24 November 2016 with written terms of reference in compliance with B.1.2 of the CG Code.

The Remuneration Committee's terms of reference include, but not limited to:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and establishing a formal and transparent procedure for developing remuneration policy;
- reviewing and approving the management's remuneration proposals with reference to the Board's goals and objectives;
- making recommendations to the Board on the remuneration packages of for all Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- ensuring that no Director or any of his/her associates (as such term is defined in the Rules Governing the Listing of Securities on the GEM of the HKEx (the "Listing Rules") is involved in deciding his own remuneration;

The Remuneration Committee consists of Mr. Alwi Bin Abdul Hafiz, Mr. Li Man Wai, and Prof. Wong Poh Kam. Mr. Alwi Bin Abdul Hafiz is the chairman of the remuneration committee.

The Remuneration Committee shall meet at least once a year. The attendance of each committee member during the year ended 31 May 2018 is as follows:

Remuneration Committee members	Number of meetings attended/held
Mr. Alwi Bin Abdul Hafiz (Chairman)	1/1
Mr. Li Man Wai	1/1
Prof. Wong Poh Kam	1/1

Audit Committee

The audit committee (the "Audit Committee") was established on 24 November 2016 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and the code provision C.3.3 of the CG Code.

The primary responsibilities of the Audit Committee are to assist the Board in providing an ovrsight of the effectiveness of the Group's financial reporting process, internal control and risk management system, to review the financial information of the Group and to liaise with the auditors to discuss audit matters.

The Audit Committee consists of two independent non- executive Directors, Mr. Li Man Wai and Mr. Elango Subramanian, and one non-executive Director, Mr. Robert Chew. The chairman of the Audit Committee is Mr. Li Man Wai, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules. None of the members of the Audit Committee are former partners of the Company's existing external auditors. The Audit Committee shall meet at least twice a year.

The attendance of each committee member during the year ended 31 May 2018 is as follows:

Audit Committee members	Number of meetings attended/held
Mr. Li Man Wai (Chairman)	3/3
Mr. Elango Subramanian	3/3
Mr. Robert Chew	3/3

Nomination Committee

The nomination committee (the "Nomination Committee") was established on 24 November 2016 with written terms of reference in compliance with A.5.2 of the CG Code.

The Nomination Committee's terms of reference include, but not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the group managing director;
- identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship; and
- assessing the independence of independent non- executive Directors.

The Nomination Committee consists of Mr. Lee Suan Hiang, Mr. Elango Subramanian and Mr. Alwi Bin Abdul Hafiz. Mr. Lee Suan Hiang is the chairman of the remuneration committee.

The Nomination Committee shall meet at least once a year. The attendance of each committee member during the year ended 31 May 2018 is as follows:

Nomination Committee members	Number of meetings attended/held
Mr. Lee Suan Hiang (Chairman)	1/1
Mr. Elango Subramanian	1/1
Mr. Alwi Bin Abdul Hafiz	1/1

Corporate Governance Functions

The Board recognises that corporate governance should be the collective responsibility of the Directors which include but are not limited to:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this report.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy and and discussed all measurable objectives set for implementing the same .

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, race, language, cultural and educational background, industry experience and professional experience.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the effectiveness of the Group's risk management and internal control systems.

The risk management process includes risk identification, risk evaluation, risk management and risk control and review. The management is entrusted with duties to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority.

The Group has conducted a review of the implemented system and procedures, including areas covering financial, operational, legal compliance controls and risk management functions. The systems are implemented to minimize the risk to which the Group is exposed and is used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Group has engaged an independent professional party, Ernst & Young (the "IA"), to perform the internal audit functions and evaluate the risk management and internal control systems of the Group. The IA reports directly to the Audit Committee and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the Audit Committee periodically. The IA completed a review for FY2017 in accordance with the internal audit plan developed and approved by the Audit Committee. The Board has adopted the recommendations of the internal auditors set out in the internal audit report.

Based on the risk management framework and internal controls established and maintained by the Group, work performed by the internal, external auditors and reviews performed by management, the Board considered the Group's internal control system as adequate and effective and that the Company has complied with the code provisions on internal control of the CG Code during FY2018.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the GEM Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Joint Company Secretaries and the financial controller of the Company are authorised to communicate with parties outside the Group.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the consolidated financial statements of the Company for FY2018.

The Board is responsible to present a balanced, clear and understandable assessment in the Company's annual and interim reports, price-sensitive announcement and other financial disclosures required under the GEM Listing Rules and other requirements under relevant applicable regulations. Senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information.

As at 31 May 2018, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Company for FY2018 on a going concern basis.

The responsibilities of BDO Limited, the independent auditor of the Company, regarding their financial reporting on the Company's consolidated financial statements for FY2018 are set out in the independent auditor's report contained in this annual report.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for FY2018 are set out in note 12 to the consolidated financial statements of this annual report.

The remuneration of the members of the senior management (other than the Directors) for FY2018 by band is as follows:

Remuneration band in HK$	Number of individuals
HK$ 500,000 - HK$ 1,000,000	2
HK$ 1,000,001 - HK$ 1,500,000	3

INDEPENDENT AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's independent auditor, BDO Limited, in respect of their audit services and non-auditing services for FY2018 was S$119,000.

JOINT COMPANY SECRETARIES

The Company has appointed Ms. Sylvia Sundari Poerwaka ("Ms. Poerwaka") as one of the Joint Company Secretaries since 24 November 2016, who has sound understanding of the operations of the Board and the Group.

Ms. Poerwaka, the financial controller of the Group, joined the Group in March 2012 and is responsible for overseeing the finance department with the major duty in the area of financial management in our Company. She has been a member of the Institute of Singapore Chartered Accountants since July 2013.

Ms. Poerwaka does not possess the specified qualifications for a company secretary as required by Rule 5.14 of the GEM Listing Rules. During FY2017, she has received no less than 15 hours of professional training in compliance with Rule 5.15 of the GEM Listing Rules.

Given the important role of the company secretary in the corporate governance function of the Company, particularly in assisting the Company and the Directors in complying with the GEM Listing Rules and other relevant laws and regulations, the Company has also appointed Mr. Kwok Siu Man ("Mr. Kwok"), who meets the requirement under Rule 5.14 of the GEM Listing Rules, as the other Joint Company Secretary, with effect from 24 November 2016, to work closely with and provide assistance to Ms. Poerwaka in discharge of the latter's duties and responsibilities as a Joint Company Secretary. Mr. Kwok was nominated by Boardroom Corporate Services (HK) Limited ("Boardroom") to act as a Joint Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Mr. Kwok has been contacting in respect of company secretarial matters is Ms. Poerwaka.

Mr. Kwok is a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Hong Kong Institute of Chartered Secretaries, The Association of Hong Kong Accountants and The Hong Kong Institute of Directors. As Mr. Kwok was first appointed the company secretary of a Hong Kong Hang Seng Index constituent stock company in 1991 and has been acting in such capacity for a number of other reputable companies listed on the Stock Exchange at substantial amount of time, he was not required to have at least 15 hours of relevant continuous professional development training for each of the five consecutive years from 2012. However, Mr. Kwok had delivered and attended over 15 hours' relevant seminars during FY2018.

All Directors have access to the advice and services of the Joint Company Secretaries to ensure that Board procedures and all applicable law, rules and regulations are followed.

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

There are no provisions allowing Shareholders to make proposals or move resolutions at the AGMs under the Constitution or the laws of the Republic of Singapore. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "EGM") in accordance with the "Procedures for Shareholders to Convene an EGM" set out below.

Procedures for Shareholders to Convene an EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the total number of paid-up Shares carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to require an EGM to be called by the Board or the Joint Company Secretaries for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned at the registered office and principal place of business of the Company in Singapore at 1 Fusionopolis View, Sandcrawler #08-02, Singapore 138577 for the attention of the Joint Company Secretaries.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Joint Company Secretaries will ask the Board to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM within 2 months after the deposit of the Requisition.

On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, the Board will not call for an EGM nor include the proposal(s) made or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) or any of them representing more than 50% of the total voting rights of all of them, may in the same manner as nearly as possible as that in which EGMs are to be convened by the Directors convene an EGM, but any EGM so convened shall not be held after the expiration of 3 months from that date of deposit of the Requisition. All reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

Procedures for Shareholders to Send Enquires to the Board

Shareholders may direct their enquiries about their shareholdings or their notification of change of correspondence address or their dividend/distribution instructions to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

Shareholders may send their enquiries and concerns to the Board by addressing them to the registered office and principal place of business of the Company in Singapore at 1 Fusionopolis View, Sandcrawler #08-02, Singapore 138577, by post or by email to info@anacle.com, for the attention of the Joint Company Secretaries.

Upon receipt of the enquiries, the Joint Company Secretaries will forward the communications relating to:

- the matters within the Board's purview to the executive Directors;
- the matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
- ordinary business matters, such as suggestions, enquiries and client complaints to the appropriate management of the Company.

SHAREHOLDER COMMUNICATION POLICY

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

Information will be communicated to the Shareholders through the Company's financial reports, AGMs and other EGMs that may be convened as well as all the published disclosures submitted to the Stock Exchange.

CONSTITUTIONAL DOCUMENTS

Except for the adoption of new Constitution by the Company to comply with the applicable legal and regulatory requirements (including the GEM Listing Rules) on 24 November 2016 in anticipation of the Listing, there were no changes in the constitutional documents of the Company during FY2018.

The Constitution is available on the respective websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company believes that maintaining effective communication with the investment industry is crucial to having a deeper understanding of the Company's business and its development among investors. To achieve this goal and increase transparency, the Company will continue to adopt proactive measures to foster better investor relations and communications.

As such, the purpose for the Company to formulate investor relations policies is to let investors have access to the information of the Group in a fair and timely manner, so that they can make an informed decision.

We welcome investors to visit the Company's website at www.anacle.com to obtain up-to-date information regarding the Company.

DIRECTOR'S REPORT

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for FY2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are software development, provision of enterprise application software solutions and energy management solutions, and provision of support and maintenance services. Details of the principal activities of the Company and the principal activities subsidiaries are set out in notes 1 and 18 to the consolidated financial statements in this annual report. There were no significant changes to the Group's principal activities during FY2018.

BUSINESS REVIEW

A review of the Group's performance, business activities and development is set out in the "Chairman's Statement" section on pages 6 to 7 and the "Management Discussion and Analysis" section on pages 8 to 23 of this annual report.

RESULTS AND DIVIDENDS

The Group's financial performance for FY2018 is set out in the consolidated statement of comprehensive income on page 53 of this annual report and the consolidated statement of financial position of the Group as at 31 May 2018 is set out in the consolidated statement of financial position on page 54 of this annual report.

The Directors did not recommend the payment of a final dividend for FY2018..

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 28 September 2018 (the "AGM"). For determining the entitlement of the shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 24 September 2018 to Friday, 28 September 2018, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to qualify for attending and voting at the AGM, shareholders of the Company must lodge all share transfer documents accompanied by the relevant share certificates with the share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Friday, 21 September 2018.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 May 2018, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

KEY RISKS AND UNCERTAINTIES

Details of risk factors faced by the Company and the risk mitigation strategies are set out in the "Management Discussion and Analysis" section on pages 18 to 19 of this annual report.

PLANT AND EQUIPMENT

Details of movements in the Group's plant and equipment during FY2018 are set out in note 16 to the consolidated financial statements in this annual report.

BANK BORROWINGS

As at 31 May 2018, the Group did not have any bank borrowings.

SHARE CAPITAL

Details of movements in the Company's share capital during FY2018 are set out in note 29 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's constitution. However, the Company will comply with the Singapore Companies Act and Rules 17.39 to 17.42B of the GEM Listing Rules in relation to pre-emptive rights and the general manda granted to the Directors to issue Shares pursuant to the written resolutions of the shareholders dated 24 November 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Since the Listing Date to the date of this annual report, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company.

RESERVES

Details of movements in reserves of the Group and the Company are set out on page 55 of the consolidated statement of changes in equity of this annual report.

DISTRIBUTABLE RESERVES

As at 31 May 2018, the Company had no distributable reserves.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2018, sales to the Group's five largest customers accounted for approximately 52.2% (2017: 65.3%) of total sales and sales to the largest customer amounted to approximately 19.1% (2017: 24.6%) of total sales.

The Group's five largest suppliers accounted for approximately 49.1% (2017: 53.1%) of total purchases during FY2018 and purchases from the largest supplier amounted to approximately 18.2% (2017: 15.7%) of total purchases.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during FY2018.

DIRECTORS

The Directors who held office during FY2018 and up to the date of this annual report were as follows:

Executive Directors

Mr. Lau E Choon Alex
Mr. Ong Swee Heng

Non-Executive Directors

Mr. Lee Suan Hiang (Chairman)
Prof. Wong Poh Kam
Mr. Robert Chew

Independent non-executive Directors

Mr. Alwi Bin Abdul Hafiz
Mr. Elango Subramanian
Mr. Li Man Wai

At least one-third of the Directors shall retire from office by rotation and re-election at each annual general meeting of the Company in accordance with the Company's constitution, providing that every Director shall be retired at least once every three years.

In accordance with regulations 98 and 99 of the Company's constitution, Mr. Alwi Bin Abdul Hafiz, Mr. Elango Subramanian and Mr. Li Man Wai would retire by rotation and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and the senior management of the Group are set out on pages 24 to 26 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The executive Directors, Mr. Lau E Choon Alex and Mr. Ong Swee Heng have signed service contracts with the Company for an initial term of 3 years commencing from 24 November 2016 (subject to termination in certain circumstances as stipulated in the service agreement).

The non-executive Directors, Mr. Lee Suan Hiang, Mr. Robert Chew and Prof. Wong Poh Kam have signed letters of appointment with the Company for an initial term of three years, commencing from 24 November 2016 (subject to termination in certain circumstances as stipulated in the letter of appointment).

The independent non-executive Directors, Mr. Li Man Wai, Mr. Elango Subramanian and Mr. Alwi Bin Abdul Hafiz have signed letters of appointment with the Company for an initial term of three years, commencing from 24 November 2016 (subject to termination in certain circumstances as stipulated in the letter of appointment).

None of the Directors has entered into any service agreements with the Company which is not determinable by the Group within one year without payment of compensation other than the statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a written annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

COMPETING INTERESTS

During FY2018, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/ or caused any conflicts of interest with the Group.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

None of the Directors, the controlling shareholders, nor their respective associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during FY2018.

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing and determining the Group's emolument policy and structure for all remuneration of the Directors and senior management based on the Group's operating results, individual performance and comparable market practices.

Details of the remuneration of the Directors and five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in notes 12 and 13 of the consolidated financial statements in this annual report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during FY2018.

PERMITTED INDEMNITY PROVISION

Appropriate Directors' liability insurance cover has been arranged by the Company to indemnify the Directors for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are reviewed annually.

DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

On 28 November 2016, Mr. Lau E Choon Alex, Mr. Ong Swee Heng, Ms. Lim Siang Ngin, Mr. Ho Hai Aik, Ms. Ng Ying Ling, Mr. Chew Chung Hon, Mr. James Tay Chin Kwang, Mr. Arnold Tan Kim Hong, Mr. Ng Sah Keong, Mr. Seow Ho Yien, and BAF Spectrum Pte. Ltd. (the "Controlling Shareholders") entered into a deed of non-competition ("Deed of Non- Competition") in favour of the Company, pursuant to which each of the Controlling Shareholders has irrevocably undertaken to the Company (for itself and on behalf of each othermemberoftheGroup) thatfromtheListingDate,he/ she/ it would not, and would procure that his/ her/ its associates (except any members of the Group) would not directly or indirectly, either on his/ her/ its own account or in conjunction with or on behalf of any person, firm or company, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any activity or business which competes, or is likely to compete, either directly or indirectly, with our business or the business of any members of the Group from time to time. Please refer to the section "Relationship with our Controlling Shareholders – Deed of Non-Competition" in the Prospectus.

Each Controlling Shareholder has confirmed to the Company of his/ her/ its compliance from the Listing Date up to 31 May 2018. The independent Board has reviewed and confirmed that all of the aforesaid undertakings have been complied with.

SHARE OPTION SCHEMES

Pre-IPO Share Option Schemes

The Company adopted two Pre-IPO Share Option Schemes with the approval of the Board. The principal terms of the two Pre-IPO Share Option Schemes are substantially identical to each other.

The Pre-IPO Share Option Schemes are intended to promote the interests of the Company by providing eligible individuals who are responsible for the management, growth and financial success of the Company or who otherwise render valuable services to the Company with the opportunity to acquire a proprietary interest, in the Company and thereby encourage them to remain in the service of the Company.

These Pre-IPO share options are exercisable at either approximately S$0.01 per share or S$0.07 per share (as the case maybe and taking into account the automatic adjustment due to the sub-division of shares of the Company that took place on 24 November 2016), each becoming exercisable in four equal tranches at the end of each year commencing from the grant date and shall expire (i) ten years from the day on which the Pre-IPO share options become exercisable; or (ii) three years from the day on which the Company become listed on a stock exchange.

As at the date of this annual report, 31,179,876 Shares have been granted to 11 grantees under the terms of the Pre-IPO Share Option Schemes. These grantees comprised two Directors, four members of senior management of the Group and five current/former employees of the Group.

All outstanding Pre-IPO share options have not been exercised as at the date of this report.

Post-IPO Share Option Scheme

The Company has conditionally adopted the Post-IPO Share Option Scheme, which was approved by written resolutions passed by the Shareholders on 24 November 2016.

Since the adoption of the Post-IPO Share Option Scheme, no share option has been granted, exercised or cancelled by the Company under the Post-IPO Share Option Scheme and there were no outstanding share options under the Post-IPO Share Option Scheme as at 31 May 2018 and as at the date of this annual report.

Save as disclose above, at no time during FY 2018 was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debenture of the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 May 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures ORdinance (Chapter 571 of the Laws of Hong Kong ("SFO")) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Shares and the Underlying Shares

Name of Directors / Chief Executive	Capacity / Nature of interest	Number of Shares / underlying Shares interested	Total interests	Approximate percentage of the Company's issued shares[4]
Mr. Lau E Choon Alex	Beneficial interest	45,500,000	50,469,783[1]	12.64%
("Mr. Lau")	Beneficial interest	4,969,783[3]		
Mr. Ong Swee Heng	Beneficial interest	22,750,000	27,719,783[2]	6.94%
("Mr. Ong")	Beneficial interest	4,969,783[3]		

Notes:

1. *Ms. Ng Yen Yen is Mr. Lau's wife and is deemed to be interested in the Shares and the underlying Shares held by Mr. Lau pursuant to the disclosure requirements of the SFO.*
2. *Ms. Lim Lay Hong is Mr. Ong's wife and is deemed to be interested in the Shares and the underlying Shares held by Mr. Ong pursuant to the disclosure requirements of the SFO.*
3. *These interests represent the total underlying Shares comprised the Pre-IPO share options granted by the Company on 10 March 2010.*
4. *The percentage of shareholding was calculated based on the Company's total number of issued Shares of 399,158,496 as at 31 May 2018, without taking into account the Shares to be issued upon exercise of the Pre-IPO share options.*

Save as disclosed above, as at 31 May 2018, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Long Positions in the Shares and the Underlying Shares (Continued)

The above Directors were granted share options under the Pre-IPO Share Option Schemes of the Company to subscribe for the Shares, which are exercisable in four equal tranches at the end of the year commencing on the date of grant and shall expire (i) 10 years from the date on which the share options become exercisable; or (ii) three years from the date on which the Company becomes listed on a stock exchange, whichever is earlier. The following table sets out the details of the share options under the Pre-IPO Share Option Schemes granted to the Directors as at 31 May 2018:

Name of Eirectors	Exercise price per Share	Number of underlying Shares comprised in the Pre-IPO share options	Date of grant	Approximate percentage of the Company's issued shares(4)
Mr. Lau(1)	Approximately S$ 0.01	4,969,783(3)	10 March 2010	1.25%
Mr. Ong(2)	Approximately S$ 0.01	4,969,783(3)	10 March 2010	1.25%

Notes:

1. *Ms. Ng Yen Yen is Mr. Lau's wife and is deemed to be interested in the above underlying Shares held by Mr. Lau pursuant to the disclosure requirements of the SFO.*
2. *Ms. Lim Lay Hong is Mr. Ong's wife and is deemed to be interested in the above underlying Shares held by Mr. Ong pursuant to the disclosure requirements of the SFO.*
3. *These interests represent the total underlying Shares comprised the Pre-IPO share options granted by the Company on 10 March 2010.*
4. *The percentage of shareholding was calculated based on the Company's total number of issued Shares of 399,158,496 as at 31 May 2018, without taking into account the Shares to be issued upon exercise of the Pre-IPO share options.*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 May 2018, so far as is known to the Directors, the following persons/entities (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO :

Name of Shareholders	Capacity/Nature of interest	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of Company's issued shares (11)
iGlobe Platinum Fund Limited (1)	Beneficial interest	82,326,335	-	82,326,335	20.62%
Ng Yen Yen (2)	Interest of spouse	45,500,000	4,969,783	50,469,783	12.64%
Anna Lau Wu You (3)	Interest of a child	45,500,000	4,969,783	50,469,783	12.64%
Sara Lau Xiao Yu (4)	Interest of a child	45,500,000	4,969,783	50,469,783	12.64%
Alex Lau Xuan Ye (5)	Interest of a child	45,500,000	4,969,783	50,469,783	12.64%
BAF Spectrum Pte. Ltd. (6)	Beneficial interest	39,565,162	-	39,565,162	9.91%
Majuven Fund 1 Ltd.(7)	Beneficial interest	36,528,219	-	36,528,219	9.15%
Lim Lay Hong (8)	Interest of spouse	22,750,000	4,969,783	27,719,783	6.94%
OWW Investments III Limited (9)	Beneficial interest	20,873,307	-	20,873,307	5.23%
M1 TeliNet Pte. Ltd. (10)	Beneficial interest	20,259,000	-	20,259,000	5.08%
M1 Limited (10)	Interest in a controlled corporation	20,259,000	-	20,259,000	5.08%

Notes:

1. *iGlobe Platinum Fuwnd Limited is beneficially owned by Asia Core Properties Inc. Pte. Ltd., Lee Hau Hian, Frank H. Levinson Revocable Living Trust, Gotthard Haug, Harry Harmain Diah, iGlobe Sapphire Pte. Ltd., iGlobe Partners (II) Pte. Ltd., Kepventure Pte. Ltd., Khattar Holdings Private Limited, Liu Lynn Ya-Lin, Melody Investment Holdings Pte. Ltd., Priya-Roshni Private Ltd., Quek Soo Hoon, Tay Thiam Song and Wong Mee Chun. iGlobe Platinum Fund Limited is owned as to approximately 21.1% by iGlobe Sapphire Pte. Ltd., which is in turn beneficially owned by Jean Philippe Sarraut, Hu Xiao Bao, Lee Suan Hiang, Quek Soo Hoon, Quek Soo Boon, Annie Koh, Yong Woon Sui, Koh Hiang Chin Melanie, Philip Yeo Liat Kok, Prof. Wong Poh Kam, Ng Kah Joo and Kitade Koichiro.*
2. *Ms. Ng Yen Yen is Mr. Lau's wife and is deemed to be interested in the shareholding interests of Mr. Lau in the Company pursuant to the disclosure requirements of the SFO.*
3. *Anna Lau Wu You is Mr. Lau's daughter under the age of 18 and is deemed to be interested in the shareholding interests of Mr. Lau in the Company pursuant to the disclosure requirements of the SFO.*
4. *Sara Lau Xiao Yu is Mr. Lau's daughter under the age of 18 and is deemed to be interested in the shareholding interests of Mr. Lau in the Company pursuant to the disclosure requirements of the SFO.*
5. *Alex Lau Xuan Ye is Mr. Lau's daughter under the age of 18 and is deemed to be interested in the shareholding interests of Mr. Lau in the Company pursuant to the disclosure requirements of the SFO.*
6. *BAF Spectrum Pte. Ltd. is beneficially owned by Prof. Wong Poh Kam, Shah Sanjeev Kumar, Chow Yen Lu Yale, Tan Hong Huat, Hellmut Schutte, William Klippgen, Chua Seng Kiat and five other second-tier investors.*
7. *Majuven Fund 1 Ltd. is beneficially owned by Singapore Warehouse Company (Private) Ltd., Poems Pte. Ltd., Koh Boon Hwee, Lui Pao Chuen, Chua Sock Koong, Phuay Yong Hen, Lee Hsien Yang, Lim Ho Kee, Lee Ching Yen Stephen, Chow Helen, Chan Wing To, Low Teck Seng, Yoh Chie Lu, Chaly Mah Chee Kheong, Loo Yen Lay Madeleine, Sri Widati Erbawan Putri and Majuven Fund 1 LP.*
8. *Ms. Lim Lay Hong is Mr. Ong's wife and is deemed to be interested in the shareholding interests of Mr. Ong in the Company pursuant to the disclosure requirements of the SFO.*
9. *OWW Investments III Limited is beneficially owned by Wang Zaian, Li Mingding, Zhao Yang, Li Wenli, Pan Chengjie, He Li, Tao Feng, Ying Jiong, Su Jinhuo, Zang Yi, Yu Hai, Pang Hongmei, Li Shengfa, Li Weiwei, Xian Youwei, Li Ting, Hong Liping, Chen Guilin, Gao Junsong, Zhang Aijun, Wu Jinxiang, Shen Jinlong, Xiao Bin, Yu Rong, Wang Ruihong, Wei Dong, Shi Yuanfeng, Tan Bien Chuan, Kai Wan Chung, Ye Yongqing, Xu Yongrui, Yang Qi, Liang Chengan, Qin Lei, Gu Weiping, Jia Bin, Chen Kunsheng, Huang Haidi, Sun Yuxing, Wan Shilong, Huang Renzhu, Anil Kanayalal Thawani, Xu Jiantang, Deng Bingxin, Mao Shizhang, Qian Jun, Yu Zhong, Liu Yang, Wu Wei, Zong Haixiao, Deng Kunlai, Sun Jian, Zhao Shangyang, Wu Xiaoxia and Li Xiaorong.*
10. *M1 Limited wholly owns M1 TeliNet Pte. Ltd. and is deemed to be interested in the Shares held by M1 TeliNet Pte. Ltd. pursuant to the disclosure requirements of the SFO.*
11. *The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 May 2018 (i.e. 399,158,496 Shares) without taking into account the Shares to be issued upon exercise of the Pre-IPO share options.*

Save as disclosed above, as at 31 May 2018, so far as is known by or otherwise notified to the Directors, no other person or entity (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and underlying Shares as required to be recorded in the register to be kept by the Company pursuant to Section 336 of the SFO.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are valuable assets to the Company. The Group provides competitive remuneration package to attract and motivate the employees. The Group is committed to providing talented people with safe and comfortable working environment.

We regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. We also provides regular training for technical staff.

We understands that it is important to maintain good relationship with our business partners, suppliers and customers to achieve its long-term goals. Accordingly, the senior management have kept good communication, promptly exchanged ideas and shares business update with them when appropriate. During FY2018, there was no material and significant dispute between the Group and its business partners, suppliers and customers.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during FY2018 are disclosed in note 35 to the consolidated financial statements. The related party transactions did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 20 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the CG Code as contained in Appendix 15 to the GEM Listing Rules from the Listing Date to 31 May 2018. A report on the principal corporate governance practices adopted by the Company is set out on page 27 to page 35 of this annual report.

ENVIRONMENTAL POLICY

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. We encourage environmental protection and promote awareness towards environmental protection to the employees. We adhere to the principle of recycling and reducing. We implement green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

We will review our environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During FY2018, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, KGI Capital Asia Limited, as at 31 May 2018, save for the compliance adviser agreement dated 15 August 2016 entered into between the Company and KGI Capital Asia Limited, neither KGI Capital Asia Limited, nor any of its directors, employees and associates had any interest in relation to the securities of the Company or any member of the Group including options or rights to subscribe for such securities, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

EQUITY-LINKED AGREEMENTS

Other than the section headed "Share Option Schemes" as disclosed above, no equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during FY2018 or subsisted at the end of FY2018.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

CHARITABLE DONATIONS

The Group did not make any charitable donations during FY2018.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the "Financial Summary" section on page 13 of this annual report.

AUDIT COMMITTEE

The Audit Committee comprises one non-executive Director, namely Mr. Robert Chew and two independent non-executive Directors, namely Mr. Li Man Wai and Mr. Elango Subramanian. Mr. Li Man Wai is the chairman of the Audit Committee.

The Group's audited consolidated financial statements for FY2018 and this annual report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event of the Group after the reporting period and up to the date of this annual report.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for FY2018 have been audited by BDO Limited whose term of office will expire upon the AGM. A resolution to re-appoint BDO Limited as independent auditor of the Company will be proposed at the AGM.

By order of the Board
Lau E Choon Alex
Executive Director and Chief Executive Officer
Singapore, 27 August 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board of Directors of the Group is pleased to present the Environmental, Social and Governance Report (the "Report") for FY2018. The Report is prepared based on Appendix 20 of the GEM Listing Rules "Environmental, Social and Governance Reporting Guide". The Report summarises principal businesses of the Group in Singapore, Malaysia and India.

POLICIES STATEMENT

The Group aims to foster sustainable development and undertake corporate responsibility. Therefore, while the Group actively develops and seeks business opportunities, it also takes into consideration factors including environment, society and ethics so as to ensure the Group can achieve a balance between business development, social demand and environmental impacts. The Group also values major concerns of our stakeholders (including but not limited to customers, investors, shareholders, suppliers, employees and other organisations), aiming to maximise profits for shareholders while protecting interests of our stakeholders. The Group will maintain close communications with stakeholders on topics regarding environment and society as well as solutions to identify potential issues on sustainable development and to satisfy expectations and demands from various stakeholders.

In addition to enhancing our values of sustainable development, policies and core competency, the Group endeavors to provide quality services and maintain close contacts with customers, which enables the Group to gain a better understanding of their needs and preferences enabling us to offer customised value-added services. In the course of preparing the Report, the Group conducted thorough review and assessment towards our existing environmental and social policies the aim of achieving better performance in aspects of environment, social, corporate governance and operation in the future.

A. ENVIRONMENTAL

Emissions, use of resources and the environment and natural resources

In consideration of our industry characters, the Group has made plans, formulated standards, implemented, operated, reviewed and assessed matters relating to environmental management in order to perform responsibilities on environmental protection. In daily activities, our Group strictly controlled the use of water and electricity in office, actively took measures to encourage our staff to follow the environmental protection philosophy to save water and electricity and conduct waste separation. The Group promoted electronic informatization management to build "paperless" office.

With the implementation of the measures above, we believe the objectives of saving energy, reducing waste and preserving the environment can be achieved.

B. SOCIAL

Employment and Labour Practices

Our employees are important assets to the Group, as well as the driving force behind the Group's continued business expansion. We therefore strive to create a harmonious employment relationship in order to encourage more people to join the Group. We uphold the principle of fairness in recruitment, and our hiring criteria are built on the applicants' qualifications, abilities, experience, and skills. Every applicant has the same right to apply, and their treatment is not affected by gender, pregnancy, family status, marital status, race, disability, etc. The Group's existing employee teams come from different countries, including Malaysia, China, Vietnam, India, Myanmar, Indonesia, France, Latvia, Cambodia, Phillipinnes, and a harmonious working environment has been created.

The Group is constantly improving its employment mechanism. It adheres to the principle of fairness, and provides promotion opportunities for outstanding employees. We assess employees' performance and their contribution to the Group when reviewing their compensation and benefits, in order to reflect employees' contributions to the Group and enhance the employees' sense of belonging and sense of responsibility for the Group.

The Group also organises recreational activities from time to time, such as company lunches, monthly beer-buzz, team building events so as to facilitate communication among employees and to help colleagues balance the intense pressures of work.

If an employee were unfortunately to suffer a work-related injury or accidental death, the Group will provide compensation for the employee in accordance with the Ministry of Manpower (Singapore) through workmen compensation insurance policy and public liability insurance policy.

The Group's labour standards primarily focus on conformity with local labour laws and regulations. In our hiring process, we screen candidates in strict accordance with the minimum age limits of their respective work locations and we are committed to hiring as our employees only those over the minimum legal age in order to protect children's rights to safety and healthy development. Our internal standard on working hours is set at 8 hours per day or 44 hours per week.

All overtime work by employees are voluntary in nature. When employees need to work overtime, we provide reasonable overtime pay as a compensation for employees, in accordance with the Ministry of Manpower (Singapore) guidelines and the Group's compensation policy.

The Group did not employ any child or forced labour during the reporting period.

Health and Safety

The business operations of the Group do not involve high- risk activities, however, the Group places great importance to occupational safety, hugiene and health of the employees.

The Company has successfully obtained an OHSAS18001:2007 certification. It has developed clear occupational health and safety policies, as well as a series of target indicators and procedural documents designed to continuously identify potential risks at the plants, to try to reduce the incidence of accidents, to observe local occupational health and safety regulations, and to ensure continuous improvement in our occupational safety and health performance. The Group also provides regular briefings for all employees, on occupational safety and health policies, risk management, and workplace safety. In order to strengthen the employees' response when faced with an emergency situation such as a fire or injury, we have drawn up contingency plans and regularly gather the employees to carry out drills.

Development and Training

The establishment of a robust and competitive team of employees is an important cornerstone of the Group's continued development, and we have spared no effort to train our talents and add value for our employees. The Group arranges for welcoming and orientation activities for all new employees, allowing every new colleague to understand the Group's policies and culture and to integrate into the Group as soon as possible, and thereby nurturing a sense of belonging in the Group within the new colleagues. The Group's department heads also evaluate their subordinates' capabilities at work to understand and identify the training needs of every employee, as well as to develop training programs for the coming year. In addition to internal training, the Group also provides training allowances to encourage our colleagues to actively participate in external training in professional skills, in an effort to enable every employee to reach their full potential within their positions and to create value for the Group.

Supply Chain Management

The Group currently has developed a specific program for the evaluation and management of suppliers, and the selection criteria for suppliers or subcontractors are mainly based on such factors as price, delivery times, and quality of goods. We receive feedbacks from customers by sending them customer satisfaction form through email or fax of our services. Additionally, we rate our suppliers by using supplier evaluation form recorded in ISO 9001:2015 Quality Management System. The rating marks with 70% and above, we considered them as in the list of our approved supplier. Suppliers are only deemed qualified after the management's review and approval. We had a total of 149 active suppliers during the reporting period. Every year, we monitor and review the performance of every qualified supplier to ensure that the performance of all qualified suppliers remains in line with the requirements of the Group.

Product Responsibility

All of the Group's products are inspected and tested prior to delivery to ensure that their operation and functions fully comply with the relevant product specifications and safety requirements. In terms of controlling raw materials, all materials used in our products are provided by qualified suppliers. The Group assigns dedicated employees to manage the supply chain and manufacturing process including conducting quality testing to ensure that our final products meet customers' requirements and comply with regulations and internal standard.

The Group provides product warranties ranging from 6 months to 1 year depending on the agreements we have with our customers. We provide appropriate assistance to customers throughout the warranty period.

Anti Corruption

In order to ensure high efficiency and integrity of the Group's operations, all the Group's employees are required to strictly abide by the Prevention of Bribery Ordinance (Cap 201 of the Laws of Hong Kong) in their behaviour and are absolutely forbidden from committing any acts of bribery or accepting of bribes, etc. We have also developed a policy on reporting conflicts of interest, and employees must report to the management if there is any direct or indirect conflict of interest between an employee and the business of the Group.

As far as corporate governance is concerned, the Group's management regularly reviews regulations on the governance of publicly traded companies to ensure that all newly enacted requirements are implemented within the Group in a timely manner. Each year, the Group also hires third-party independent auditors to verify the Group's accounts so as to safeguard the interests of investors.

The Group's service and purchasing agreements must, in principle, receive the approval from the management before they are deemed valid, and the management conducts spot checks on the agreements each year to ensure that the approval process is fair and equitable. Any employee, material supplier, subcontractor, customer or other stakeholder who has any concerns regarding the corporate governance of the Group or the ethics of the employees may file a complaint with the management. The management will then conduct a thorough investigation of all matters and take the necessary improvement measures for plugging the loopholes in order to maintain the Group's integrity and reputation.

No case of violation of anti-corruption laws and regulations by the Group occurred during FY2018.

Community Investment

The Group is happy to provide support to needy and underprivileged people within society, and is constantly looking for opportunities to work with community groups to contribute to the balanced development of society. We are committed to continue working closely with community groups in the coming year to explore the feasibility of cooperation, actively participate in different community care activities, and put in our best efforts to give back to society.

If any community group has any community support project or charity activity that requires assistance or has any comments on our community investment activities, they are welcome to submit them to us through our website.

During FY2018, the Group has not yet made any charitable donations.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ANACLE SYSTEMS LIMITED
(FORMERLY KNOWN AS ANACLE SYSTEMS PTE.LTD.)
(incorporated in Singapore with limited liability)

Opinion

We have audited the consolidated financial statements of Anacle Systems Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 53 to 94, which comprise the consolidated statement of financial position as at 31 May 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 May 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accounts ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Project Revenue Recognition

Revenue from projects recognised for the year ended 31 May 2018 amounted to S$12,674,197 which represented 84% of total revenue.

Revenue from project is recognised over the period of contract by reference to the stage of completion of the contract activity. The determination of stage of completion involved significant management judgements and estimates including total contract costs, remaining costs to completion and contract risks. Revenue, costs and gross profit realised on such contracts can vary from management's original estimates because of changes in conditions.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ANACLE SYSTEMS LIMITED
(incorporated in Singapore with limited liability)

Relevant disclosures for the significant judgements and estimates are included in note 5 to the financial statements.

Our response:

Our procedures in relation to project revenue recognition included:

- performing testing on the Group's controls over its processes to record contract costs and contract revenue, the calculation of stage of completion and the identification of contract loss;

- selecting material contracts entered into during the year to review the contract terms such as the contract revenue and the scope of deliverables and services;

- checking to the related supporting documents showing costs incurred to date and comparing to the total budgeted costs to evaluate the stage of completion used by management for revenue recognition and management's assessment on provision for foreseeable losses;

- assessing the significant judgements made by management, through the examination of project documentation, including the total budgeted contract costs, by checking to the invoices or quotations and comparing to the work hours used by similar projects in the past, and discussion of the status of those projects in progress with management, finance, and technical personnel of the Group; and

- comparing the budgeted contract costs with the actual costs incurred to assess if there were any material differences.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ANACLE SYSTEMS LIMITED
(incorporated in Singapore with limited liability)

Directors' Responsibilities for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ANACLE SYSTEMS LIMITED
(incorporated in Singapore with limited liability)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Ng Wai Man
Practising Certificate no. P05309

Hong Kong, 27 August 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 S$	2017 S$
Revenue	7	15,100,602	13,333,991
Cost of sales		(9,203,237)	(7,246,113)
Gross profit		**5,897,365**	**6,087,878**
Other revenue	8	55,112	60,161
Other gains and losses	9	(222,353)	(486,400)
Marketing and other operating expenses		(1,558,100)	(1,419,210)
Administrative expenses		(3,643,045)	(3,852,953)
Research and development costs		(159,537)	(92,423)
Listing expenses		-	(2,447,780)
Finance costs	10	-	(887)
Profit/(loss) before income tax	11	**369,442**	**(2,151,614)**
Income tax expense	14	(84,662)	(172,430)
Profit/(loss) for the year		**284,780**	**(2,324,044)**
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		5,962	16,862
Total comprehensive income for the year		**290,742**	**(2,307,182)**
		Singapore cents	Singapore cents
Earnings/(loss) per share attributable to owners of the Company			
- **Basic**	15	0.07	(1.00)
- **Diluted**	15	0.07	(1.00)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 S$	2017 S$
Non-current assets			
Property, plant and equipment	16	396,409	449,856
Intangible assets	17	5,825,606	4,373,304
Prepayments		227,859	-
		6,449,874	4,823,160
Current assets			
Trade receivables	19	4,992,778	3,086,013
Other receivables, deposits and prepayments	20	529,261	417,631
Inventories	21	660,958	692,763
Amounts due from customers	22	5,679,432	3,583,111
Bank balances and cash		4,018,466	7,134,663
		15,880,895	14,914,181
Current liabilities			
Trade payables	23	2,917,610	130,120
Other payables and accruals	24	671,791	1,233,569
Amounts due to customers	22	9,079	189,802
Provision for warranty	25	12,600	17,895
Deferred capital grants	26	5,403	6,754
Deferred income	27	401,324	363,762
Income tax payables		803	-
		4,018,610	1,941,902
Net current assets		11,862,285	12,972,279
Total assets less current liabilities		18,312,159	17,795,439
Non-current liabilities			
Deferred capital grants	26	75,640	74,289
Deferred tax liabilities	28	381,217	332,556
		456,857	406,845
NET ASSETS		17,855,302	17,388,594
Capital and reserves			
Share capital	29	20,756,598	20,756,598
Reserves		(2,901,296)	(3,368,004)
Equity attributable to owners of the Company		17,855,302	17,388,594
TOTAL EQUITY		17,855,302	17,388,594

Mr. Lau E Choon Alex
Director

Mr. Ong Swee Heng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2018

	Ordinary share capital	Preference shares	Share premium	Share-based compensation reserve	Exchange fluctuation reserve	(Accumulated losses)/retained profits	Total
	S$	S$	S$	S$	S$	S$	S$
At 1 June 2016	10,000	6,955,000	-	756,707	48,460	44,817	7,814,984
Loss for the year	-	-	-	-	-	(2,324,044)	(2,324,044)
Other comprehensive income	-	-	-	-	16,862	-	16,862
Total comprehensive income	-	-	-	-	16,862	(2,324,044)	(2,307,182)
Issue of preference shares	-	34,998	-	-	-	-	34,998
Issue of ordinary shares upon conversion of preference shares	6,989,998	(6,989,998)	-	-	-	-	-
Issue of ordinary shares under placing	13,756,600	-	-	-	-	-	13,756,600
Cancellation of warrants	-	-	-	-	-	(897,000)	(897,000)
Share issue expenses	-	-	(1,376,024)	-	-	-	(1,376,024)
Recognition of share-based payment expenses	-	-	-	362,218	-	-	362,218
At 31 May 2017	20,756,598	-	(1,376,024)	1,118,925	65,322	(3,176,227)	17,388,594
Profit for the year	-	-	-	-	-	284,780	284,780
Other comprehensive income	-	-	-	-	5,962	-	5,962
Total comprehensive income	-	-	-	-	5,962	284,780	290,742
Recognition of share-based payment expenses	-	-	-	175,966	-	-	175,966
At 31 May 2018	20,756,598	-	(1,376,024)	1,294,891	71,284	(2,891,447)	17,855,302

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2018

	2018 S$	2017 S$
Cash flows from operating activities		
Profit/(loss) before income tax	369,442	(2,151,614)
Adjustments for:		
Depreciation of property, plant and equipment	178,468	306,895
Amortisation of intangible assets	550,627	642,870
Loss on disposal of property, plant and equipment	-	5,523
Interest expense	-	887
Interest income	(2,988)	-
Share-based payments	175,966	362,218
Release of deferred capital grant	-	(8,280)
Provision for doubtful debts	50,748	28,017
Write-off of inventories	14,841	23,714
(Reversal of provision)/provision for obsolete stock	(279)	47,812
Operating cash flows before working capital changes	1,336,825	(741,958)
Increase in trade receivables	(1,954,943)	(885,642)
(Increase)/decrease in other receivables, deposits and prepayments	(113,169)	52,781
Decrease/(increase) in inventories	18,772	(388,548)
Increase in amounts due from customers	(2,096,321)	(3,404,257)
Increase/(decrease) in trade payables	2,788,637	(468,211)
(Decrease)/increase in other payables and accruals	(561,324)	411,630
(Decrease)/increase in amounts due to customers	(180,723)	90,138
Decrease in amount due to a shareholder	-	(35,200)
Decrease in provision for warranty	(5,295)	(967)
Increase/(decrease) in deferred income	37,357	(40,517)
Effect of foreign exchange rate changes	22,064	51,148
Net cash used in operations	(708,120)	(5,359,603)
Income tax paid	(35,035)	(11,173)
Net cash used in operating activities	(743,155)	(5,370,776)
Cash flows from investing activities		
Purchase of property, plant and equipment	(130,078)	(310,171)
Payment for the cost incurred for intangible assets	(2,002,929)	(1,402,484)
Proceeds from disposal of plant and equipment	913	-
Proceeds on cancellation of warrants	-	(897,000)
Increase in prepayments	(227,859)	-
Interest received	2,988	-
Net cash used in investing activities	(2,356,965)	(2,609,655)
Cash flows from financing activities		
Share issue expenses	-	(1,376,024)
Repayment of bank borrowing	-	(42,017)
Proceeds from issue of preference shares	-	34,998
Proceeds from issue of shares under placing	-	13,756,600
Interest paid	-	(887)
Net cash generated from financing activities	-	12,372,670
Net (decrease)/increase in cash and cash equivalents	(3,100,120)	4,392,239
Cash and cash equivalents at beginning of year	7,134,663	2,773,551
Effect of foreign exchange rate changes	(16,077)	(31,127)
Cash and cash equivalents at end of year	4,018,466	7,134,663
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	4,018,466	7,134,663

1. GENERAL

Anacle Systems Limited (the "Company") was incorporated as a limited private company in Singapore on 21 February 2006. On 25 November 2016, the Company was converted into a "public company limited by shares" under the Singapore Companies Act and the Company was renamed from Anacle Systems Pte. Ltd. to Anacle Systems Limited with immediate effect. The address of the Company's registered office and principal place of business is 1 Fusionopolis View #08-02 Sandcrawler Singapore 138577.

The Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 December 2016.

The principal activities of the Group are software development, provision of enterprise application software solutions and energy management solutions, and provision of support and maintenance services. The principal activities of its subsidiaries are set out in Note 18 to the financial statements.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

(a) Adoption of new/revised IFRSs – effective 1 June 2017

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised losses
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 12, Disclosure of Interests in Other Entities

<u>Amendments to HKAS 7 – Disclosure Initiative</u>
The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has no material impact on the Group's financial statements as the Group has no liability arising from financing activities. Detail please refer to the consolidated statement of cash flows.

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards[1]
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes[2]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combination[2]
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)[1]
IFRS 16	Leases[2]
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]

[1]Effective for annual periods beginning on or after 1 January 2018
[2]Effective for annual periods beginning on or after 1 January 2019

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective (Continued)

Amendments to IFRS 2

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

IFRS 9 - Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The application of HKFRS 15 may further affect the timing and amount of revenue going forward if the contracts contain separate performance obligations and are subject to modification. The group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from construction contracts now.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective (Continued)

Amendments IFRS 15 – Revenue from Contracts with customers

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Group are not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

IFRS 16 – Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statement of both lessors and lessees. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirement of IAS 16 "Property, Plant and Equipment", while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for a number of properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 33, at 31 May 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to S$1,697,591 for land and properties under operating leases, the majority of which is payable either within one year or between 2 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

IFRIC-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable IFRSs, International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as the "IFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Singapore dollars (“S$”), which is the same as the functional currency of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the “Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group’s interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights to, variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company’s statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Computers	3 years
Furniture and fixtures	3 years
Plant and equipment	10 years
Leasehold improvements	Over the lease term

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

<u>The Group as lessor</u>

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

<u>The Group as lessee</u>

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets (other than goodwill)

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in cost of sales.

Simplicity	5 years
Starlight	5-10 years
Starlight (Tesseract)	10 years
SpaceMonster	5 years
MyBill.sg Portal	10 years

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(n)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in prior years. All reversals are recognised in the profit or loss immediately.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(iv) Preference shares

Preference shares may be issued with various rights. In determining whether a preference share is a financial liability or an equity instrument, the Group assesses the particular rights attaching to the share to determine whether it exhibits the fundamental characteristic of a financial liability. For example, a preference share that provides for redemption on a specific date or at the option of the holder contains a financial liability because the issuer has an obligation to transfer financial assets to the holder of the share. The potential inability of an issuer to satisfy an obligation to redeem a preference share when contractually required to do so, whether because of a lack of funds, a statutory restriction or insufficient profits or reserves, does not negate the obligation. An option of the issuer to redeem the shares for cash does not satisfy the definition of a financial liability because the issuer does not have a present obligation to transfer financial assets to the shareholders. In this case, redemption of the shares is solely at the discretion of the issuer. An obligation may arise, however, when the issuer of the shares exercises its option, usually by formally notifying the shareholders of an intention to redeem the shares.

When preference shares are non-redeemable, the appropriate classification is determined by the other rights that attach to them. Classification is based on an assessment of the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. When distributions to holders of the preference shares, whether cumulative or non-cumulative, are at the discretion of the issuer, the shares are equity instruments.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

The stage of completion is established by reference to the contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Revenue from rendering of services including maintenance is recognised when services are performed in accordance with the substance of the relevant agreement.

Revenue from construction contracts is recognised in accordance with the stage of completion which is determined by reference to the work done at the end of reporting period as a percentage of total estimated work. Foreseeable losses from contracts are fully provided for when they are identified.

License income arises from sales of rights to use the software. Revenue from license income is recognised when the license has been provided to customer.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income taxes

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Singapore dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange fluctuation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange fluctuation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme.

(m) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(n) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Intangible assets; and
- Investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred capital grants and consequently are effectively recognised in profit or loss over the useful life of the asset.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) both entities are joint ventures of the same third party.
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
(vi) the entity is controlled or jointly controlled by a person identified in (a).
(vii) management personnel of the entity (or of a parent of the entity).
(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have significant risks of resulting in material adjustments to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Useful lives and impairment of intangible assets

The useful lives of intangible are estimated based on historical experience, which include actual useful lives of similar assets and changes on technology. The Group reviews the estimated useful lives of intangible assets at the end of each reporting period. Management is satisfied that there is no change in the estimated useful lives of the intangible assets from prior years.

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. The management is satisfied that no impairment loss is required to recognise during the period.

(ii) Recognition of revenue from contracts

The Group uses the percentage of completion method in accounting for its fixed-price contracts to deliver software implementation services. Use of the percentage of completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

(iii) Impairment of loans and receivables

Management reviews the loans and receivables for the objective evidence of impairment at least on a yearly basis. Significant financial difficulties of the debtor, the probabilities that the debtor will enter into bankruptcy, and default or significant delay in payments are considered as objective evidence that a receivable is impaired. In determining this, management makes judgment as to whether there is observable data indicating that there has been significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgment as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions are reviewed regularly to reduce any differences between the estimated loss and the actual loss experience.

(iv) Development cost

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 4(e) to the financial statements. Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

(v) Provision for warranty

The Group has recognised a provision for warranty obligations associated with the Starlight meters sold. In determining the fair value of the provision, assumptions and estimates are made in relation to the expected cost to replace the Starlight meters.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategy decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Simplicity and myBill – a package of enterprise application software solutions which provides specific solutions for enterprise asset management, shared resources management, tenancy management, financial management, supply chain management, customer relationship management and billing management;
- Starlight - a one-stop cloud-based energy management solutions which provides all-time access to the energy profiles of buildings, including information such as energy consumption, power quality, energy analytics and carbon footprint profiles; and
- SpaceMonster - an online venue booking platform.

Inter-segment transactions, if any, are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

(a) Business segments

	Simplicity and myBill		Starlight		SpaceMonster		Total	
	2018 S$	2017 S$	2018 S$	2017 S$	2018 S$	2017 S$	2018 S$	2017 S$
Revenue from external customers	9,704,819	10,274,225	5,387,463	3,059,606	8,320	160	15,100,602	13,333,991
Gross profit/(loss)	5,428,637	5,586,493	478,514	515,724	(9,786)	(14,339)	5,897,365	6,087,878
Reportable segment profit/(loss)	4,672,031	4,963,480	(377,570)	(488,329)	(81,748)	(40,914)	4,212,713	4,434,237
Depreciation and amortisation	478,032	539,381	165,615	166,709	12,861	12,862	656,508	718,952
(Reversal of provision)/ provision for obsolete stock	-	-	(279)	47,812	-	-	(279)	47,812
Write-off of inventories	-	-	14,841	23,714	-	-	14,841	23,714
Provision for doubtful debts	50,748	20,000	-	8,017	-	-	50,748	28,017
Reportable segment assets	10,184,204	7,543,162	7,824,909	4,592,205	25,724	38,585	18,034,837	12,173,952
Additions to non-current assets	1,183,140	-	865,758	822,460	-	-	2,048,898	822,460
Reportable segment liabilities	725,912	756,702	3,029,825	491,281	-	-	3,755,737	1,247,983

6. SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment revenue, profit/(loss), assets and liabilities

	2018 S$	2017 S$
Profit/(loss) before income tax		
Reportable segment profit	4,212,713	4,434,237
Other revenue	55,112	51,881
Other gains and losses	(157,043)	(381,334)
Finance costs	-	(887)
Unallocated expenses:		
Staff costs	(1,513,415)	(1,674,113)
Share-based payments	(175,966)	(362,218)
Rental expenses	(733,608)	(703,344)
Legal and professional fee	(398,597)	(302,473)
Depreciation	(72,587)	(230,813)
Listing expenses	-	(2,447,780)
Others	(847,167)	(534,770)
Consolidated profit/(loss) before income tax	369,442	(2,151,614)

	2018 S$	2017 S$
Assets		
Reportable segment assets	18,034,837	12,173,952
Bank balances and cash	4,018,466	7,134,663
Property, plant and equipment	68,453	92,452
Unallocated corporate assets	209,013	336,274
Consolidated total assets	22,330,769	19,737,341

	2018 S$	2017 S$
Liabilities		
Reportable segment liabilities	3,755,737	1,247,983
Other payables and accruals	340,025	768,208
Unallocated corporate liabilities	379,705	332,556
Consolidated total liabilities	4,475,467	2,348,747

6. SEGMENT REPORTING (Continued)

(c) Geographical information

The Group operates in three principal geographical areas – Singapore, Malaysia and other Asia countries.

The following table provides an analysis of the Group's revenue from external customers:

Revenue from external customers	2018 S$	2017 S$
Singapore	14,084,765	12,708,066
Malaysia	257,963	362,166
Others	757,874	263,759
	15,100,602	13,333,991

The following table provides an analysis of the Group's non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets"):

Specified non-current assets	2018 S$	2017 S$
Singapore	6,087,710	4,674,884
Malaysia	53,860	66,716
India	80,445	81,560
	6,222,015	4,823,160

(d) Information about major customers

Revenue from the Group's major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2018 S$	2017 S$
Customer A	2,882,530	2,526,735
Customer B	1,673,675	2,164,303
Customer C	1,488,380	-
	6,044,585	4,691,038

7. REVENUE

Revenue recognised as turnover of the Group during the year is as follows:

	2018 S$	2017 S$
Project income	12,674,197	11,125,353
Services income	2,384,015	2,183,748
Income from lease of equipment	42,390	24,890
	15,100,602	13,333,991

8. OTHER REVENUE

	2018 S$	2017 S$
Government grants	49,277	57,322
Interest income	2,988	-
Others	2,847	2,839
	55,112	60,161

9. OTHER GAINS AND LOSSES

	2018 S$	2017 S$
Net exchange loss	157,043	381,334
(Reversal of provision)/provision for obsolete stock	(279)	47,812
Write-off of inventories	14,841	23,714
Bad debt provision	50,748	28,017
Loss on disposal of property, plant and equipment	-	5,523
	222,353	486,400

10. FINANCE COSTS

	2018 S$	2017 S$
Interest on bank borrowing	-	887

11. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived after charging/(crediting):

	2018	2017
	S$	S$
Staff costs (including directors' emoluments (note 12))		
Salaries and allowances	6,621,158	5,973,324
Contributions on defined contribution retirement plans	984,289	552,908
Share-based payments	175,966	362,218
	7,781,413	6,888,450
Less: capitalised as intangible assets	(1,431,278)	(1,016,257)
	6,350,135	5,872,193
Auditor's remuneration	119,000	114,021
Depreciation of property, plant and equipment	178,468	306,895
Amortisation of intangible assets	550,627	642,870
Provision for doubtful debts	50,748	28,017
Loss on disposal of property, plant and equipment	-	5,523
Write-off of inventories	14,841	23,714
(Reversal of provision)/provision for obsolete stock	(279)	47,812

12. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

2018	Directors' fees	Basic remuneration, allowances and benefits in kind	Contribution on defined contribution retirement plans	Total
	S$	S$	S$	S$
Executive Directors				
Mr. Lau E Choon Alex	-	247,828	12,240	260,068
Mr. Ong Swee Heng	-	199,242	12,452	211,694
Non-executive Directors				
Prof. Wong Poh Kam	25,000	-	-	25,000
Mr. Robert Chew	25,000	-	-	25,000
Mr. Lee Suan Hiang	25,000	-	-	25,000
Independent Non-executive Directors				
Mr. Alwi Bin Abdul Hafiz (note 3)	25,000	-	-	25,000
Mr. Elango Subramanian (note 3)	25,000	-	-	25,000
Mr. Li Man Wai (note 3)	25,000	-	-	25,000
	150,000	447,070	24,692	621,762

12. DIRECTORS' EMOLUMENTS (Continued)

2017	Directors' fees	Basic remuneration, allowances and benefits in kind	Contribution on defined contribution retirement plans	Total
	S$	S$	S$	S$
Executive Directors				
Mr. Lau E Choon Alex	-	196,828	12,240	209,068
Mr. Ong Swee Heng	-	170,650	12,240	182,890
Non-executive Directors				
Mr. Quek Soo Boon (note 1)	-	-	-	-
Mr. Rohit Singh (note 2)	-	-	-	-
Prof. Wong Poh Kam	12,946	-	-	12,946
Mr. Robert Chew	12,946	-	-	12,946
Mr. Lee Suan Hiang	12,946	-	-	12,946
Independent Non-executive Directors				
Mr. Alwi Bin Abdul Hafiz (note 3)	12,946	-	-	12,946
Mr. Elango Subramanian (note 3)	12,946	-	-	12,946
Mr. Li Man Wai (note 3)	12,946	-	-	12,946
	77,676	367,478	24,480	469,634

Note 1: Ms. Quek Soo Boon resigned as a non-executive director of the Company with effect from 22 November 2016.

Note 2: Mr. Rohit Singh was appointed and resigned as a non-executive director of the Company with effect from 25 May 2016 and 22 November 2016, respectively.

Note 3: Mr. Alwi Bin Abdul Hafiz, Mr. Elango Subramanian and Mr. Li Man Wai were appointed as independent non-executive directors of the Company with effect from 24 November 2016.

No directors waived or agreed to waive any emoluments during the year ended 31 May 2018 (2017: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 May 2018 (2017: Nil).

13. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2017: one) were directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining three (2017: four) individuals are as follows:

	2018 S$	2017 S$
Salaries, allowances and benefits in kind	420,550	576,655
Share-based payments	73,862	259,003
Contributions on defined contribution retirement plans	35,700	62,154
	530,112	897,812

Their emoluments were within the following bands:

	2018 No. of individuals	2017 No. of individuals
HK$1,000,001 to HK$1,500,000 (equivalent to S$171,928 to S$257,891)	3	4

The emoluments paid or payable to members of senior management were within the following bands:

	2018 No. of individuals	2017 No. of individuals
HK$ Nil to HK$1,000,001 (equivalent to S$ Nil to S$171,928)	2	2
HK$1,000,001 to HK$1,500,000 (equivalent to S$171,928 to S$257,891)	3	3

14. INCOME TAX EXPENSE

(a) Taxation in the consolidated statements of comprehensive income represents:

	2018	2017
	S$	S$
Current tax – overseas		
- provision for the year	19,522	-
- under provision in respect of prior years	16,351	4,737
Deferred tax (note 28)	48,789	167,693
	84,662	172,430

Pursuant to the corporate tax rules and regulations of Singapore, Malaysia and India, the corporate taxes of the Company, Anacle Malaysia and Anacle India are calculated at 17%, 24% and 29% respectively for the financial year ended 31 May 2018 and 17%, 24% and 29% respectively for the financial year ended 31 May 2017, on the chargeable income.

(b) The income tax expense for the year can be reconciled to the profit/(loss) before income tax in the consolidated statements of comprehensive income as follows:

	2018	2017
	S$	S$
Profit/(loss) before income tax	369,442	(2,151,614)
Tax charge/(credit) calculated at Singapore income tax rate of 17%	62,805	(365,774)
Effect of different tax rates of the subsidiaries operating in other jurisdictions	(3,793)	(12,688)
Tax effect of revenue not taxable for tax purposes	(3,570)	(1,408)
Tax effect of expenses not deductible for tax purposes	102,202	478,310
(Over)/under provision in respect of prior years	(119,240)	1,895
Tax effect of tax loss not recognised	46,258	72,095
Income tax expense	84,662	172,430

15. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company is based on the following data:

Earnings/(loss)

	2018	2017
	S$	S$
Profit/(loss) for the purpose of basic earnings/(loss) per share	284,780	(2,324,044)

Number of shares

	2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	399,158,496	231,607,838
Effect of dilutive potential ordinary shares: - share options (note)	30,114,936	-
	429,273,432	231,607,838

Note: For the year ended 31 May 2017, the basic and diluted loss per share are the same as the share options and preference shares outstanding had an anti-dilutive effect on the basic loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Computers S$	Furniture and fixtures S$	Plant and equipment S$	Leasehold improvements S$	Total S$
Cost					
At 1 June 2016	128,997	184,355	258,264	377,464	949,080
Additions	76,719	15,690	161,700	56,062	310,171
Disposals	-	(499)	-	(15,404)	(15,903)
Exchange alignment	756	(100)	2,996	(764)	2,888
At 31 May 2017	206,472	199,446	422,960	417,358	1,246,236
Additions	57,538	2,154	64,806	5,580	130,078
Disposals	(2,054)	-	-	-	(2,054)
Write-off	-	-	(34)	-	(34)
Exchange alignment	(2,150)	172	(5,480)	2,186	(5,272)
At 31 May 2018	**259,806**	**201,772**	**482,252**	**425,124**	**1,368,954**
Accumulated depreciation					
At 1 June 2016	81,577	112,072	76,615	229,341	499,605
Charge for the year	41,443	62,220	76,082	127,150	306,895
Elimination on disposals	-	(337)	-	(10,043)	(10,380)
Exchange alignment	274	(111)	352	(255)	260
At 31 May 2017	123,294	173,844	153,049	346,193	796,380
Charge for the year	51,486	14,356	81,929	30,697	178,468
Elimination on disposals	(1,141)	-	-	-	(1,141)
Elimination on write-off	-	-	(34)	-	(34)
Exchange alignment	(884)	261	(917)	412	(1,128)
At 31 May 2018	**172,755**	**188,461**	**234,027**	**377,302**	**972,545**
Net carrying value					
At 31 May 2018	87,051	13,311	248,225	47,822	396,409
At 31 May 2017	83,178	25,602	269,911	71,165	449,856

17. INTANGIBLE ASSETS

	Simplicity S$ (note (a))	Starlight S$ (note (b))	Starlight (Tesseract) S$ (note (c))	SpaceMonster S$ (note (d))	myBill Portal S$ (note (e))	Total S$
Cost						
At 1 June 2016	2,916,009	1,214,714	485,540	64,310	56,703	4,737,276
Additions	-	-	679,597	-	722,887	1,402,484
At 31 May 2017	2,916,009	1,214,714	1,165,137	64,310	779,590	6,139,760
Additions	81,953	-	819,789	-	1,101,187	2,002,929
At 31 May 2018	2,997,962	1,214,714	1,984,926	64,310	1,880,777	8,142,689
Accumulated amortisation						
At 1 June 2016	464,504	646,219	-	12,863	-	1,123,586
Charge for the year	539,381	90,627	-	12,862	-	642,870
At 31 May 2017	1,003,885	736,846	-	25,725	-	1,766,456
Charge for the year	478,032	59,734	-	12,861	-	550,627
At 31 May 2018	1,481,917	796,580	-	38,586	-	2,317,083
Net carrying value						
At 31 May 2018	1,516,045	418,134	1,984,926	25,724	1,880,777	5,825,606
At 31 May 2017	1,912,124	477,868	1,165,137	38,585	779,590	4,373,304

Notes:

(a) A package of enterprise application software solutions developed internally by the Company, with estimated useful life of five years is tested for impairment and there is no indication that it needs to be impaired.

A new enterprise application software, Simplicity GEMINI Digital Twin, is under the progress of development by the Company during the financial year ended 31 May 2018 and their development costs incurred have been capitalised as intangible assets.

(b) A one-stop cloud-based energy management solutions developed internally by the Company in 2011, with estimated useful life of five to ten years is tested for impairment and there is no indication that it needs to be impaired.

(c) A new version of energy management solutions developed internally by the Company in 2015, with estimated useful life of ten years is tested for impairment and there is no indication that it needs to be impaired.

During the financial years ended 31 May 2018 and 2017, Tesseract, an advanced Internet of Things, smart metering and controlling platform for Starlight, was under development by the Company and their development costs incurred have been capitalised as intangible assets. The development is expected to be completed by September 2018.

(d) An online venue booking platform developed internally by the Company, with estimated useful life of five years is tested for impairment and there is no indication that it needs to be impaired.

(e) An online energy billing management platform is under the progress of development by the Company which the development costs incurred have been capitalised as intangible assets. The development is expected to be completed by June 2018.

18. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 May 2018 were as follows:

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest directly held by the Company	Principal activities
Anacle Systems Sdn. Bhd.	Malaysia	RM100,000	100%	Provision of asset and energy management and software and maintenance services
Anacle Systems (India) Private Limited	India	Rs100,000	99.99% (note)	Research and development, design, and supervise the manufacturing and assembly process of hardware products

Note: The non-controlling interest of Anacle Systems (India) Private Limited is not recognised as the directors consider the amount is insignificant to the Group.

19. TRADE RECEIVABLES

	2018 S$	2017 S$
Trade receivables	5,051,808	3,113,983
Less: provision for doubtful debts	(59,030)	(27,970)
	4,992,778	3,086,013

The credit period of the Group's trade receivables ranges from 30 days to 60 days.

The ageing analysis of trade receivables (net of impairment losses) at the end of the reporting period, based on the invoice date, is as follows:

	2018 S$	2017 S$
Within 1 month	3,943,229	1,628,432
2 to 3 months	895,686	1,446,204
4 to 6 months	153,863	11,377
	4,992,778	3,086,013

The ageing analysis of trade receivables (net of impairment losses) at end of the reporting period that are not individually nor collectively considered to be impaired is as follows:

	2018 S$	2017 S$
Not past due	4,021,563	2,209,199
Less than 1 month past due	688,422	638,399
1 to 3 months past due	194,869	227,812
Over 3 months but less than 12 months past due	87,924	10,603
	4,992,778	3,086,013

19. TRADE RECEIVABLES (Continued)

Trade receivables that were neither past due nor impaired primarily relate to the Group's main customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The movement in provision for doubtful debts during the year are as follows:

	2018 S$	2017 S$
At beginning of year	27,970	-
Provision for the year	50,748	28,017
Amounts written off as uncollectable	(20,000)	-
Exchange alignment	312	(47)
At end of year	59,030	27,970

At the end of the reporting period, the Group's trade receivables are individually determined for impairment testing. Included in the provision for impairment of receivables are individually impaired trade receivables with a balance of S$50,748 and S$28,017 as at 31 May 2018 and 2017, respectively. The impairment losses recognised on trade receivables are expensed immediately for the amount by which the trade receivables' carrying amounts exceeds their recoverable amounts.

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 S$	2017 S$
Deposits	217,522	227,822
Prepayments	55,340	185,564
Other receivables	256,399	4,245
	529,261	417,631

21. INVENTORIES

	2018 S$	2017 S$
Raw materials	234,378	199,483
Work in progress	25,926	282,042
Finished goods	400,654	211,238
	660,958	692,763

22. AMOUNTS DUE FROM/(TO) CUSTOMERS

The following table sets out the details of the amounts due from/(to) customers as at the end of the year:

	2018 S$	2017 S$
Contracts in progress at the end of the year:		
Costs incurred to date plus recognised profits	13,523,683	7,590,834
Less: progress billings	(7,853,330)	(4,197,525)
	5,670,353	3,393,309
Represented by:		
Due from customers	5,679,432	3,583,111
Due to customers	(9,079)	(189,802)
	5,670,353	3,393,309

23. TRADE PAYABLES

	2018 S$	2017 S$
Trade payables	2,917,610	130,120

The Group's trade payables are non-interest bearing. Generally, the credit term received from suppliers of the Group is 30 days.

The ageing analysis of trade payables, based on invoice date, as at the end of the year is as follows:

	2018 S$	2017 S$
Within 1 month	1,293,432	110,556
2 to 3 months	1,584,110	4,513
4 to 6 months	32,859	5,933
Over 12 months	7,209	9,118
	2,917,610	130,120

24. OTHER PAYABLES AND ACCRUALS

	2018 S$	2017 S$
Accruals	334,081	679,921
Other payables	201,026	504,871
Goods and Services Tax payables (note)	136,684	48,777
	671,791	1,233,569

Note: Goods and Services Tax is a broad-based consumption tax levied on the import of goods as well as nearly all supplies of goods and services in Singapore.

25. PROVISION FOR WARRANTY

	2018 S$	2017 S$
At beginning of year	17,895	18,862
Utilised during the year	(5,295)	(967)
At end of year	12,600	17,895

The provision for warranty mainly represents the amount recognised for the expected replacement of inventories which have been found to be defective in a project completed in 2014. Apart from the provision of this project, the management also assesses the possiblity of further warranty claim based on Group's recent claim experience and considers the provision for warranty as at 31 May 2018 to be adequate.

26. DEFERRED CAPITAL GRANTS

	S$
Cost	
At 31 May 2016, 2017 and 2018	246,300
Amortisation	
At 1 June 2016	156,977
Released to profit or loss during the year	8,280
At 31 May 2017 and 2018	165,257
Net carrying amount	
At 31 May 2018	81,043
At 31 May 2017	81,043

	2018 S$	2017 S$
Represented by:		
Current portion	5,403	6,754
Non-current portion	75,640	74,289
	81,043	81,043

The balance of deferred capital grants for the year ended 31 May 2018 and 2017 is related to government grants for the research and development expenditure incurred by the Company for Starlight Tesseract project. The conditions or contingencies attached to the grants is not yet fulfilled since the development is not yet completed as at 31 May 2018 and 2017. Therefore, no movement for the deferred capital grants noted this year.

27. DEFERRED INCOME

Deferred income represents advanced payments from customers in respect of the services to be performed.

28. DEFERRED TAXATION

Details of the deferred tax assets and liabilities recognised and movements during the year:

	Provision for warranty S$	Accelerated tax depreciation and amortisation S$	Tax losses S$	Others S$	Total S$
At 1 June 2016	3,207	(568,935)	399,392	1,524	(164,812)
(Charge)/credit to profit or loss for the year	(165)	(92,429)	(75,615)	516	(167,693)
Exchange alignment	-	(134)	-	83	(51)
At 31 May 2017	3,042	(661,498)	323,777	2,123	(332,556)
(Charge)/credit to profit or loss for the year	(49)	(151,281)	104,664	(2,123)	(48,789)
Exchange alignment	-	128	-	-	128
At 31 May 2018	2,993	(812,651)	428,441	-	(381,217)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2018 S$	2017 S$
Deferred tax liabilities	(381,217)	(332,556)

As at 31 May 2018, the Group has unutilised tax losses of approximately S$2,520,241 (2017: S$2,268,101) that are available for offset against future taxable profits of the Group subject to agreement of the relevant authorities. Deferred tax asset has been recognised in relation to such deductible temporary difference as it is probable that taxable profit will be available against which the deductible temporary differences can be ultilised.

29. SHARE CAPITAL

	2018 Number	2018 S$	2017 Number	2017 S$
Issued and fully paid				
Ordinary shares	399,158,496	20,756,598	399,158,496	20,756,598
Total issued share capital		20,756,598		20,756,598

The movement of the issued and fully paid ordinary shares is as follows:

	2018 Number	2018 S$	2017 Number	2017 S$
At beginning of year	399,158,496	20,756,598	1,000,000	10,000
Share split (note (a))	-	-	90,000,000	-
Issue of ordinary shares upon conversion of preference shares (note (b))	-	-	208,158,496	6,989,998
Issue of ordinary shares under placing (note (c))	-	-	100,000,000	13,756,600
At end of year	399,158,496	20,756,598	399,158,496	20,756,598

The movement of the preference shares is as follows:

	2018 Number	2018 S$	2017 Number	2017 S$
At beginning of year	-	-	2,281,722	6,955,000
Issue of preference shares (note (d))	-	-	5,734	34,998
Share split (note (a))	-	-	205,871,040	-
Conversion of preference shares into ordinary shares (note (b))	-	-	(208,158,496)	(6,989,998)
At end of year	-	-	-	-

Note:

(a) On 24 November 2016, the directors approved that each issued ordinary share and preference share of the Company was sub-divided into 91 ordinary shares and preference shares with immediate effect.

(b) On 16 December 2016, each issued preference share of the Company was converted into one ordinary share.

(c) Upon the placing took place during 2017, 100,000,000 new ordinary shares were issued at a price of HK$0.74 per share for a total cash consideration of approximately HK$74,000,000 (equivalent to approximately S$13,756,600).

(d) On 7 June 2016, 5,734 Series D Preference Shares was allotted to an existing shareholder at cash consideration of S$34,998.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the condensed statement of financial position of the Company as at 31 May 2018 and 31 May 2017.

	Notes	2018 S$	2017 S$
Non-current assets			
Property, plant and equipment		262,104	301,580
Intangible assets		5,989,499	4,446,674
Investments in subsidiaries		2,082	2,082
Prepayments		227,859	-
		6,481,544	4,750,336
Current assets			
Trade receivables		4,949,858	2,979,066
Other receivables, deposits and prepayments		498,835	382,607
Inventories		554,513	637,030
Amounts due from customers		5,679,432	3,583,111
Amounts due from subsidiaries		11,143	61,955
Bank balances and cash		3,938,772	6,965,392
		15,632,553	14,609,161
Current liabilities			
Trade payables		2,899,638	115,627
Other payables and accruals		668,861	1,173,340
Amounts due to customers		9,079	189,802
Provision for warranty		12,600	17,895
Deferred capital grants		5,403	6,754
Deferred income		396,417	357,642
		3,991,998	1,861,060
Net current assets		11,640,555	12,748,101
Total assets less current liabilities		18,122,099	17,498,437
Non-current liabilities			
Deferred capital grants		75,640	74,289
Deferred tax liabilities		379,062	331,604
		454,702	405,893
NET ASSETS		17,667,397	17,092,544
Capital and reserves			
Share capital	29	20,756,598	20,756,598
Reserves	31	(3,089,201)	(3,664,054)
TOTAL EQUITY		17,667,397	17,092,544

Mr. Lau E Choon Alex
Director

Mr. Ong Swee Heng
Director

31. RESERVES

Movement of the reserves of the Company

	Preference share S$	Share premium S$	Share-based compensation reserve S$	Accumulated losses S$	Total S$
At 1 June 2016	6,955,000	-	756,707	(88,351)	7,623,356
Loss for the year	-	-	-	(2,421,604)	(2,421,604)
Issue of preference shares	34,998	-	-	-	34,998
Issue of ordinary shares upon conversion of preference shares	(6,989,998)	-	-	-	(6,989,998)
Cancellation of warrants (note (a))	-	-	-	(897,000)	(897,000)
Share issue expenses	-	(1,376,024)	-	-	(1,376,024)
Recognition of share based payment expenses	-	-	362,218	-	362,218
At 31 May 2017	-	(1,376,024)	1,118,925	(3,406,955)	(3,664,054)
Profit for the year	-	-	-	398,887	398,887
Recognition of share based payment expenses	-	-	175,966	-	175,966
At 31 May 2018	-	(1,376,024)	1,294,891	(3,008,068)	(3,089,201)

Note:

(a) On 24 August 2015, the Company issued warrants to all shareholders and only five shareholders accepted. 98,304 warrants were issued and each warrant allows the shareholders to purchase one series D preference share of the Company at S$3.05175 per share. The warrants were exercisable from the date of issue and expiring on the date of five years after the date of issue. On 4 October 2016, all the warrants have been cancelled by the Company at a consideration of S$897,000.

32. SHARE-BASED PAYMENTS

The Board of Directors of the Company approved and adopted a share option plan (the " 2010 Plan") on 10 March 2010 and another share option plan (the "2013 Plan") on 18 December 2013 for the purpose of providing eligible individuals who are responsible for the management, growth and financial success of the Company or who otherwise render valuable services to the Company with the opportunity to acquire a proprietary interest, or increase their proprietary interest, in the Company and thereby encourage them to remain in the service of the Company.

Eligible individuals of both 2010 Plan and 2013 Plan include directors, officers, employees of the Company and its subsidiaries, and independent consultants, advisors and independent contractors who provide valuable services to the Company and its subsidiaries.

No options granted under the 2010 Plan and 2013 Plan shall have a term in excess of 10 years from the grant date. The maximum number of shares that may be granted over the term of the 2010 Plan and 2013 Plan shall not exceed 10% of the issued share capital of the Company, unless otherwise approved by the Board of Directors.

(a) The 2010 Plan

The terms and conditions of the grants and movements in the number of share options under the 2010 Plan during the year were as follows:

2018

		Number of shares issuable under share options						
Category of participant	Date of grant	At beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Adjusted upon share split	At the end of the year	Exercise price S$
Directors	10-Mar-10	9,939,566	-	-	-	-	9,939,566	0.009
Employees	10-Mar-10	2,484,937	-	-	-	-	2,484,937	0.009
	1-Jun-13	5,460,000	-	-		-	5,460,000	0.009
	1-Aug-13	3,779,594	-	-	-	-	3,779,594	0.009
	1-May-15	2,730,000	-	-	-	-	2,730,000	0.009
	1-Jun-16	455,000	-	-	-	-	455,000	0.009
Sub-total		14,909,531	-	-	-	-	14,909,531	
Total		24,849,097	-	-	-	-	24,849,097	

2017

		Number of shares issuable under share options						
Category of participant	Date of grant	At beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Adjusted upon share split (note)	At the end of the year	Exercise price S$
Directors	10-Mar-10	109,226	-	-	-	9,830,340	9,939,566	0.009
Employees	10-Mar-10	27,307	-	-	-	2,457,630	2,484,937	0.009
	1-Jun-13	60,000	-	-		5,400,000	5,460,000	0.009
	1-Aug-13	41,534	-	-	-	3,738,060	3,779,594	0.009
	1-May-15	30,000	-	-	-	2,700,000	2,730,000	0.009
	1-Jun-16	-	5,000	-	-	450,000	455,000	0.009
Sub-total		158,841	5,000	-	-	14,745,690	14,909,531	
Total		268,067	5,000	-	-	24,576,030	24,849,097	

32. SHARE-BASED PAYMENTS (Continued)

(a) The 2010 Plan (Continued)

Note: On 24 November 2016, the directors approved that each issued and allotted ordinary shares and preference shares was sub-divided into 91 shares with immediate effect. Accordingly, one share option was sub-divided into 91 share options and the exercise price was adjusted from $0.850 per option to $0.009 per option under 2010 Plan.

(b) The 2013 Plan

2018

Category of participant	Date of grant	Number of shares issuable under share options: At beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Adjusted upon share split	At the end of the year	Exercise price S$
Employees	1 -Jun -16	6,330,779	-	-	-	-	6,330,779	0.067

2017

Category of participant	Date of grant	Number of shares issuable under share options: At beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Adjusted upon share split (note)	At the end of the year	Exercise price S$
Employees	1 -Jun -16	-	91,569	-	(22,000)	6,261,210	6,330,779	0.067

Note: On 24 November 2016, the directors approved that each issued and allotted ordinary shares and preference shares was sub-divided into 91 shares with immediate effect. Accordingly, one share option was sub-divided into 91 share options and and the exercise prices were adjusted from $6.100 per option to $0.067 per option under 2013 Plan.

The options are exercisable once the vesting conditions are met. If the options are vested when the Company is privately held, the options shall expire on earlier of 10 years from vesting date or 3 years from the initial public date. If the options are vested when the Company is a public company, the options shall expire on 3 years from vesting date.

(c) The movement of number of outstanding share options and weighted average exercise prices of the share options are as follows:

	2018 Weighted average exercise price S$	2018 Number	2017 Weighted average exercise price S$	2017 Number
Outstanding at beginning of year	0.021	31,179,876	0.850	268,067
Granted during the year	-	-	5.828	96,569
Forfeited during the year	-	-	6.100	(22,000)
Adjusted upon share split	-	-	(1.890)	30,837,240
Outstanding at the end of year	0.021	31,179,876	0.021	31,179,876

The weighted average exercise price of options outstanding at the end of the year is S$0.021 (2017: S$0.021) and the weighted average remaining contractual life was 2.7 years (2017: 3.7 years).

Of the total number of options outstanding at end of the year, 25,408,110 (2017: 20,719,244) had vested and were exercisable.

33. OPERATING LEASE ARRANGEMENTS

As lessee

	2018 S$	2017 S$
Minimum lease payments paid under operating leases during the year	733,608	792,106

At the end of the year, the Group had total future minimum lease payments under non-cancellable operating leases are due as follows:

	2018 S$	2017 S$
Within one year	797,366	787,320
In the second to fifth years, inclusive	900,225	1,589,783
	1,697,591	2,377,103

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for terms between one to three years at fixed rentals.

As lessor

	2018 S$	2017 S$
Minimum lease payments received under operating leases during the year	42,390	24,890

At the end of the year, the Group had total future minimum lease payments receivable under non-cancellable operating leases are due as follows:

	2018 S$	2017 S$
Within one year	28,735	33,480
In the second to fifth years, inclusive	25,125	34,485
	53,860	67,965

Operating lease payments receivable represent rentals receivable by the Group for leasing the Starlight meters. The leases are negotiated for a term of two years at fixed rentals.

34. CAPITAL COMMITMENTS

	2018 S$	2017 S$
Commitments for the acquisition of:		
Property, plant and equipment	85,783	-

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in these financial statements, the Group entered into the following significant transactions with related parties.

	2018 S$	2017 S$
Professional service fee paid to the following shareholder:		
- Majuven Pte. Ltd.	-	26,400
Warrant cancellation fee paid to the following shareholders:		
- BAF Spectrum Pte. Ltd.	-	170,925
- iGlobe Platinum Fund Limited	-	353,402
- Mr. Lim Ho Kee	-	2,255
- Majuven Fund 1 Ltd.	-	365,911
- Mr. Lee Ching Yen Stephen	-	4,507
	-	897,000

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2018 S$	2017 S$
Salaries, allowances and benefits in kind	1,033,685	1,048,554
Share-based payments	91,862	194,934
Contributions on defined contribution retirement plans	80,530	100,143
	1,206,077	1,343,631

36. MATERIAL INTEREST OF DIRECTORS IN TRANSACTION, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

37. CAPTIAL RISK MANAGEMENT

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Consistent with industry practice, the Group monitors its capital structure on the basis of the gearing ratio. This gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings representing the bank borrowing as shown in the consolidated statements of financial position less bank balances and cash. Total capital is calculated as equity as shown in the consolidated statements of financial position.

During the year, the Group's strategy was to maintain a minimum gearing ratio. The gearing ratio as at the end of the year was as follows:

	2018 S$	2017 S$
Total borrowing	-	-
Less: bank balances and cash	(4,018,466)	(7,134,663)
Net debt	(4,018,466)	(7,134,663)
Total capital	17,855,302	17,388,594
Gearing ratio	N/A	N/A

38. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and amounts due from customers. Management has a credit policy in place and the exposures to these credit risks are monitored on ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Trade receivables are due within 30 days to 60 days from the date of billing. Debtors with balances that are more than one month past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31 May 2018 and 2017, the Group has a certain concentration of credit risk as 38% and 37% of the total trade debtors was due from the Group's largest customer respectively and 77% and 68% of the total trade debtors was due from the Group's five largest trade debtors respectively.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19 and 20, respectively, to the financial statements.

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the reporting date) and the earliest date the Group can be required to pay.

	Carrying amount S$	Total contractual undiscounted cash flow S$	Within 1 year or on demand S$	More than 1 year but less than 2 years S$	More than 2 years but less than 5 years S$
2018					
Trade payables	2,917,610	2,917,610	2,917,610	-	-
Other payables and accruals	535,107	535,107	535,107	-	-
	3,452,717	3,452,717	3,452,717	-	-

	Carrying amount S$	Total contractual undiscounted cash flow S$	Within 1 year or on demand S$	More than 1 year but less than 2 years S$	More than 2 years but less than 5 years S$
2017					
Trade payables	130,120	130,120	130,120	-	-
Other payables and accruals	1,184,792	1,184,792	1,184,792	-	-
	1,314,912	1,314,912	1,314,912	-	-

(c) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

(d) Currency risk

The Group mainly operated in Singapore with most of the transactions settled in Singapore dollar and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities recognised at the end of reporting period were categorised as follows:

	2018 S$	2017 S$
Financial assets		
Loans and receivables (including bank balances and cash)	15,164,597	14,035,854
Financial liabilities		
Financial liabilities measured at amortised costs	3,452,717	1,314,912

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were reviewed by the Audit Committee and approved and authorised for issue by the Board of Directors on 27 August 2018.

Our Technologies power the Smartest City on the Planet

Smart Municipal Services

4,800,000
Public Housing Residents Served

Smart Asset Management

10,000,000
Assets Managed, Tracked & Maintained

Smart Space Management

60,000,000
Sq-footage of Corporate Real Estate Optimised

Smart Energy & Water

500
Commercial Buildings with Smart Energy & Water Management

Smart Home & Office

2,000
Smart Homes and Offices Enabled

Smart Sharing Economy

10,000
Meeting Rooms and Common Resources Shared

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