ANACLE SYSTEMS

2019 Interim Report

Anacle Systems Limited
安科系統有限公司*
(Incorporated in the Republic of Singapore with limited liability)
Stock code: 8353

* *for identification purpose only*

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.

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DEFINITIONS

"Audit Committee"	the audit committee under the Board
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules
"commercialisation"	a product is considered commercially launched once our product generates its first dollar of revenue
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
"Company"	Anacle Systems Limited 安科系統有限公司, a company incorporated in Singapore with limited liability, the issued Shares of which are listed on the GEM (Stock code: 8353)
"Director(s)"	the director(s) of the Company
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"Group"	the Company and its subsidiaries or, where the context so requires, all of its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing"	the listing of the Shares on GEM
"Listing Date"	16 December 2016 on which date dealings in the Shares commenced on GEM
"Ordinary Share(s)"	the ordinary share(s) of nil par value in the share capital of the Company
"Placing"	the placing of the Shares on 16 December 2016
"PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus issued by the Company on 30 November 2016 in connection with the Placing
"Reporting Period"	the six months ended 30 November 2018

DEFINITIONS

"Required Standard of Dealings"	the required standard of dealings in securities pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	the Ordinary Share(s) in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Singapore"	the Republic of Singapore
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"S$" or "Singapore dollars"	the lawful currency of Singapore
"TESSERACT"	an advanced Internet of Things, smart metering and controlling platform for Starlight which handles big data in the software

In this report, the terms "associate", "close associate", "connected person", "core connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the respective meanings ascribed thereto under the GEM Listing Rules, unless the context otherwise requires.

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)
Prof. Wong Poh Kam
Mr. Li Man Wai

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

COMPANY WEBSITE

www.anacle.com

GEM STOCK CODE

8353

AUTHORISED REPRESENTATIVES

Mr. Lau E Choon Alex
Mr. Ong Swee Heng

INDEPENDENT AUDITOR

BDO Limited

COMPLIANCE ADVISER

KGI Capital Asia Limited

HONG KONG LEGAL ADVISER

Deacons

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
Room 2103B
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 BANKER

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

FINANCIAL HIGHLIGHTS

From Interim 2019

	Six months ended	
	30 November 2018 (unaudited) S$	30 November 2017 (unaudited) S$
Revenue	**7,162,870**	5,342,331
Gross profit	**2,915,091**	2,638,714
Profit/(loss) before tax	**208,352**	(52,634)

34.0%

INCREASE IN REVENUE

Increase in revenue was due to a combination of healthy pipelines for our major business units (especially Simplicity), more recurring revenue from existing customers and increasing revenue contribution from our SpaceMonster venue-booking portal.

10.5%

INCREASE IN GROSS PROFIT

Revenue growth contributed to the increase in gross profit, however, increased cost of sales partially offset the positive impact of our revenue growth resulting in lower gross profit margin.

S$ 260,986

INCREASE IN PROFIT BEFORE TAX

Relatively stable operating expenses combined with revenue growth resulted in the increase in profit before tax.

DIVIDEND

The Board has not declared the payment of a dividend for the six months ended 30 November 2018 (30 November 2017: S$Nil).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 November 2018 (unaudited) S$	Three months ended 30 November 2017 (unaudited) S$	Six months ended 30 November 2018 (unaudited) S$	Six months ended 30 November 2017 (unaudited) S$
Revenue	5	**3,585,797**	2,547,059	**7,162,870**	5,342,331
Cost of sales		**(2,427,202)**	(1,490,091)	**(4,247,779)**	(2,703,617)
Gross profit		**1,158,595**	1,056,968	**2,915,091**	2,638,714
Other revenue	6	**1,352**	26,783	**2,709**	27,033
Other gains and (losses)	7	**7,804**	(3,358)	**26,669**	(104,205)
Marketing and other operating expenses		**(403,829)**	(439,728)	**(770,732)**	(788,762)
Administrative expenses		**(918,465)**	(961,426)	**(1,782,230)**	(1,749,343)
Research and development costs		**(79,419)**	(40,826)	**(183,155)**	(76,071)
Profit/(loss) before income tax	8	**(233,962)**	(361,587)	**208,352**	(52,634)
Income tax expense	9	**(10,419)**	158	**(13,389)**	(16,125)
Profit/(loss) for the period		**(244,381)**	(361,429)	**194,963**	(68,759)
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising from translation of foreign operations		**4,382**	(1,917)	**1,389**	13,008
Total comprehensive income for the period		**(239,999)**	(363,346)	**196,352**	(55,751)

		Singapore cents	Singapore cents	Singapore cents	Singapore cents
Earnings/(loss) per share attributable to owners of the Company					
- Basic	11	**(0.06)**	(0.09)	**0.05**	(0.02)
- Diluted	11	**(0.06)**	(0.09)	**0.05**	(0.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 November 2018 (unaudited)	31 May 2018 (audited)
	Notes	S$	S$
Non-current assets			
Property, plant and equipment	12	452,414	396,409
Intangible assets	13	5,787,005	5,825,606
Prepayments		733,091	227,859
Total non-current assets		6,972,510	6,449,874
Current assets			
Trade receivables	14	2,024,791	4,992,778
Other receivables, deposits and prepayments		877,006	529,261
Inventories		837,034	660,958
Amounts due from customers for contract work		5,012,348	5,679,432
Bank balances and cash		4,064,498	4,018,466
Total current assets		12,815,677	15,880,895
Current liabilities			
Trade payables	15	943,799	2,917,610
Other payables and accruals		192,824	671,791
Contract liabilities	16	-	1,200
Amounts due to customers for contract work		-	7,879
Provision for warranty		4,202	12,600
Deferred capital grants		5,403	5,403
Deferred income		87,403	401,324
Income tax payable		-	803
Total current liabilities		1,233,631	4,018,610
Net current assets		11,582,046	11,862,285
Total assets less current liabilities		18,554,556	18,312,159
Non-current liabilities			
Deferred capital grants		75,640	75,640
Deferred tax liabilities		381,195	381,217
Total non-current liabilities		456,835	456,857
NET ASSETS		18,097,721	17,855,302
Capital and reserves			
Share capital	17	20,756,598	20,756,598
Reserves		(2,658,877)	(2,901,296)
Equity attributable to owners of the Company		18,097,721	17,855,302
TOTAL EQUITY		18,097,721	17,855,302

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium	Share-based compensation reserve	Exchange fluctuation reserve	(Accumulated losses) / retained profits	Total
	S$	S$	S$	S$	S$	S$
At 31 May 2018 (audited)	**20,756,598**	**(1,376,024)**	**1,294,891**	**71,284**	**(2,891,447)**	**17,855,302**
Profit for the period	-	-	-	-	194,963	194,963
Other comprehensive income	-	-	-	1,389	-	1,389
Total comprehensive income	-	-	-	1,389	194,963	196,352
Recognition of share-based payment expenses	-	-	46,067	-	-	46,067
As at 30 November 2018 (unaudited)	**20,756,598**	**(1,376,024)**	**1,340,958**	**72,673**	**(2,696,484)**	**18,097,721**
At 31 May 2017 (audited)	20,756,598	(1,376,024)	1,118,925	65,322	(3,176,227)	17,388,594
Loss for the period	-	-	-	-	(68,759)	(68,759)
Other comprehensive income	-	-	-	13,008	-	13,008
Total comprehensive income	-	-	-	13,008	(68,759)	(55,751)
Recognition of share-based payment expenses	-	-	90,376	-	-	90,376
As at 30 November 2017 (unaudited)	20,756,598	(1,376,024)	1,209,301	78,330	(3,244,986)	17,423,219

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 November	
	2018	2017
	(unaudited)	(unaudited)
	S$	S$
Net cash used in operating activities	1,017,727	(728,327)
Net cash used in investing activities	(1,045,861)	(1,075,742)
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents	(28,134)	(1,804,069)
Cash and cash equivalents at beginning of period	4,018,466	7,134,662
Effect of foreign exchange rate changes	74,166	291
Cash and cash equivalents at end of period	4,064,498	5,330,884
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	4,064,498	5,330,884

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim 2019

1. GENERAL INFORMATION

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 was listed on the GEM 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 unaudited condensed consolidated statement of comprehensive income , the unaudited condensed consolidated statement of changes in equity, and the unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 November 2018 (the "**Interim Financial Statements**") were approved for issue by the Board on 7 January 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") and the applicable disclosure requirements of the GEM Listing Rules. The Interim Financial Statements have been prepared under the historical cost basis.

The Interim Financial Statements are presented in Singapore Dollar ("S$"), which is the same as the functional currency of the Company.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended 31 May 2018 (the "**2018 Financial Statements**").

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONT'D)

The Interim Financial Statements have been prepared in accordance with all applicable International Financial Reporting Standards, International Accounting Standards and Interpretations (hereinafter collectively referred to as the "IFRSs") and the disclosure requirements of the Companies Ordinance. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the preparation of the 2018 Financial Statements.

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

(a) New/revised IFRSs adopted as at 1 June 2018

In the current period, the Group has adopted for the first time the following new/revised IFRSs which are relevant to the Group's operations and effective for the Group's condensed consolidated financial statements for the annual period beginning on 1 June 2018.

<u>IFRS 15 - Revenue from Contracts with Customers</u>

IFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 June 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 June 2018.

IFRS 15 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

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONT'D)

(a) New/revised IFRSs adopted as at 1 June 2018 (Cont'd)

IFRS 15 - Revenue from Contracts with Customers (Cont'd)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

In respect of revenue from projects, the Group recognises revenue at a point in time when the customer obtains control of the distinct goods and services.

In respect of revenue from recurring services and lease of equipment, the Group recognises revenue over time by reference to the progress towards complete satisfaction of the relevant performance obligation.

The following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application, 1 June 2018:

	Carrying amount as at 31 May 2018 (originally stated) S$	Reclassification S$	Carrying amount as at 1 June 2018 (restated) S$
Current liabilities			
Amount due to customers for contract work	9,079	(1,200)	7,879
Contract liabilities	-	1,200	1,200

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONT'D)

(a) New/revised IFRSs adopted as at 1 June 2018 (Cont'd)

IFRS 15 - Revenue from Contracts with Customers (Cont'd)

Other than as noted above, the adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

IFRS 9 - Financial Instruments

IFRS 9 makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

The adoption of IFRS 9 has impacted for trade receivables, retention receivables and contract assets, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 June 2018 based on the facts and circumstances that existed at that date. The application of IFRS 9 has had no material impact on the classification and measurement of financial assets on the condensed consolidated financial statements.

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

The Group has not early adopted the new/revised IFRSs that have been issued but are not yet effective for the current accounting period. The Group is currently assessing the impact of these new or revised IFRSs upon initial application but is not yet in a position to state whether these new or revised IFRSs would have any significant impact on its results of operations and financial position. It is anticipated that all of the pronouncements will be adopted in the Group's accounting policies in the accounting periods when they first become effective.

Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new/revised IFRSs are not expected to have a material impact on the Group's condensed consolidated 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONT'D)

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

IFRS 16 - Leases (Cont'd)

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 19, as at 30 November 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to S$1,204,862 for land and properties under operating leases. The directors of the Company do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results and financial position but it is expected that certain portion of these commitments will be required to recognise in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities; except for the short-term leases of less than twelve months and leases of low-value assets that are exempted from applying this accounting model as a practical expedient. As at 30 November 2018, the operating lease commitments, excluding short-term leases of less than twelve months and leases of low-value assets, amounted to approximately S$ 1,144,460 which would be required to be recognised in the condensed consolidated financial statements as right-of-use assets and lease liabilities had IFRS 16 been applied.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. 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 decision.

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 that provides specific solutions for municipal services management, commercial real estate management, corporate real estate management, as well as industrial asset management;

- **Starlight** – a one-stop cloud-based energy management solutions that provide real-time access to the energy profiles of buildings, including information such as energy consumption, power quality, demand analytics and carbon footprint profiles; and

- **SpaceMonster** – an online venue booking platform.

Inter-segment transactions, if any, are priced by 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 & myBill		Starlight		SpaceMonster		Total	
	Six months ended 30 November							
	2018 (unaudited) S$	2017 (unaudited) S$	2018 (unaudited) S$	2017 (unaudited) S$	2018 (unaudited) S$	2017 (unaudited) S$	2018 (unaudited) S$	2017 (unaudited) S$
Revenue from external customers	5,630,141	3,944,790	1,496,313	1,395,043	36,416	2,498	7,162,870	5,342,331
Gross profit/(loss)	2,436,888	2,338,925	451,176	308,097	27,027	(8,308)	2,915,091	2,638,714
Depreciation and amortisation	427,109	239,016	61,914	37,770	6,431	6,431	495,454	283,217
Write-down of inventories	-	-	4,166	(2,745)	-	-	4,166	-
Reportable segment profit/(loss)	2,001,417	1,944,918	21,590	(131,185)	26,622	(9,049)	2,049,629	1,804,684
	As at							
	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$
Reportable segment assets	8,736,343	10,184,204	6,632,377	7,824,909	19,293	25,724	15,388,013	18,034,837
Additions to non-current assets	104,847	1,183,140	421,446	865,758	-	-	526,293	2,048,898
Reportable segment liabilities	331,337	725,912	865,296	3,029,825	7,094	-	1,203,727	3,755,737

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT REPORTING (CONT'D)

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

	Three months ended 30 November		Six months ended 30 November	
	2018 (unaudited) S$	2017 (unaudited) S$	2018 (unaudited) S$	2017 (unaudited) S$
Profit/(Loss) before income tax				
Reportable segment profit	**730,550**	631,681	**2,049,629**	1,804,684
Other revenue	**1,352**	26,690	**2,709**	26,940
Other gains and (losses)	**7,904**	(7,953)	**30,835**	(106,950)
Unallocated expenses:				
- Staff costs	**(502,070)**	(537,190)	**(945,328)**	(871,431)
- Share-based payments	**(22,821)**	(43,607)	**(46,067)**	(90,376)
- Rental expenses	**(182,141)**	(188,919)	**(364,402)**	(363,887)
- Legal and professional fee	**(87,673)**	(124,414)	**(194,154)**	(190,080)
- Others	**(179,063)**	(117,875)	**(324,870)**	(261,534)
Consolidated profit/(loss) before income tax	**(233,962)**	(361,587)	**208,352**	(52,634)

	As at	
	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$
Assets		
Reportable segment assets	**15,388,013**	18,034,837
Bank balances and cash	**4,064,498**	4,018,466
Property, plant and equipment	**109,824**	68,453
Unallocated corporate assets	**225,852**	209,013
Consolidated total assets	**19,788,187**	22,330,769

	As at	
	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$
Liabilities		
Reportable segment liabilities	**1,203,727**	3,755,737
Other payables and accruals	**105,544**	340,025
Unallocated corporate liabilities	**381,195**	379,705
Consolidated total liabilities	**1,690,466**	4,475,467

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT REPORTING (CONT'D)

(c) Geographical information

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

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

	Three months ended 30 November		Six months ended 30 November	
	2018 (unaudited) S$	2017 (unaudited) S$	2018 (unaudited) S$	2017 (unaudited) S$
Singapore	3,165,039	2,388,413	6,499,571	5,052,054
Malaysia	18,008	39,573	90,276	153,393
PRC	400,000	-	550,350	-
Others	2,750	119,073	22,673	136,884
	3,585,797	2,547,059	7,162,870	5,342,331

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	As at	
	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$
Singapore	6,851,013	6,087,710
Malaysia	45,558	53,860
India	75,939	80,445
	6,972,510	6,222,015

(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:

	Six months ended 30 November	
	2018 (unaudited) S$	2017 (unaudited) S$
Customer A	1,118,982	742,792

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE

	Three months ended 30 November		Six months ended 30 November	
	2018 (Unaudited) S$	2017 (Unaudited) S$	2018 (Unaudited) S$	2017 (Unaudited) S$
Project income	**2,786,226**	1,836,144	**5,497,473**	3,953,619
Recurring service income	**784,516**	700,415	**1,637,132**	1,368,482
Rental income	**15,055**	10,500	**28,265**	20,230
	3,585,797	2,547,059	**7,162,870**	5,342,331

6. OTHER REVENUE

	Three months ended 30 November		Six months ended 30 November	
	2018 (Unaudited) S$	2017 (Unaudited) S$	2018 (Unaudited) S$	2017 (Unaudited) S$
Government grants	-	25,193	-	25,193
Interest income	**1,034**	1,497	**1,528**	1,497
Others	**318**	93	**1,181**	343
	1,352	26,783	**2,709**	27,033

7. OTHER GAINS AND (LOSSES)

	Three months ended 30 November		Six months ended 30 November	
	2018 (Unaudited) S$	2017 (Unaudited) S$	2018 (Unaudited) S$	2017 (Unaudited) S$
Net exchange gain / (loss)	**7,904**	(7,953)	**30,835**	(106,950)
Write-off of inventories	**(100)**	4,595	**(4,166)**	2,745
	7,804	(3,358)	**26,669**	(104,205)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Three months ended 30 November		Six months ended 30 November	
	2018 (unaudited) S$	2017 (unaudited) S$	2018 (unaudited) S$	2017 (unaudited) S$
Staff costs (including directors' emoluments)				
Salaries and allowances	**1,862,075**	1,983,589	**3,785,123**	3,550,337
Contributions on defined contribution retirement plans	**160,553**	152,043	**325,878**	294,661
Share-based payments	**22,821**	43,607	**46,067**	90,376
	2,045,449	2,179,239	**4,157,068**	3,935,374
Less: amount capitalised as intangible assets	**(117,899)**	(474,579)	**(288,654)**	(931,218)
	1,927,550	1,704,660	**3,868,414**	3,004,156
Auditor's remuneration	**9,555**	9,958	**9,555**	9,958
Depreciation of property, plant and equipment	**25,688**	51,068	**59,036**	96,968
Amortisation of intangible assets	**231,695**	137,657	**463,407**	275,314
Write-down of inventories	**100**	(4,595)	**4,166**	(2,745)

9. INCOME TAX EXPENSE

	Three months ended 30 November		Six months ended 30 November	
	2018 (unaudited) S$	2017 (unaudited) S$	2017 (unaudited) S$	2017 (unaudited) S$
Current tax	**10,419**	(149)	**13,389**	15,123
Deferred tax	-	(9)		1,002
	10,419	(158)	**13,389**	16,125

Pursuant to the corporate tax rules and regulations of Singapore, Malaysia and India, the corporate taxes of the Company, and the two wholly-owned subsidiaries namely, Anacle Systems Sdn Bhd and Anacle Systems (India) Private Limited, are calculated at 17%, 24% and 30.9% respectively for the six months ended 30 November 2018 and 30 November 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. DIVIDEND

The Board has not declared the payment of a dividend for the six months ended 30 November 2018 (30 November 2017: S$Nil).

11. EARNINGS/(LOSS) PER SHARE

For the six months ended 30 November 2018, the basic and diluted earnings per share of the Company was S$0.05 cents. The calculation is based on the profit attributable to the owners of the Company of S$194,963 and 399,158,496 Ordinary Shares in issue. Basic and diluted earnings per share are the same because the share options had no anti-dilutive effect on the basic earnings per share.

For the six months ended 30 November 2017, the basic and diluted loss per share of the Company was S$0.02 cents. The calculation is based on the loss attributable to the owners of the Company of S$68,759 and 399,158,496 Ordinary Shares in issue. Basic and diluted earnings per share are the same because the share options had no anti-dilutive effect on the basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment valued at S$117,351 (for the six months ended 30 November 2017: S$74,034).

13. INTANGIBLE ASSETS

During the Reporting Period, the additional development cost incurred by the Group was S$424,806 (for the six months ended 30 November 2017: S$1,001,708).

14. TRADE RECEIVABLES

	As at	
	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$
Trade receivables	2,083,592	5,051,808
Less: provision for doubtful debts	(58,801)	(59,030)
	2,024,791	4,992,778

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES (CONT'D)

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:

	As at	
	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$
Within 1 month	1,335,540	3,943,229
2 to 3 months	535,144	895,686
4 to 6 months	154,107	153,863
	2,024,791	4,992,778

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:

	As at	
	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$
Not past due	916,524	4,021,563
Less than 1 month past due	862,765	688,422
1 to 3 months past due	229,386	194,869
Over 3 months but less than 12 months past due	16,116	87,924
	2,024,791	4,992,778

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 Reporting Period are as follows:

	As at	
	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$
At beginning of the period	59,030	27,970
Provision for the period	-	50,748
Amounts written off as uncollectable	-	(200,000)
Exchange alignment	(229)	312
At end of period	58,801	59,030

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES (CONT'D)

At the end of the Reporting Period, the Group's trade receivables are individually determined for impairment testing. The impairment losses recognised on trade receivables are expensed immediately for the amount by which the trade receivables' carrying amounts exceeds their recoverable amounts.

15. TRADE PAYABLES

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 Reporting Period is as follows:

	As at	
	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$
Within 1 month	574,393	1,293,432
2 to 3 months	208,327	1,584,110
4 to 6 months	153,898	32,859
Over 12 months	7,181	7,209
	943,799	2,917,610

16. CONTRACT LIABILITIES

Upon adoption of IFRS 15 on 1 June 2018, deposits received and receipts in advance from customers originally classified as amounts due to customers are reclassified as contract liabilities. The entire balance of contract liabilities as at 30 November 2018 are expected to be recognised as revenue during the financial year ending 31 May 2019.

17. SHARE CAPITAL

	Number of Shares	S$
Issued and fully paid		
Ordinary Shares	399,158,496	20,756,598
As at 31 May 2018 (audited)	399,158,496	20,756,598
As at 30 November 2018 (unaudited)	399,158,496	20,756,598

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. 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 Reporting Period were as follows:

		Number of shares issuable under share options						
Category of participant	Date of grant	At beginning of the period	Granted during the period	Exercised during the period	Forfeited during the period	Lapsed during the period	At the end of the period	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**	

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE BASED PAYMENTS (CONT'D)

(b) The 2013 Plan

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

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 Listing 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 during the Reporting Period are as follows:

	30 November 2018 (unaudited)		31 May 2018 (audited)	
	Weighted average exercise price S$	Number	Weighted average exercise price S$	Number
Outstanding at the beginning and at the end of period	0.021	31,179,876	0.021	31,179,876

19. OPERATING LEASE ARRANGEMENTS

(a) As lessee

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.

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

	As at	
	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$
Within one year	731,628	797,366
In the second to fifth years, inclusive	473,234	900,225
	1,204,862	1,697,591

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. OPERATING LEASE ARRANGEMENTS (CONT'D)

(b) As lessor

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

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

	As at	
	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$
Within one year	22,965	28,735
In the second to fifth years, inclusive	9,765	25,125
	32,730	53,860

20. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management personnel during the Reporting Period were as follows:

	Three months ended 30 November		Six months ended 30 November	
	2018 (Unaudited) S$	2017 (Unaudited) S$	2018 (Unaudited) S$	2017 (Unaudited) S$
Salaries, allowances and benefits in kind	252,757	271,802	500,814	554,122
Share-based payments	9,311	22,476	18,794	47,720
Contributions on defined contribution retirement plans	18,360	21,561	36,720	44,317
	280,428	315,839	556,328	646,159

21. CAPITAL COMMITMENTS

	As at	
	30 November 2018 (unaudited) S$	31 May 2018 (audited) S$
Commitments for the acquisition of:		
Plant and equipment	25,348	85,783

MANAGEMENT DISCUSSION AND ANALYSIS

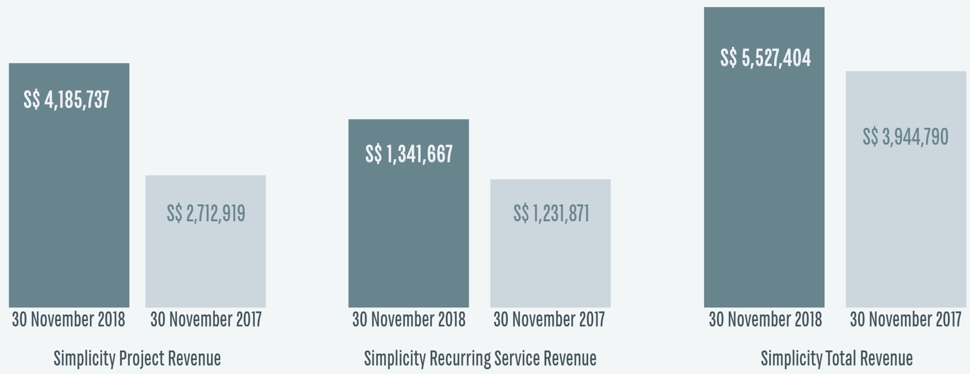
Business Review

Established in 2006, the Group is a fast-growing IT company based in Singapore. We specialise in offering, via the on-premise model and SaaS delivery model, (i) enterprise application software which is designed to assist commercial property and building owners in managing their real estate assets and facilities, and (ii) energy management system which is designed to assist commercial property and building owners in monitoring and managing their energy consumption. Besides researching, designing, developing and implementing software and hardware solutions, we also provide upgrades, maintenance and after-sales support to our customers. Our products reach end-users across various countries and regions including Singapore, Malaysia, China and other Asian countries, and various industries including commercial real estate, education, healthcare, government, utilities and oil and gas. Our mission is to design and deliver practical and easy to use innovations that will have immediate positive impact to our customers.

The Group derived a majority of its revenue from Simplicity which is a self-developed enterprise application software solution that offers specific solutions for municipal services management, commercial real estate management, corporate real estate management, as well as industrial asset management. Starlight is a self-developed energy management solution that combines software and hardware components and is a one-stop energy management solution for commercial property and building owners to monitor energy usage in buildings, including energy consumption, power quality, energy analytics and carbon footprint profiles, which helps end-users better manage their energy usage and cut costs. SpaceMonster is an online portal designed to bring together and match people who need short-term meeting and leisure facilities with organisations that own or manage such venues. 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.

MANAGEMENT DISCUSSION AND ANALYSIS
Business Review

SIMPLICITY



Six months ended 30 November 2018 S$		Six months ended 30 November 2017 S$
5,527,404	**Total Simplicity Revenue**	**3,944,790**
4,185,737	Simplicity Project Revenue	2,712,919
1,341,667	Simplicity Recurring Service Revenue	1,231,871

▲40.1% (30 November 2017: ▲2.6%)

TOTAL SIMPLICITY REVENUE

▲54.3% (30 November 2017: ▲1.2%)

SIMPLICITY PROJECT REVENUE

▲8.9% (30 November 2017: ▲5.9%)

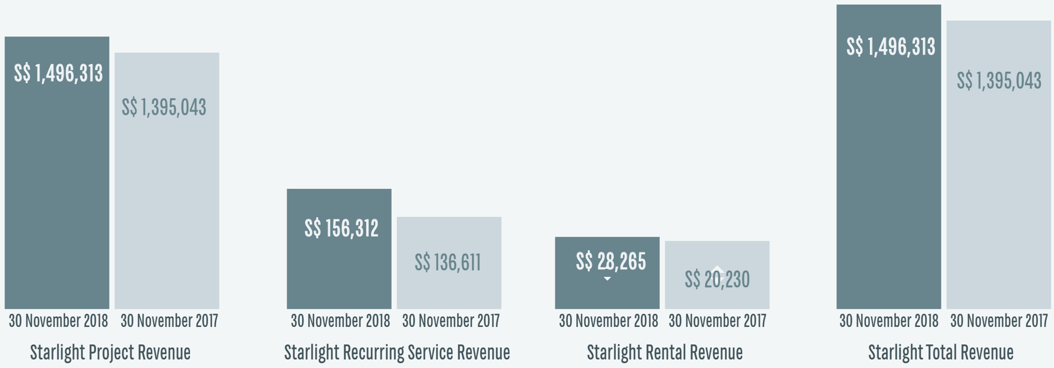
SIMPLICITY RECURRING SERVICE REVENUE

Total revenue from Simplicity increased by S$1,582,614 or 40.1%. Revenue from Simplicity enterprise application software implementation increased by S$1,472,818 and recurring revenue increased by S$109,796. Project based revenue will continue to remain the major contributor of Simplicity revenue as the demand for Simplicity enterprise software remains strong.

We have expanded the sales and delivery of Simplicity enterprise software to the PRC market, with contribution of S$550,350 of revenue from the PRC market, which is 14.0% of total Simplicity revenue.

MANAGEMENT DISCUSSION AND ANALYSIS
Business Review

STARLIGHT



Six months ended 30 November 2018 S$		Six months ended 30 November 2017 S$
1,496,313	**Total Starlight Revenue**	**1,395,043**
1,311,736	Starlight Project Revenue	1,238,202
156,312	Starlight Recurring Service Revenue	136,611
28,265	Starlight Rental Revenue	20,230

▲7.3% (30 November 2017: ▲97.6%)

TOTAL STARLIGHT REVENUE

▲5.9% (30 November 2017: ▲89.9%)

STARLIGHT PROJECT REVENUE

▲14.4% (30 November 2017: ▲197.8%)

STARLIGHT RECURRING SERVICE REVENUE

▲39.7% (30 November 2017: ▲150%)

STARLIGHT RENTAL REVENUE

Total revenue from Starlight increased moderately by S$101,270. Project based revenue grew by S$73,534 while recurring service revenue and rental subscription from the SaaS model grew by S$19,701 and S$8,035, respectively.

We believe that demand for energy management remained strong to sustain future increase in project based Starlight energy management solution implementation, recurring maintenance service and rental subscription from the SaaS model. We have almost completed a number of prestigious energy management implementation in Singapore and we have secured other significant projects for smart-home energy monitoring in Singapore, smart-nation energy monitoring in Malaysia and a number of other energy management solutions for commercial real estate in Singapore.

MANAGEMENT DISCUSSION AND ANALYSIS
Business Review

myBill

myBill is a pay-per-use utilities revenue assurance platform for the liberalized electricity market in Singapore. In the newly liberalized and fully competitive electricity market, also known as the Open Electricty 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 in the district of Jurong with 130,000, Anacle has signed up 4 energy retailers onto the platform. It has been announced that the full liberalisation of the market for 1.5 million household and small commercial consumers will take place in phases from 1 November 2018 to 1 May 2019.

During the Reporting Period, myBill generated revenue of S$102,737 (30 November 2017: S$Nil).

SpaceMonster

During the Reporting Period, SpaceMonster's revenue increased significantly by 1,357% as demand in venue sharing services continued to increase, especially as SpaceMonster was selected to be the platform for the Government Technology Agency of Singapore ("GovTech") initiative for venue sharing among 90 government agencies.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Prospect and Outlook

Our corporate objective is to achieve sustainable growth in our business and financial performance so that we can create long-term Shareholder's value.

The Singapore markets for enterprise application software and building energy management systems remain robust and are expected to grow throughout 2019. With Singapore's focus on Smart Nation (especially Smart Energy) initiatives, the Starlight business unit is expected to provide major contribution to the Group's growth in financial year 2019.

Many countries in Asia are putting out pilot programs to commence their Smart City journeys and Anacle is the market leader in putting the Smart in the edge of the grid. As such, the benefits of Starlight and Tesseract will be felt both by the enterprise users of energy as well as residential households. With such positive developments, the Directors are optimistic about the Group's long term growth.

The TESSERACT, our revolutionary Internet-of-Things device for the smart energy market has far greater capabilities and computing power than competing brands of smart meters in the same price range. With most of the R&D and product development accomplished, the Group can now focus on commercialising the TESSERACT, which we expect will be a key driver for the Starlight business unit in the current and next financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

REVENUE

Revenue for the Group for the Reporting Period increased by approximately S$1,820,539 or 34.1% from S$5,342,331 to S$7,162,870 for the six months ended 30 November 2017. S$1,582,614 of the revenue growh was contributed by Simplicity followed by S$102,737 from our new business unit, myBill. Starlight and SpaceMonster contributed S$101,270 and S$33,918 respectively to the revenue growth during the Reporting Period. Detailed analysis of each business unit's revenue are discussed in the preceding Business Review section.

COST OF SALES

During the Reporting Period, cost of sales for the Group increased by 57.1%. Third party contractors' costs for certain Simplicity and Starlight projects was the primary factor followed by staff costs and amortization. The increase in amortisation was due to the commercialisation of our new revenue generating business unit, myBill.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's overall gross profit increased by S$276,377 or 10.5% during the Reporting Period. Gross profit margin, however, has decreased by 8.7% due to increased cost of sales.

Simplicity's gross profit margin decreased by 11.8% due to a high profile government smart office project which selected Anacle's Simplicity out of a large competitive field of leading international technology firms. Despite the decrease in gross profit margin, Simplicity's gross profit increased by S$286,805 or 12.3% due to a healthy revenue growth which partially offset the increase in cost of sales.

myBill, our new utilities revenue assurance platform is currently in its initial trial run and we are pleased to report that the number of subscriptions have been increasing. Compared to the first three months ended 31 August 2018, myBill's revenue during the three months from September 2018 to November has increased by 1,168.8% or S$94,640. myBill's gross loss margin has decreased to 183.8% from 1,549.9% in the three months ended 31 August 2018. We expect myBill's number of subscriptions will continue to grow and we expect that myBill will turn profitable in the next financial year.

Starlight's gross profit increased by S$143,079 or 8.1% during the Reporting Period due to the overall increase in its revenue.

SpaceMonster has finally turned profitable with a healthy gross profit margin of 74.2%.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial Review

ADMINISTRATIVE EXPENSES

Administrative expenses have remained fairly stable. During the Reporting Period, administrative expenses increased by 1.9% or S$32,887.

MARKETING AND OTHER OPERATING EXPENSES

Sales, marketing and distribution expenses have remained stable. During the Reporting Period, marketing and other expenses have decreased by 2.3% or S$18,030. The group continued to participate in trade fairs and on-going overseas sales activities to expand the Group's business geographically, especially to the PRC region.

RESEARCH AND DEVELOPMENT COSTS

The Group continued to invest in improvements and enhancements to the existing products to better served the evolving market. New features have been continuously added to enhance our customers' experience in using our Simplicity, Starlight and myBill products.

NET PROFIT BEFORE TAX

The Group's net profit before tax during the Reporting Period increased by S$260,986 from a net loss before tax of S$52,634 to a net profit before tax of S$208,352. The increase in the net profit before tax was due to an increase in revenue although it was partially offset by higher cost of sales and research and development cost as discussed above.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial Review

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group's operations, capital expenditure and other capital requirements were funded by internal resources.

The Directors are of the view that as at the date hereof, the Group's financial resources are sufficient to support its business and operations. Notwithstanding this, the Group may consider other financing activities when appropriate business opportunities arise under favorable market conditions.

CASH POSITION

As at 30 November 2018, the cash and bank balances of the Group were S$4,064,498 (as at 31 May 2018: S$4,018,466). The decrease was primarily attributed to the acquisition of non-current assets. The net current assets of the Group were S$12,815,677 (as at 31 May 2018: S$15,880,895).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. The Group manages its exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from the reorganisations in relation to the Listing as disclosed in the Prospectus, there were no significant investments held, material acquisitions or disposals of subsidiaries during the six months ended 30 November 2018. Except for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 30 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS
Financial Review

CONTINGENT LIABILITIES

There were no material contingent liabilities of the Group as at 30 November 2018 (as at 31 May 2018: S$Nil).

CHARGE ON GROUP'S ASSETS

As at 30 November 2018, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 May 2018: Nil).

CAPITAL COMMITMENTS

As at 30 November 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 30 November 2018 was S$ 1,204,862 (31 May 2018: S$ 1,697,591). As at 30 November 2018, the Group had S$25,348 of capital commitments in respect of purchase of production equipments for Tesseract. (31 May 2018: S$85,783).

EMPLOYEES AND REMUNERATION POLICY

The Group had 148 employees (including executive Directors) as at 30 November 2018 (as at 31 May 2018: 129 employees). Remuneration is determined by reference to market terms and the performance, qualifications and experience of the individual employee. Remuneration includes monthly salaries, allowances, performance bonuses, contributions on defined contribution retirement plans, performance incentives, share-based payments and other benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds and Comparison of Business Objectives With Actual Business Progress

USE OF PROCEEDS

The shares of the Company have been successfully listed on GEM on 16 December 2016. The 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 "Net Listing Proceeds"). The Net Listing Proceeds was lower than the estimated figure as stated in the Prospectus. The Company applied the Net Listing Proceeds to the same business strategy as stated in the Prospectus for the period from 21 November 2016 (the "Latest Practicable Date) to 31 May 2019 but with monetary adjustments to each business strategy on a pro-rata basis.

The table below sets out an adjusted allocation of the Net Listing Proceeds, the actual usage of the Net Listing Proceeds and the unutilised Net Listing Proceeds as at 30 November 2018.

	Adjusted allocation of the Net Listing Proceeds	Adjusted allocation of the Net Listing Proceeds	Planned utilisation of the Net Listing Proceeds from the Latest Practicable Date to 30 November 2018	Actual utilisation of the Net Listing Proceeds as at 30 November 2018	Unutilised Net Listing Proceeds as at 30 November 2018
	%	S$	S$	S$	S$
To acquire and set up data centre infrastructure	0.8%	72,202	72,202	72,202	-
To enhance and expand our product offerings	16.9%	1,586,558	1,586,558	1,586,558	-
To strengthen our sales and marketing efforts, and reinforce our brand and product images	22.9%	2,148,229	2,148,229	1,759,081	389,148
Organic overseas expansion in the PRC	23.8%	2,227,932	2,227,932	769,060	1,458,872
To set up a manufacturing, assembly and testing plant	29.7%	2,783,978	-	465,194	2,318,784
Working capital	5.9%	557,920	557,920	557,920	-
	100.0%	**9,376,819**	**6,592,841**	**5,210,015**	**4,166,804**

MANAGEMENT DISCUSSION AND ANALYSIS
Use of Proceeds and Comparison of Business Objectives With Actual Business Progress

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business strategy	Business objectives from the Latest Practicable Date to 31 May 2018	Actual business progress up to 30 November 2018
To acquire and set up data centre infrastructure	To acquire additional server infrastructure comprising of approximately six to eight servers in Singapore tto support the expected growth of myBill for about 5 years.	We have fully utilised the amount to acquire server infrastructure to support myBill's launch in June 2018.
To enhance and expand our product offerings	• To continue the development of the advanced Starlight IoT platform, the Tesseract and the utilities billing platform, myBill • To launch the Tesseract on a trial basis and commence early marketing activities • To formally launch SpaceMonster with full marketing campaign.	We have fully utilised the amount in the financial year ended 31 May 2018, of which S$0.82 million was incurred for Tesseract product development and S$1.1 million for myBill product development. Some of the cost incurred was funded by our internal resources. We have also fully utilised the amount allocated for SpaceMonster launch.
To strengthen our sales and marketing eforts, and reinforce our brand and product images	• 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. • To engage professional parties for corporate and product branding campaigns and to participate in exhibitions and conferences.	We have utilised S$2.1 million in recruitment of dedicated business development and sales staff, branding and marketing campaign and product launch events and activities for Tesseract and myBill.
Organic expansion to PRC	To incorporate an overseas base in Hangzhou, the PRC	We have utilised S$0.8 million in preliminary expenses for our expansion to PRC. We expect to have our Hangzhou office formalised within this financial year ending 31 May 2019.
To set up a manufacturing, assembly and testing plant	To set up a manufacturing, assembly and testing plant with specialised equipment for our Starlight range of hardware, thus improving direct quality control, ensuring the stability of our supply chain and reducing the risks involved in engaging one single contract manufacturer.	We have utilised S$0.5 million in acquiring production plant and equipment for Starlight range of product.
Amount for working capital	To use as working capital.	We have utilised the working capital in the financial year ended 31 May 2017.

CORPORATE GOVERNANCE AND OTHER INCOFMATION

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

As at 30 November 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	Capacity / Nature of interest	Number of Shares / underlying Shares interested	Total interest	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 in 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 30 November 2018, without taking into account the Shares to be issued upon exercise of the Pre-IPO share options*

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

Save as disclosed above, as at 30 November 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.

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 Listing Date, whichever is earlier; or (ii) three years from the date on which the Company becomes listed on a stock exchange. The following table sets out the details of the share options under the Pre-IPO Share Option Schemes granted to the Directors as at 30 November 2018:

Name of Directors	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 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 in 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 30 November 2018, without taking into account the Shares to be issued upon exercise of the Pre-IPO share options*

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

As at 30 November 2018, so far as was 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	Approximate percentage of Company's issued shares[11]
Ng Yen Yen [1]	Interest of spouse	45,500,000	4,969,783	12.64%
Anna Lau Wu You [2]	Interest of a child	45,500,000	4,969,783	12.64%
Sara Lau Xiao Yu [3]	Interest of a child	45,500,000	4,969,783	12.64%
Alex Lau Xuan Ye [4]	Interest of a child	45,500,000	4,969,783	12.64%
Lim Lay Hong [5]	Interest of spouse	22,750,000	4,969,783	6.94%
BAF Spectrum Pte. Ltd.[6]	Beneficial interest	39,565,162	-	9.91%
iGlobe Platinum Fund Limited [7]	Beneficial interest	82,326,335	-	20.62%
Majuven Fund 1 Ltd.[8]	Beneficial interest	36,528,219	-	9.15%
OWW Investments III Limited [9]	Beneficial interest	20,873,307	-	5.23%
M1 TeliNet Pte. Ltd. [10]	Beneficial interest	20,259,000	-	5.08%
M1 Limited [10]	Interest in a controlled corporation	20,259,000	-	5.08%

Notes:

(1) *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.*

(2) *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.*

(3) *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.*

(4) *Alex Lau Xuan Ye is Mr. Lau's son 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) *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.*

(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.*

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

(7) iGlobe Platinum Fund 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.

(8) 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.

(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 30 November 2018 (i.e. 399,158,496 Shares).

Save as disclosed above, as at 30 November 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 may be 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 Listing Date, whichever is earlier.

As at 30 November 2018 and the date of this report, share options comprising 31,179,876 underlying 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 our senior management, and five current/former employees of the Group.

All the above Pre-IPO share options have not been exercised as at 30 November 2018 and 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 30 November 2018 and as at the date of this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the Required Standard of Dealings. The Company had made specific enquiries with all Directors and each of them has confirmed his compliance with the Required Standard of Dealings throughout the Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or the controlling shareholders of the Company, or their respective close associates had an interest in any business which directly or indirectly competed or might compete with the business of the Group.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, KGI Capital Asia Limited (the "Compliance Adviser"), as at 30 November 2018 and as the date of this report, save for the compliance adviser agreement dated 15 August 2016 entered into between the Company and the Compliance Adviser, none of the Compliance Adviser nor its directors, employees or close associates had any interests in 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.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through solid corporate governance.

The Company's corporate governance practices are based on the principles and the code provisions of corporate governance as set out in the CG Code in Appendix 15 to the GEM Listing Rules and in relation to, among others, the Directors, chairman of the Board and chief executive officer, the Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and the communications with the Shareholders.

To the best knowledge of the Board, the Company has adopted and has complied with all applicable code provisions set out in the CG Code during the Reporting Period and thereafter to the date of this report.

DIVIDEND

The Board has resolved not to declare the payment of a dividend for the six months ended 30 November 2018 (30 November 2017: S$Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The Board established the Audit Committee on 24 November 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code. The Audit Committee comprises two independent non-executive Directors, namely Mr. Li Man Wai and Mr. Elango Subramanian and one non-executive Director, Mr. Robert Chew. Mr. Li Man Wai was appointed to serve as the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the risk management and internal control procedures of the Company. The 2019 Interim Financial Statements have not been audited by the Company's auditors, but have been reviewed by the Audit Committee.

By order of the Board
Anacle Systems Limited
Lee Suan Hiang
Chairman

Singapore, 7 January 2019

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