ANACLE

ANNUAL REPORT 2019

Anacle Systems Limited

(Incorporated in the Republic of Singapore with limited liability)

Stock Code: 8353

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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

Sir Kwok Siu Man KR, FCS
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
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 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,

We are pleased to present to you the annual report of Anacle Systems Limited ("Anacle") for the year ended 31 May 2019 ("FY2019").

FY2019 was a year of ups and downs for Anacle. We had advances but also experienced setbacks. Our flagship Smart City Management Software portfolio had regained its momentum from the temporary setback in the previous year. However, our Smart Utilities Management Solution portfolio was impacted by project delays and impairment of its intangible assets. Overall, Anacle closed FY2019 with a net loss after tax of S$6.9 million. Despite this difficult year, we are still optimistic that Anacle's fundamental strengths as an automation process innovator in the smart city arena will enable us to remain resilient and to recover from any obstacles.

Performance

For years, Anacle has focused on designing and delivering practical and easy to use tools that businesses need in the 21st century. Our Smart City Management Software portfolio revenue was S$10.9 million in FY2019, up 11.9% from the previous year. Our preliminary entry into the China market has contributed to the revenue growth. myBill, our utilities revenue assurance platform has energised our Smart City Management Software portfolio. myBill contributed 5.1% to the portfolio's revenue.

Revenue from our Smart Utilities Management Solution portfolio had dipped by 57.0% as a result of unexpected delays in both projects and contract awards. Up to the second quarter of FY2019, business outlook remained very promising which led us to continue and step up investments in product improvements, overseas market acquisition and talent retention. Major events of project delays and contract awards hit us hard halfway through our third quarter. Investment in our staff resulted in an overall increase in staff cost, which contributed to a decrease in our gross profit and our increased administrative expenses. Last year, we acknowledged that our mid-term strategy was to expand our geographical reach to Southeast Asia and China and to increase our brand awareness by stepping up our sales and marketing efforts. Our preliminary entries into the markets of China, Malaysia, Thailand and Vietnam have contributed to the overall increase in sales and marketing expenditure. We recognise that our customers expect both groundbreaking innovation, products and industry expertise. In this regard, we invested heavily in product improvements, in particular, we enhanced the capabilities of our Starlight® Tesseract as a hyper-smart IoT energy meter. We also commenced the ground work for our new AI-based tools for Simplcity® and Starlight®.

Milestones

During FY2019, we made significant acquisitions that lay the foundation for Anacle to expand our market share in China and Malaysia, in line with our mid-term growth strategy. We acquired an indirect 35% stake in a Hangzhou based technology company to capture the smart city and smart town projects in China. To further expand our Simplicity® Commercial Real Estate market in China's real estate market, we incorporated a wholly owned subsidiary in Shanghai. In a strategic move to gain access to Sarawak Energy Berhad (SEB) Smart Grid Project, we acquired a 30% stake in a Sarawak based company. With this investment, we believe that we are well-positioned to expand further in China and Malaysia.

Challenges

We expect our operating environment to remain challenging in the year ahead as uncertainties ensues in both local and global fronts. Singapore's growth is expected to ease in 2019. Growth prospects of key emerging markets and developing economies, particularly China has worsened, partly due to the rising US-China trade conflict. The economic decelaration in China has impacted our China business. Our FY2019 revenue forecast for China market has fallen short of our expectation. Challenges in the Malaysian political front has continued to extend its impact on our smart grid project in Malaysia and weighed heavily on our investment in Starlight® Tesseract.

Outlook

Our cash flow generation remain sufficient to sustain our operations. As we enter another challenging year, we are as confident as ever in the fundamental strengths of our core businesses. Anacle believes in using moments of difficulty and adversity to take advantage of creativity, adaptability and flexibility to emerge as a better company. On a further positive note, despite the expected slow economic growth, Singapore's IT sector is still growing on the back of healthy demand for IT solutions. The estimated value of the global smart cities market is projected to exceed US$2 trillion (S$2.7 trillion) by 2025. We have positioned our products, services and people to enable our next phase of growth. Our work ahead is therefore to build on this progress and bring these capabilities to life. Whilst macroeconomic conditions are beyond our control, we can and will take initiatives to improve our financial performance. We will streamline our operations and implement strategic cost rationalisation to strengthen our financial position in upcoming year. Resilience, innovative product and passion are Anacle's strength. Anacle has high expectations for Anacle and we are committed to meeting and exceeding them.

> *"When everything seems to be going against you, remember that the airplane takes off against the wind, not with it" – Henry Ford*

Acknowledgements

I would like to thank our investors for their confidence in Anacle, especially during this tough time. I would also like to thank our business partners for the continuous support to Anacle. Last but not least, to all of our employees, for their continuous dedication and hard work.

Lee Suan Hiang
Chairman
Singapore, 23 August 2019

GROUP CEO'S REVIEW

Anacle remains fiercely optimistic about the future due to our stronger fundamentals

Financial Year 2019 has been a challenging year. What started as a very promising first half of the year led us to significantly increase our investment into market expansion and recruit a new and highly experienced senior management team, before we hit headwinds in the third quarter before a final quarter recovery.

Overall, Smart City Management Software business unit has recovered from the FY2018 dip with a growth of 11.9%. This is primarily driven by an upsurge in Commercial Real Estate Software demand, especially in Singapore and China. Against strong international competition, we won projects from Changi Airport and Changi Jewel, AsiaMalls, CapitaLand and City Development Ltd, among the leading real estate companies globally. This led to a 259% growth in the Simplicity® Commercial Real Estate segment and put us clearly as a preferred choice of the best run real estate companies in the world.

We also recorded a modest 5% growth in the Simplicity® Corporate Real Estate segment with continued expansion into the Singapore government where more than 40 out of 90 government agencies have subscribed to our platform. These were tempered by a 75% drop in Simplicity® Industrial Real Estate segment, where demand in FY2019 was lower. It is important to recognise that many of the new projects secured for Simplicity® are recurring Software-as-a-Service model.

myBill Utilities Revenue Assurance platform was launched in April 2018 to take advantage of the full liberalisation of the electricity market in Singapore. With an innovative business model whereby the energy retailer pay us a fee per bill generated, myBill has witnessed rapid growth since its launch.
Within a year, it has recorded a revenue of S$0.55 million and is on track to break even and turn profitable in early FY 2020. This recurring revenue continues to grow, and with more billing services (e.g. water and gas) expected to be outsourced to the private market in FY2020, we are optimistic that myBill will be an outperformer in the coming years.

The drop in the performance of the Smart Utilities Management Solution was caused by both internal and external factors. Internally, with the launch of a superior product in the Starlight® Tesseract, we adopted a change of strategy. Instead of focusing on our traditional sub-selling or non-revenue energy/water management sectors, we embarked on two major business development arcs to push Starlight® Tesseract into national utilities in charge of electricity distribution to create ultra-smart grids, and into public housing market as an anchor for low cost high performance smart homes. These markets have massive potential but require significant and patient business development effort.

For the first push, we have invested in heavy business development and marketing activities to target the national utilities in Malaysia (Tenaga Nasional Berhad in West Malaysia and Sarawak Energy Berhad in East Malaysia), Thailand (Provincial Electricity Authority) and the Philippines (Meralco).

For the second push, we have secured a Smart Green Home project with the Housing Development Board of Singapore to deploy 1,450 units of Tesseract, initiated a Smart Green Home pilot in Kuching, Malaysia with 50 units of Tesseract under the support of the Sarawak government, and are pursuing other government funded initiatives in Thailand and the Philippines. Externally, delay in the award and delivery acceptance of projects has also caused slower recognition of revenue.

On the other hand, our sales pipeline remains robust. On the back of the substantial investment that we have made in marketing and business development, we are cautiously optimistic that the Smart Utilities Management business unit will recover in FY2020.

In spite of the poorer numbers, in FY 2019 Anacle has finally achieved recognition among the top players in the industry as the company that provides the best products and highest quality services; being able to play at a different level is critical for our future explosive growth. We have also made measurable inroads into the international market, with China and Southeast Asia remaining the cornerstones for our growth strategies. We remain fiercely optimistic about the future due to our stronger fundamentals.

Alex Lau
Group CEO
Singapore, 23 august 2019

2019
FINANCIAL HIGHLIGHTS

Revenue (S$ 000)	Gross Profit (S$ 000)	Adjusted net (loss)/ profit before tax[1] (S$ 000)	Adjusted EBITDA[2] (S$ 000)	(Loss)/earnings per share Singapore cents
13,333	**2,708**	**(5,689)**	**(4,560)**	**(1.57)**
2018: 15,100	2018: 5,897	2018: 545	2018: 1,274	2018: 0.07
2017: 13,334	2017: 6,088	2017: 658	2017: 1,609	2017: (1.00)

(S$ 000)	Simplicity® Commercial Real Estate Solution[4]	Simplicity® Corporate Real Estate Solution[4]4	Simplicity® Industrial Asset Management Solution[4]	Starlight® Smart Utilities Management Solution[5]	myBill® Utilities Revenue Assurance[4]	SpaceMonster® Online Venue Booking Portal[6]
Revenue[3]	**4,599**	**4,905**	**810**	**2,318**	**550**	**151**
	▲ Up 159.1%	▲ Up 5.0%	▼ Down 75.1%	▼ Down 57.0%		▲ Up 1717.2%
	2018: 1,775	2018: 4,671	2018: 3,259	2018: 5,387	2018: N/A	2018: 8
	2017: 1,811	2017: 4,266	2017: 4,197	2017: 3,060	2017: N/A	2017: -
Gross profit/ (loss)[3]	**2,248**	**1,296**	**(161)**	**(606)**	**(201)**	**132**
	▲ Up 97.4%	▼ Down 48.1%	▼ Down 109.0%	▼ Down 226.7%		
	2018: 1,139	2018: 2,500	2018: 1,790	2018: 478	2018: N/A	2018: (10)
	2017: 979	2017: 2,431	2017: 2,176	2017: 516	2017: N/A	2017: (14)

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)
15,401	**4,167**	**11,234**	**3,477**	**75**	**3,402**
2018: 22,331	2018: 6,450	2018: 15,881	2018: 4,476	2018: 457	2018: 4,019
2017: 19,737	2017: 4,823	2017: 14,914	2017: 2,349	2017: 407	2017: 1,942

(1) Adjusted net profit before tax is calculated as the Group's net income before tax excluding impairment loss, share-based payments and listing expenses.
(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) Commercial Real Estate, Corporate Real Estate, Industrial Asset Management Solutions and myBill® Utilities Revenue Assurance are collectively reported as Simplicity® business segment.
(5) Smart Utilities Management Solution is our Starlight® business segment.
(6) SpaceMonster Online Venue Booking Portal is our SpaceMonster® business segment.

2019
BUSINESS REVIEW

STARLIGHT® SMART UTILITIES MANAGEMENT SOLUTION

Starlight® Smart Utilities Management Solution is a cloud-based smart energy and water management IoT platform. Starlight® provides end-to-end energy and water management from smart IoT sensors to data analytics to monitor, optimise and manage our customers' energy and water consumption. Starlight® is also a highly reliable utilities billing solution for utility retailers and landlords who sub-sell electricity and water. As a single solution, Starlight® provides multi-utilities meter reading and monitoring for energy and water.

Revenue
(S$ 000)
2,318
▼ Down 57.0%

Gross loss
(S$ 000)
(606)
▼ Down 226.7%

Geographical revenue

Singapore 90.8%
(2018: 94.9%)

Malaysia 8.5%
(2018: 3.9%)

Others 0.7%
(2018: 1.3%)

Brands

TESSERACT®

Starlight® IoT Data Platform

Starlight® IoT Data Analytics

Market growth
In FY2019, Starlight® suffered a significant drop of 57% in revenue in our core markets in Singapore and Malaysia. This is driven by a combination of (1) a shift of focus due to change in business development strategy to target national utilities and public housing market which are much larger than our traditional commercial building market; and (2) delay in the award and delivery acceptance of existing projects.

Outlook
As the global economic outlook worsens, we expect most of the governments in our target geographical markets to intensify their technology investments to help the local economies and accelerate their smart city and grid plans in FY2020. On the back of heavy investment in sales and marketing in FY2019 to build a strong pipeline, we are cautiously optimistic that FY2020 will be a much stronger year for Starlight® than FY2019.

(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 Utilities Management Solution is our Starlight® business segment.

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 solution recorded an impressive 159% growth due to an upsurge in Commercial Real Estate software demand, especially in Singapore and China. Against strong international competition, we won projects from Changi Airport and Changi Jewel, AsiaMalls, CapitaLand and City Development Ltd, among the leading real estate companies globally.

Our sales pipeline remains very strong in this segment as digital transformation efforts by major Asian real estate players continue unabated; we are strongly optimistic on the FY2020 outlook for Simplicity® CommREM.

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 recorded a modest 5% growth, primarily from the Singapore public sector market, with more than 40 out of 90 government agencies on our platform. We continue to be the software of choice for the educational and public sector market.

With continued growth to more agencies and being on a Software-as-a-Service ("SaaS") model, we are strongly optimistic on the FY2020 outlook for Simplicity® CorpREM.

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 recorded a significant 75% contraction. This is mainly due to a fall in demand from the process industry and utilities sectors as global energy prices fall.

With our primary partners Yokogawa and Schneider Electric, we maintain a strong sales pipeline for Simplicity® IndEAM, and thus we are cautiously optimistic on the FY2020 outlook.

(S$ 000)	Simplicity® Commercial Real Estate Solution(2)	Simplicity® Corporate Real Estate Solution(2)	Simplicity® Industrial Asset Management Solution(2)
Revenue(1)	4,599 ▲ Up 159.1%	4,905 ▲ Up 5.0%	810 ▼ Down 75.1%
Gross profit/(loss)(1)	2,248 ▲ Up 97.4%	1,296 ▼ Down 48.1%	(161) ▼ Down 109.0%

Brands

Simplicity® Commercial Real Estate Management

Simplicity® Corporate Real Estate Management

Simplicity® Industrial Asset Management

myBill® Utilities Revenue Assurance

Geographical revenue

- Singapore 84.0% (2018: 92.4%)
- China 14.0% (2018: -)
- Others 2.0% (2018: 7.6%)

(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, Industrial Asset Management Solutions and myBill® Utilities Revenue Assurance are collectively reported as Simplicity® business segment.

myBill®
UTILITIES REVENUE ASSURANCE

myBill® is a revenue assurance platform for energy retailers and other utilities to manage their utility contracts with their customers and automatically generate bills, collect payment and compute arrears. myBill®'s unique business model charges a monthly fee per utility account managed, greatly aligning our interests with those of the energy retailers. myBill® is designed primarily for energy retailers participating in the Open Electricity Market in Singapore, although the platform can also support other utilities such as water and gas.

Since its launch in April 2019, we have signed up 4 energy retailers on the myBill® platform. Growth has been very brisk, and as of end FY2019, myBill® generated billing for more than 60,000 customer accounts. FY2019 revenue was a healthy S$ 550K.

Currently, myBill® continues to add a few thousand customer accounts a month, increasing recurring revenue. It is on track to breaking even and pulling a profit in early FY2020. With more billing services (e.g. water and gas) expected to be outsourced to the private market in FY2020, we are strongly optimistic on the FY2020 outlook for myBill®.

(S$ 000)	**myBill® Utilities Revenue Assurance(2)**
Revenue(1)	**550** (2018: N/A)
Gross (loss)(1)	**(210)** (2018: N/A)

Geographical revenue

Singapore 100%

SpaceMonster®
ONLINE VENUE BOOKING PORTAL

SpaceMonster® is a public venue sharing portal launched for Singapore venues; it allows private individuals and businesses to book venues from venue providers who post their spaces for free on the portal. SpaceMonster® takes a percentage commission of the value of each booking transaction.

SpaceMonster® continues its breath-taking growth in FY2019, with a surge of 1,717% to S$ 151K. The portal is on track to breaking even and pulling a profit in early FY2020.

With sharing economy concepts getting more accepted by society, we are strongly optimistic on the FY2020 outlook for SpaceMonster®.

(S$ 000)	**SpaceMonster® Online Venue Booking Portal**
Revenue(1)	**151** ▲ Up 1717.2%
Gross profit(1)	**132** 2018: Gross loss S$10

Geographical revenue

Singapore 100%

(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, Industrial Asset Management Solutions and myBill® Utilities Revenue Assurance are collectively reported as Simplicity® business segment.

2019 FINANCIAL REVIEW

Revenue

Starlight® Smart Utilities Management Solution

Delays in project award and delivery acceptance for Starlight® Smart Utilities Management Solution have contributed to a drop in Starlight® revenue. Project-based revenue from implementation of Starlight® contributed to the drop.

Boding well for the sustainability of the Starlight® business, revenue from recurring maintenance and rental subscription from SaaS model grew by 27.6%, and is now more than 10% of total revenue. Rental subscription from SaaS model has been gaining popularity among building owners and energy retailers. Recurring service revenue for maintenance has also grown year-on-year as more Starlight® utilities management systems are being completed and transiting to maintenance phase.

	Starlight® Smart Utilities Management Solution (S$ '000)
Project revenue	**2,026** 2018: 5,160 2017: 2,951
Recurring revenue	**236** 2018: 185 2017: 83
Rental revenue	**56** 2018: 42 2017: 25
Total revenue	**2,318** 2018: 5,387 2017: 3,059

	Simplicity® Commercial Real Estate Solution (S$ '000)	Simplicity® Corporate Real Estate Solution (S$ '000)	Simplicity® Industrial Asset Management Solution (S$ '000)	myBill® Utilities Revenue Assurance (S$ '000)	Simplicity® Total (S$ '000)
Project revenue	**3,780**	**3,909**	**348**	**167**	**8,204**
	2018: 902	2018: 3,760	2018: 2,852	2018: N/A	2018: 7,514
	2017: 1,029	2017: 3,353	2017: 3,792	2017: N/A	2017: 8,174
Recurring revenue	**818**	**996**	**463**	**-**	**2,277**
	2018: 873	2018: 911	2018: 407	2018: N/A	2018: 2,191
	2017: 782	2017: 914	2017: 405	2017: N/A	2017: 2,101
Subscription revenue	**-**	**-**	**-**	**383**	**383**
	2018: N/A	2018: N/A	2018: N/A	2018: N/A	2018: N/A
	2017: N/A	2017: N/A	2017: N/A	2017: N/A	2017: N/A
Total revenue	**4,598**	**4,905**	**811**	**550**	**10,864**
	2018: 1,775	2018: 4,671	2018: 3,259	2018: N/A	2018: 9,705
	2017: 1,811	2017: 4,267	2017: 4,197	2017: N/A	2017: 10,275

Simplicity® Commercial Real Estate Solution

Our strategy to target top tier customers yielded good results in FY 2019. Simplicity® CommREM solution recorded an impressive 159% growth due to an upsurge in Commercial Real Estate software demand, especially in Singapore and China.

Project-based revenue grew by 319% while recurring revenue slightly declined by 6%. Growth in project-based revenue and an increasing number of SaaS customers will result in future growth of recurring revenue from FY2020 onwards.

Simplicity® Corporate Real Estate Solution

Simplicity® CorpREM solution recorded a modest 5% growth, primarily from the Singapore public sector market, with more than 40 out of 90 government agencies on our platform.

Project-based revenue grew by 4% while recurring revenue grew by 9.%.

Simplicity® Industrial Asset Management Solution

Simplicity® IndEAM recorded a significant 75% contraction. This is mainly due to a fall in demand from the process industry and utilities sectors as global energy prices fall.

Project-based revenue contracted by 88% while recurring revenue grew by 14%.

myBill® Utilities Revenue Assurance

In FY2019, myBill® signed up 4 energy retailers who brought in more than 60,000 customer accounts collectively.

Revenue clocks in at a healthy S$ 550K, of which S$ 167K is project-based revenue charged for the first time onboarding of energy retailers, and S$ 383K is subscription revenue which is charged per customer account managed on the platform.

SpaceMonster® Online Venue Booking Portal

SpaceMonster® continues its breath-taking growth in FY2019, with a surge of 1,717% to S$ 151K.

2019 FINANCIAL REVIEW

Gross profit

Starlight® Smart Utilities Management Solution

Gross profit for Starlight® went into the negative due to the combined effects of increased staffing and delayed acceptance of projects. We are taking aggressive corrective measures to match staffing strength to project needs in FY2020 to improve gross profit.

	Starlight® Smart Utilities Management Solution (S$ '000)
Gross (loss)/profit	**(606)** 2018: 478 2017: 516

SpaceMonster® Online Venue Booking Portal

Gross profit for SpaceMonster® Venue Booking Portal has improved from negative S$10K to positive S$132K as the revenue grew sharply while costs stayed stable.

	SpaceMonster® Online Venue Booking Portal (S$ '000)
Gross profit/(loss)	**132** 2018: (10) 2017: (14)

	Simplicity® Commercial Real Estate Solution (S$ '000)	Simplicity® Corporate Real Estate Solution (S$ '000)	Simplicity® Industrial Asset Management Solution (S$ '000)	myBill® Utilities Revenue Assurance (S$ '000)	Simplicity® Total (S$ '000)
Gross profit/(loss)	**2,248**	**1,296**	**(161)**	**(201)**	**3,182**
	2018: 1,139	2018: 2,500	2018: 1,790	2018: N/A	2018: 5,429
	2017: 979	2017: 2,431	2017: 2,176	2017: N/A	2017: 5,586

Simplicity® Commercial Real Estate Solution

Gross profit for Simplicity® CommREM has doubled from FY2018 due to overall increase in revenue. However gross profit margin has dropped from 64% in FY2018 to 49% in FY2019. This is due to increased hiring of additional delivery staff for CommREM in FY2019 and the need to train them before they can become effective.

Simplicity® Corporate Real Estate Solution

Gross profit for Simplicity® CorpREM has contracted 48% from FY2018 despite the 5% growth in revenue. This is mainly due to a one-time project delivery delays for the National University of Singapore and Singapore State Courts projects.

Simplicity® Industrial Asset Management Solution

Gross profit for Simplicity® IndEAM went into negative S$161K from positive S$1,790K. This is caused mainly by the drop of 75% in revenue, as well as the temporary hold-over headcount from the Public Utilities Board project resulting in a delay in releasing resources.

myBill® Utilities Revenue Assurance

Gross profit of myBill® Utilities Revenue Assurance is at negative S$ 201K for FY2019. As the revenue for myBill® grows while costs remain stable, we expect the gross profit to reach positive territory in early FY2020.

2019 FINANCIAL REVIEW

Other revenue
The increase in government grants is attributable to a receipt of S$47,942 by our subsidiary in China. The same subsidiary also contributes to S$2,007 in interest income. Interest income represents interest received from cash at bank.

	2019 (S$ 000)	2018 (S$ 000)	2017 (S$ 000)
Government grants	73	49	57
Interest income	5	3	-
Others	2	3	3
	80	55	60

Other gains and (losses)
Exchange loss was mainly due to i) foreign exchange gain of S$30,161 (2018: Loss of S$124,105) arising from translation our foreign currency denominated cash at banks; ii) foreign exchange loss of S$ 14,535 (2018: S$30,982) arising from translation of intercompany balances by subsidiaries in Malaysia and India. Slow moving inventories comprise our Starlight finished goods.

	2019 (S$ 000)	2018 (S$ 000)	2017 (S$ 000)
Net exchange gains/(losses)	16	(157)	(381)
Slow-moving inventories	(62)	(15)	(72)
Disposal of asset	-	-	(5)
Receivables impairment	(42)	(51)	(28)
	(88)	(223)	(486)

Marketing and other operating expenses
Sales, marketing and distribution expenses have increased because we have stepped up our overseas business development efforts for both Simplicity and Starlight to expand to overseas markets. The group continued to participate in trade fairs and on-going overseas sales activities to expand the Group's business geographically to Southeast Asia and China.

	2019 (S$ 000)	2018 (S$ 000)	2017 (S$ 000)
Sales and marketing	1,861	1,400	1,160
Logistics and distributions	276	158	259
	2,137	1,558	1,419

Finance costs
Finance costs of S$1,060 represent interest incurred from our trade financing facilities.

	2019 (S$ 000)	2018 (S$ 000)	2017 (S$ 000)
Finance costs	1	-	-

Research and development costs

The increase in research and development costs is due to the fact that additional work performed in FY2019 are primarily product enhancements and improvement activities for the major products lines and will not be capitalised.

Capitalised development costs in respect of Simplicity® GEMINI Digital Twin, the 3D-driven data visualization platform, in FY2019 was S$105,878 (2018: S$81,953).

	2019 (S$ 000)	2018 (S$ 000)	2017 (S$ 000)
Simplicity®	**799**	76	55
myBill®	**41**	-	-
Starlight®	**833**	83	37
	1,673	159	92

Administrative expenses

Our overall administrative expenses have increased due to the addition of our subsidiaries in China.

	2019 (S$ 000)	2018 (S$ 000)	2017 (S$ 000)
Staff emoluments	**2,019**	1,319	1,612
Staff benefits, recruitment and others	**260**	186	184
Share-based payment	**90**	176	362
Depreciation	**71**	97	226
Auditors remuneration	**123**	119	114
Rent	**830**	734	719
Directors' fees	**150**	150	78
Professional fees	**574**	509	307
Others	**525**	353	251
	4,642	3,643	3,853

Impairment of intangible assets

Impairment loss pertains to Starlight® and Starlight® (Tesseract) intangible assets. Such impairment was deemed necessary in view of Starlight's performance during the financial year ended 31 May 2019.

	2019 (S$ 000)	2018 (S$ 000)	2017 (S$ 000)
Impairment of intangible assets	**1,465**	-	-

LIQUIDITY, FINANCIAL RESOURCES, AND CAPITAL STRUCTURE

/ NET CURRENT ASSET

S$ 7,832,323

2018: S$ 11,862,285

/ CASH

S$ 2,428,307

2018: S$ 4,018,466

/ GEARING RATIO

0.9%

2018: 0%

Gearing ratio is calculated by dividing total bank borrowings by total equity. Borrowings of S$ 103,325 as at 31 May 2019 (31 May 2018: S$ Nil) represented trade financing facilities.

/ CURRENT RATIO

3.3x

2018: 4.0 x

Current ratio is current assets divided by current liabilities. The decrease was mainly due to the general business slow down during the year resulting in lesser projects during the year and therefore much less contract assets during the year. Our cash utilisation for product development and overseas business expansion also contributed to the lower current assets.

/ QUICK RATIO

2.9x

2018: 3.8 x

Quick ratio is current assets less inventories divided by current liabilities. The decrease was mainly due to a decrease in contract assets and cash.

/ TOTAL EQUITY

S$ 11,924,669

2018: S$ 17,855,302

/ ISSUED SHARE CAPITAL

S$ 20,756,598

2018: S$ 20,756,598

The capital of the Company comprises only ordinary shares. As at 31 May 2019 the number of the Company's issued ordinary shares was 399,158,496 (2018: 399,158,496).

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

In line with the Group's busness strategy to expand organically to China, the Group incorporated a subsidiary in Hangzhou, China and a wholly owned subsidiary in Shanghai during the current financial year. The Group also acquired a 30% interest in a Malaysia based company to facilitate Starlight's expansion into the energy market in Malaysia, particularly in the State of Sarawak.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plans for other material investments and capital assets other than the incorporation of subsidiaries and the acquisition of an interest in an associate as described above.

COMMITMENTS

As at 31 May 2019, the Group had operating lease commitments in respect of the lease of its offices in Singapore, China and India. The Group's operating lease commitments as at 31 May 2019 was S$1,261,770 (2018: S$1,697,591). Capital commitments of the Group in respect of an investment in an associate as at 31 May 2019 was S$229,953 (2018: Nil)

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 May 2019 (2018: Nil).

CHARGE ON GROUP'S ASSETS

As at 31 May 2019, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (2018: Nil).

CAPITAL EXPENDITURE

The Group did not make any signification capital expenditure during the current financial year. The following table sets out the capital expenditure made by the Group during the financial year ended 31 May 2019:

	Property, plant and equipment (S$ 000)	Intangible assets (S$ 000)	Total (S$ 000)
As at 31 May 2019	357	106	463
As at 31 May 2018	130	2,003	2,133

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$") and Renminbi ("RMB") . 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 80% of our total revenue.

During the financial year ended 31 May 2019, revenue derived from our sales in Singapore accounted for approximately 86.0% (2018: 93.3%) 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 have migitated the risk factor arising from our reliance on a single channel partner from which we derived our substantion revenue from. We have diversified our customer base and have reduced our reliance on any one channel partner. During the financial year ended, the revenue contribution from a major channel partner accounted for only 8.76% of our revenue as compared to 24.6% in the previous year.

We will continue to actively expand our customer base and our channel partner by acquiring and working with more channel partners locally and overseas. We also actively expands our 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.

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 "Listing Date"). The Gross proceeds from the isting 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 were lower than the estimated figure as stated in the Prospectus dated 30 November 2016 of the Company (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 31 May 2019:

	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 31 May 2019	Actual utilisation of the Net Listing Proceeds as at 31 May 2019	Unutilised Net Listing Proceeds as at 31 May 2019
	%	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	2,148,229	-
Organic overseas expansion to the PRC	23.8%	2,227,932	2,227,932	783,313	1,444,619
To set up a manufacturing, assembly and testing plant	29.7%	2,783,978	2,783,978	517,543	2,266,435
Working capital	5.9%	557,920	557,920	557,920	-
	100.0%	9,376,819	9,376,819	5,665,765	3,711,054

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business strategy	Business objectives from the Latest Practicable Date to 31 May 2019	Actual business progress up to 31 May 2019
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 fully 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 overseas expansion to the PRC	To incorporate an overseas base in Hangzhou, the PRC	We have utilised S$0.8 million in preliminary expenses for our expansion to the PRC by way of incorporation of our two subsidiaries in the PRC.
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.

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 provides 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.

177 Staff

2018: 129 staff

S$ 10.60 m

2018: S$7.78 m

Our headcount has increased by 37.2% mainly because of the addition of new staff by our new subsidiary in Hangzhou, China. Staff costs increased by 36.3% of which 44.4% of the increase was due to our new staff in China. The Group's staff strength as at 31 May 2019 was 111 staff in Singapore (2018: 101 staff), 23 staff in India (2018: 23 staff), and 38 staff in China (2018: Nil).

FINANCIAL SUMMARY

	2019 S$	2018 S$	2017 S$	2016 S$	2015 S$
Revenue	13,333,417	15,100,602	13,333,991	11,090,280	7,324,596
Cost of sales	(10,625,124)	(9,203,237)	(7,246,113)	(4,383,320)	(4,172,527)
Gross profit	2,708,293	5,897,365	6,087,878	6,706,960	3,152,069
Other revenue	79,551	55,112	60,161	208,248	160,846
Other gains and losses	(88,201)	(222,353)	(486,400)	(60,094)	(88,635)
Marketing and other operating expenses	(2,136,998)	(1,558,100)	(1,419,210)	(722,285)	(954,209)
Administrative expenses	(4,642,212)	(3,643,045)	(3,852,953)	(2,276,705)	(2,558,397)
Research and development costs	(1,672,626)	(159,537)	(92,423)	(32,783)	(34,978)
Impairment of intangible assets	(1,465,038)	-	-	-	-
Finance costs	(1,060)	-	(887)	(46,124)	(9,439)
Share of loss in an associate	(25,859)	-	-	-	-
Listing expenses	-	-	(2,447,780)	(555,977)	-
(Loss)/ profit before income tax	(7,244,150)	369,442	(2,151,614)	3,221,240	(332,743)
Income tax expense	331,433	(84,662)	(172,430)	(727,542)	(21,475)
(Loss)/.profit for the year	(6,912,717)	284,780	(2,324,044)	2,493,698	(354,218)
(Loss)/profit before income tax	(7,244,150)	369,442	(2,151,614)	3,221,240	(332,743)
Add back:					
Impairment of intangible assets	1,465,038	-	-	-	
Share-based payments	90,490	175,966	362,218	201,848	108,937
Listing expenses	-	-	2,447,780	555,977	-
Adjusted (loss)/profit before tax	(5,688,622)	545,408	658,384	3,979,065	(223,806)
Adjust for:					
Depreciation	131,072	178,468	306,895	271,058	205,868
Amortisation	996,177	550,627	642,870	301,248	228,639
Finance costs	1,060	-	887	46,124	9,439
Adjusted EBITDA	(4,560,313)	1,274,503	1,609,036	4,597,495	220,140

	2019 S$	2018 S$	2017 S$	2016 S$	2015 S$
Assets and liabilities					
Non-current assets	4,167,430	6,449,874	4,823,160	4,063,165	3,482,913
Current assets	11,234,246	15,880,895	14,914,181	6,031,478	3,150,857
Current liabilities	3,401,923	4,018,610	1,941,902	2,030,412	1,497,839
Net current assets	7,832,323	11,862,285	12,972,279	4,001,066	1,653,018
Non-current liabilities	75,084	456,857	406,845	249,247	50,298
Net assets	11,924,669	17,855,302	17,388,594	7,814,984	5,085,633

BOARD OF DIRECTORS

Lee Suan Hiang, 69

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 of 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)

Lau E Choon Alex, 46

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

Ong Swee Heng, 46

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, 62

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)

BOARD OF DIRECTORS

Prof. Wong Poh Kam, 67

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)

Elango Subramanian, 56

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

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

Alwi Bin Abdul Hafiz, 57

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, 61

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 16 years of experience in IT and business consulting. From June 2000 to February 2003, Hai Aik 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.

Sylvia Sundari Poerwaka

Chief Financial Officer and Joint Company Secretary
Anacle Systems Limited

Sylvia is responsible for overseeing the finance department with the major duty in the area of financial management iof the Company.

Sylvia has more than seven years of experience in accounting and auditing. Sylvia started as an audit assistant in Kong, Lim & Partners, LLP, a chartered accounting firm in Singapore, in November 2008 and was promoted to audit senior from December 2009, during which she was responsible for financial statement audit and audit planning. Sylvia worked as the supervisor of the accounts and tax department at the same firm from December 2010 to February 2012

Sylvia obtained her bachelor's degree in Mathematics and Computer Science from King's College London of the University of London in the United Kingdom in July 1998. Sylvia completed the Association of Chartered Certified Accountants examination in February 2009 and an ISO 9001:2008 quality management system internal control auditor course in September 2012. She has been a member of the Institute of Singapore Chartered Accountants since July 2013.

Li Shan

Senior Principal Software Architect
Anaclee Systems Limited

Li Shan has more than 12 years of experience in software design and development. From May 2005 to June 2006, Li Shan had worked as a software engineer at Buildfolio where he was responsible for software development. Li Shan 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 22 years of experience in energy management and electric metering products industry. Jindhar had worked as a technical assistant at Datapro Electronics Pvt Ltd. from July 1995 to August 2000. From September 2000 to May 2001, Jindhar 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 provided 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, Jindhar 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, India.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Group for the financial year ended 31 May 2019 (the "FY2019").

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 2019, 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 during FY2019.

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 2019, 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 2019, 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 8 Octber 2018, 7 January 2019, 4 April 2019 and 23 August 2019 and, amongst other matters, discussed and approved (i) the Group's unaudited consolidated financial results for the three months ended 31 August 2018, the six months ended 30 November 2018and the nine months ended 28 February 2019; (ii) the engagement of independent auditor for FY2019 and the audited consolidated financial statements of the Group for FY2019; (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 FY2019

The attendance of each Director at the Board meetings during FY2019 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 FY2019, the Company held an annual general meeting of the shareholders on 29 September 2018.

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 FY2019, 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.

Mr. Lau E Choon Alex, Mr. Ong Swee Heng and Mr. Lee Suan Hiang (the "Retiring Directors") shall retire by rotation at the forthcoming 2019 annual general meeting of the Company (the "2019 AGM"). It is noted that the above retiring directors will offer themselves for re-election at the 2019 AGM. The Company's circular, sent together with this annual report, contains detailed information of such retiring directors as required by the GEM Listing Rules

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 its 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/her 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 Remuneration Committee held meetings on 24 August 2018 and 7 January 2019 and and reviewed and recommended to the Board for consideration, certain remuneration-related matters of the Directors and the senior management of the Company. The attendance of each committee member during FY2019 is as follows:

Remuneration Committee members	Number of meetings attended/held
Mr. Alwi Bin Abdul Hafiz (Chairman)	2/2
Mr. Li Man Wai	2/2
Prof. Wong Poh Kam	2/2

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 Audit Committee held meetings 27 August 2018, 8 October 2018, 7 January 2019 and 8 April 2019 and amongst other matters, considered and approved for presentation to the Board for consieration and approval, the audited consolidated financial results for FY2018 and the draft unaudited consolidated financial results for the three months ended 31 August 2018, the six months ended 30 November 2018 and the nine months ended 28 February 2019.

The attendance of each committee member during FY2019 is as follows:

Audit Committee members	Number of meetings attended/held
Mr. Li Man Wai (Chairman)	4/4
Mr. Elango Subramanian	4/4
Mr. Robert Chew	4/4

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 Nomination Committee.

The Nomination Committee shall meet at least once a year. The Nomination Committee held meetings on 24 August 2018 and 7 January 2019 and, amongst other matters, reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors and recommended to the Board for consideration the re-appointment of the retiring Directors at the 2018 AGM. The attendance of each committee member during FY2019 is as follows:

Nomination Committee members	Number of meetings attended/held
Mr. Lee Suan Hiang (Chairman)	2/2
Mr. Elango Subramanian	2/2
Mr. Alwi Bin Abdul Hafiz	2/2

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 FY2019 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 FY2019.

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 FY2019.

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 2019, 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 FY2019 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 FY2019 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 FY2019 are set out in note 11 to the audited consolidated financial statements of this annual report.

The remuneration of the members of the senior management (other than the Directors) for FY2019 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	2

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 FY2019 was S$123,000.

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 the 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 FY2019, 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 Sir Kwok Siu Man ("Sir Seaman"), 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. Sir Seaman 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 Sir Seaman has been contacting in respect of company secretarial matters is Ms. Poerwaka.

Sir Seaman 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 Sir Seaman 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, Sir Seaman had delivered and attended over 15 hours' relevant seminars during FY2019.

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 Room 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

There were no changes in the constitutional documents of the Company during FY2019.

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.

DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the financial year ended 31 May 2019 ("FY2019").

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 of the subsidiaries and the associate are set out in notes 1, 17 and 18 to the consolidated financial statements in this annual report. There were no significant changes to the Group's principal activities during FY2019.

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 14 to 26 of this annual report.

RESULTS AND DIVIDENDS

The Group's financial performance for FY2019 is set out in the consolidated statement of comprehensive income on page 84 of this annual report and the consolidated statement of financial position of the Group as at 31 May 2019 is set out in the consolidated statement of financial position on page 85 of this annual report.

The Directors have resolved not to declare the payment of a final dividend for FY2019 (2018: Nil).

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Monday, 30 September 2019 (the "AGM"). For determining the entitlement of the shareholders to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Wednesday, 25 September 2019 to Monday, 30 September 2019, 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, non-registered 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 Rom 2103B, 21/F. 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 24 September 2019.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 May 2019, 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 22 to 23 of this annual report.

PLANT AND EQUIPMENT

Details of movements in the Group's plant and equipment during FY2019 are set out in note 15 to the audited consolidated financial statements in this annual report.

BANK BORROWINGS

As at 31 May 2019, the Group had S$103,325 of trade finance advances which were due for repayment within 6 months.

SHARE CAPITAL

Details of the Company's share capital as at 31 May 2019 are set out in note 31 to the audited 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, SALE, OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During FY2019, the Company did not redeem any of its listed securities, nor did the company or any of its subsidiaries purchase or sell such securities.

RESERVES

Details of movements in reserves of the Group and the Company are set out on page 87 of the consolidated statement of changes in equity of this annual report.

DISTRIBUTABLE RESERVES

As at 31 May 2019, the Company had no distributable reserves.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2019, sales to the Group's five largest customers accounted for approximately 43.0% (2018: 52.2%) of total sales and sales to the largest customer amounted to approximately 15.0% (2018: 19.1%) of total sales.

The Group's five largest suppliers accounted for approximately 34.0% (2018: 49.1%) of total purchases during FY2019 and purchases from the largest supplier amounted to approximately 9.6% (2018: 18.2%) 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 FY2019.

DIRECTORS

The Directors who held office during FY2019 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 retire at least once every three years.

In accordance with regulations 98 and 99 of the Company's constitution, Mr. Lau E Choon Alex, Mr. Ong Swee Heng and Mr. Lee suan Hiang would retire by rotation and, being eligible, offer themselves for re-election at the 2019 AGM.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and the senior management of the Group are set out on pages 28 to 33 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 FY2019, 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 transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during FY2019.

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 11 and 12 to the audited 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 FY2019.

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 other member of the Group) that from the Listing Date, 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 2019. 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 31 May 2019 and 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.

No Pre-IPO share options lapsed or were exercised or cancelled during FY2019 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 31 May 2019 and as at the date of this annual report.

Save as disclose above, at no time during FY 2019 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 EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 May 2019, 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 (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 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[2]
Mr. Lau E Choon Alex ("Mr. Lau")	Beneficial interest	45,572,000	50,541,783	12.66%
	Beneficial interest	4,969,783[1]		
Mr. Ong Swee Heng ("Mr. Ong")	Beneficial interest	22,750,000	27,719,783	6.94%
	Beneficial interest	4,969,783[1]		

Notes:

1. *These interests represent the total underlying Shares comprised the Pre-IPO share options granted by the Company on 10 March 2010.*
2. *The percentage of shareholding was calculated based on the Company's total number of issued Shares of 399,158,496 as at 31 May 2019, without taking into account the Shares to be issued upon exercise of the Pre-IPO share options.*

DIRECTORS' AND CHIEF EXECUTIVE'S 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 31 May 2019, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares and 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 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 Scheme 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 Listing Date, 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 2019:

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[(2)]
Mr. Lau	Approximately S$0.01	4,969,783[(1)]	10 March 2010	1.25%
Mr. Ong	Approximately S$0.01	4,969,783[(1)]	10 March 2010	1.25%

Notes:

1. *These interests represent the total underlying Shares comprised the Pre-IPO share options granted by the Company on 10 March 2010.*
2. *The percentage of shareholding was calculated based on the Company's total number of issued Shares of 399,158,496 as at 31 May 2019, 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 2019, so far as is known to the Directors, the following entities/persons (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 :

Long Positions in the Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares interested or held	Number of underlying Shares held	Approximate percentage of Company's issued shares [8]
Ng Yen Yen [1]	Interest of spouse	45,572,000	4,969,783	12.66%
Lim Lay Hong [2]	Interest of spouse	22,750,000	4,969,783	6.94%
BAF Spectrum Pte. Ltd. [3]	Beneficial interest	39,565,162	-	9.91%
iGlobe Platinum Fund Limited [4]	Beneficial interest	82,326,335	-	20.62%
Majuven Fund 1 Ltd. [5]	Beneficial interest	36,528,219	-	9.15%
OWW Investments III Limited [6]	Beneficial interest	20,873,307	-	5.23%
M1 TeliNet Pte. Ltd. [7]	Beneficial interest	20,259,000	-	5.08%
M1 Limited [7]	Interest of a controlled corporation	20,259,000	-	5.08%

Notes:

1. *Ms. Ng Yen Yen is the wife of Mr. Lau, the Chief Executive Officer and an executive Director, 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. *Ms. Lim Lay Hong is the wife of Mr. Ong, the Chief Operating Officer and an executive Director, and is deemed to be interested in the shareholding interests of Mr. Ong in the Company pursuant to the disclosure requirements of the SFO.*

3. *BAF Spectrum Pte. Ltd. is beneficially owned by Prof. Wong Poh Kam, a non-executive Director (the "NED"), Shah Sanjeev Kumar, Chow Yen Lu Yale, Tan Hong Huat, Hellmut Schutte, William Klippgen, Chua Seng Kiat and five other second-tier investors.*

4. *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,a NED, Ng Kah Joo and Kitade Koichiro.*

5. *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.*
6. *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.*
7. *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.*
8. *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 2019, 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 FY2019, 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 FY2019 are disclosed in note 39 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 date of the last annual report to 31 May 2019. A report on the principal corporate governance practices adopted by the Company is set out on page 34 to page 50 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 FY2019, 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 2019, 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 FY2019.

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 FY2019.

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 27 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 FY2019 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 FY2019 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, 23 August 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION, APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND REPORTING

The Board of Directors of the Group is pleased to present the Environmental, Social and Governance Report (the "ESG Report") for the financial year ended 31 May 2019. The Report is prepared based on Appendix 20 of the GEM Listing Rules "Environmental, Social and Governance Reporting Guide".

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 Group's key business operations are in Singapore which makes up approximately 85% of the Group's revenue. This ESG Report covers the Group's performance in two subject areas, environmental and social issues, of the Group's main operations in Singapore from 1 June 2018 to 31 May 2019 (the "Reporting Period"), unless otherwise stated.

The Group's operations in Malaysia, India and the PRC each accounts for less than 10% of the Group's total revenue and are deemed to have minimal environmental and social impact and therefore are not included in the scope of this ESG Report.

POLICIES STATEMENT

The Group aims to foster sustainable development and undertake corporate responsibility. While the Group actively develops and seeks business opportunities, it also takes into consideration factors including environment, society and ethics to ensure the Group can achieve a balance between business development, social demand and environmental impacts. The Group's ESG policy defines the Group's long-term approach to specific issues in environmental and social issues which are instrumental in enabling our business to operate in a sustainable manner. The Group's ESG policy guides the Group's business and operational decisions. While the board has the overall responsibility for the Group's ESG strategy and reporting, the implementation and and performance monitoring are delegated to the management. The Group's ESG Policy and ESG Strategy are reviewed periodically to ensure their relevance and appropriateness to the business.

The Group has identified social and environmental aspects that are either material or relevant to the Group based on their associated risks to the Group's business and their impact on the Group's stakeholders.

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 a 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

The Group views good sustainability practices as important to its business growth over the long term. Whilst the Group is predominantly service-oriented and has a small environmental footprint, we are committed to environmental sustainability as a responsible business. Our major environmental impacts pertain to the consumption of resources such as energy, water, and paper, as well as business travel related carbon emissions.

Our environmental policy sets out our approach to reducing our direct environmental footprint. It is the our objective that the environmental practices set out in this Policy be embedded in our management practices. The Group aims to minimise the use of resources, including electricity, water and paper through conserving energy usage in lighting and air conditioning of our offices, minimising water consumption and by promoting the use of electronic media to achieve a paperless office or to use FSC certified low grammage paper for printing where possible. The Group aims to reduce environmental impact by reducing non-essential travel and maximise use of alternative means of internal and external communication such as video conferencing. The Group also promotes the reduction, reuse and recycle of materials and waste among employees such as using double-sided printing as default printer settings, recycle toners and the use of recycled paper. The Group also complies with all relevant environmental legislation in all countries in which we operate. The Group is not aware of any non-compliance or penalties in respect of environmental laws and regulations during the Reporting Period

A1. Emissions

We are principally engaged in provision of enterprise application software solutions and energy management solutions, as well as provision of support and maintenance services. We do not have significant emission discharges into water, land and air such as nitrogen oxides, sulphur oxides and respiratory suspended particles. We do not produce a significant volume of hazardous waste from our business process. The major emissions of the Group are the greenhouse gases emissions and non-hazardous wastes generated from our operations.

A1.1 Air Emissions

Our headquarters in Singapore is located opposite a Mass Transit Transit ("MRT") station. We encourage our staff to use public transport for local business trips. We have a few employees who drives passenger cars powered by petrol to commute between office and customers' offices in the ordinary course of business. During the Reporting Period, the business commuting activities generated 1.17 kg of nitrogen oxides (NOx), 0.02 kg of sulfphur oxides (SOx) and 0.09 kg of respiratory suspended particles (PM).

A1.2 Greenhouse Gas Emissions (GHG)

During the Reporting Period, the Group business operation contributed to an GHG emission of 63.45 tonnes of carbon dioxide equivalent (tCO2eq), of which mainly are carbon dioxide and very small quantity of methane and nitrous oxide, with an intensity of 0.07 tCO2eq/m2 of total area.

In respect of greenhouse gas emissions, the emissions directly attributable to businesses owned or controlled by the Group are relatively low. Indirect greenhouse gas emissions caused by the Group are primarily attributable to purchased electricity and business trips. The Group's purchased electricity leads to indirect greenhouse gas emissions in the course of electricity generation by the power company. During the Reporting Period, the Group was actively expanding its sales activities to the Asia Pacific region and employees would have to travel by air to meet with potential customers resulting in indirect greenhouse gas emissions due to aircraft fuel consumption. Statistics in respect of consumption of purchased electricity and greenhouse gas emissions arising from air travel in the course of operation during the Reporting Period are set out below

Scope and Source of GHG Emissions	Carbon Emission in tonne carbon dioxide equivalent (tCO2eq)	Total carbon emission in %
Scope 1 Direct Emission		
Combustion of fuel for mobile sources – passenger car fueled by petrol	4.25	6.7%
Scope 2 Indirect emission		
Purchased electricity from Singapore's Power Grid	27.64	43.6%
Scope 3 Other Indirect Emission		
Paper waste disposal	1.74	2.7%
Business air travel	29.82	47.0%
Total	63.45	100.0%

Note: Emission factors were made reference to Appendix 20 of the GEM Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.

A1.3 Hazardous Waste

The Group's business did not generate significant amount of hazardous waste, hence no information related to hazardous waste is being presented in this report. Waste electronic and electrical equipment, computer hardware and empty ink cartridges were collected by supplier for proper recycling or treatment before disposal.

A1.4 Non-hazardous Waste

A total amount of 0.36 tonnes of non-hazardous waste was generated from the operations in the offices, which comprised waste office paper.

A1.5 Measures to Mitigate Emissions

Transportation

In order to minimize emission associated with passenger car use, the we encourage employees to share car journeys via carpooling and to make ahead transport planning to avoid unnecessary trips. We also encourage employees to take public transport for local business trips.

Business Air Travel

The Group is committed to decreasing the number of business trips. When dealing with simple enquiries from overseas customers, we prefer to carry out general discussions and conduct our sales presentation through long-distance telephone calls, video conferencing and other online communication tools to reduce the number of non-essential air travels and to avoid increasing the pollutants emitted by the use of transportation.

A1.6 Wastes Handling and Reduction Initiatives

The Group continues to practise paper saving initiatives as employees are encouraged to print paper on both sides and reuse paper for draft works. We encourage our employees to reduce harmless waste arising from daily work and avoid paper use by delivering digital file through e-mail. The Group adopts electronic communication software as its principal channel of contact during daily operation. All internal notice is issued through e-mail instead of printing. The Group keeps tracks of the paper usage and prevent unnecessary paper waste generation. Waste electronic and electrical equipment and used printer cartridges were returned to the supplier for proper recycling.

A2. Use of Resources

The Group's business operations do not require much resources and our office staff only consume a limited amount of electricity and water. Although we do not have written policies on effective utilisation of resources, we are committed to achieving better utilisation of resources during our operations by employing multiple measures to reduce consumption of resources in our office.

A2.1 Energy Consumption

The Group mainly consume purchased electricity for office operations and petrol consumption for passenger vehicles. As at 31 May 2019, a total of 80,185 kWh energy consumption was recorded, with an intensity of 87.48 kWh/m2 or 722.39 kWh/number of staff. Statistics in respect of the energy consumption in the course of our operation during the Reporting Period is set out below:

Energy Consumption Sources	Consumption (in individual unit)	Consumption (in kWh)
Purchased electricity	65,934 kWh	65,934 kWh
Petrol	1,566 litre	14,251 kWh
Total		80,185 kWh

A2.2 Water Consumption

We did not experience any issues when sourcing suitable water. The current water supply is sufficient to meet our daily operation needs. Our water usage during usual course of operation was mainly for the daily consumption of office. For conservation of water resource, the Group urges its office staff to save water and make sure water taps are properly turned off and to avoid unnecessary waste of drinking water. During the Reporting Period, 54.9 m3 of fresh water was consumed with an intensity of 0.06m3/m2 or 0.49m3/number of staff.

A2.3 Energy Use Efficiency Initiatives

The Group promotes electricity preservation among employees to reduce electricity consumption and indirect greenhouse gas emissions. Electricity consumption mainly arises from daily operation of office for the on-going operation lighting system, and electronic equipment in the office. With a view to reducing electricity consumption, electronic equipment with lower electricity consumption is preferred during procurement; lighting equipment and electronic appliances are switched off during lunch hour and after work to reduce the electricity consumption

A2.4 Water Use Efficiency Initiatives

The Group's business did not involve significant use of water, hence no information related to water use efficiency initiatives is being presented in this report. There was no issue identified in sourcing water that is fit for purpose in the Reporting Period.

A2.5 Packaging Materials

The Group's busines activities do not involve any manufacturing and packaging, therefore, no relevant data is recorded during the Reporting Period.

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

The Group's business nature does not generate significant environmental impacts. Nevertheless, the Group commits to continue making effort to minimise the use of resources and related impact to the natural environment, as well as complying with relevant laws and regulations.

B. SOCIAL

B1. Employment

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.

As at 31 May 2019, the Group's main operations in its headquarters in Singapore had a total number of 111 employees.

Recruitment typically takes place after university graduation period which facilitates the hiring of youth with diverse talents, potential and ability to absorb knowledge from training. 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, Cambodia and the Phillipinnes. The employment key performance indicator reported below focuses only on the Group's employees in its headquarters in Singapore.

Total workforce by gender, employment type, age group and level as at 31 May 2019

	Number of people	%
Total workforce by gender		
Woman	38	34%
Man	73	66%
Total workforce by age group		
< 25 years old	17	15%
25 – 29 years old	38	34%
30 – 39 years old	36	32%
40 – 49 years old	17	15%
> 50 years old	3	3%
Total workforce by level		
Management	5	5%
Mid-level staff	32	29%
Junior staff	74	67%
Total workforce by employment type		
Full time	110	99%
Part time	1	1%

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.

Equal opportunity is provided to all employees in respect of promotion, appraisal, training, development and other aspects. Employees are not discriminated against or deprived of opportunities based on gender, ethnic background, religion, color, sexual orientation, age, marital status, family status.

A total number of 26 employees left during the reporting period with a turnover rate of 19%. The Group offers competitive salary package to retain quality employees and aim to reduce the employee turnover.

Employee turnover rate by gender, employment type, age group and level

	Number of people	%
Total workforce by gender		
Woman	4	15%
Man	22	85%
Total workforce by age group		
< 25 years old	4	15%
25 – 29 years old	11	42%
30 – 39 years old	5	19%
40 – 49 years old	5	19%
> 50 years old	1	4%
Total workforce by level		
Management	3	12%
Mid-level staff	4	15%
Junior staff	19	73%
Total workforce by employment type		
Full time	26	100%
Part time	-	-

B2. 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.

No material noncompliance with relevant laws and regulations which may have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards had been identified during the reporting period.

During the Reporting Period, we have had zero work-related injury.

B3. 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 staff 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.

Employee training and development by gender and employment level

	Number of employees receiving training	% of employees trained	Average training hours completed per employee
By gender			
Woman	38	34%	9.32 hours
Man	73	66%	14.80 hours
By level			
Management	5	5%	11.60 hours
Mid-level staff	32	29%	9.79 hours
Junior staff	74	5%	14.37 hours

B4. Labour Standards

The Group did not employ any child or forced labour during the Reporting Period. The HR Department has established practices to ensure prevention of child and forced labour. Job candidates' identification documents are checked to ensure that they are legally entitled to work for the Group or otherwise employment contract is not entered into. At the point of employment, new employees are required to complete the registration form and provide supporting documents as proof of previous employment.

In case of violation, the personnel will be subject to fines and/or termination of the contract in accordance to relevant regulations. Legal proceedings will also be applied if necessary. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour had been identified during the Reporting Period.

OPERATING PRACTICES

B5. 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 194 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.

B6. 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 relevant laws, 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.

B7. 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 the Reporting Period.

B8. 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.

The Group has not yet made any charitable donations during the Reporting Period.

FINANCIAL STATEMENTS

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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 84 to 146, which comprise the consolidated statement of financial position as at 31 May 2019, 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 2019 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.

Contract Accounting Estimates

Refer to notes 4(j), 4(k) and 23 to the consolidated financial statements.

The Group recorded contract revenue from the projects of provision of enterprise application software solutions and energy management solutions totalling S$10,188,118 (2018: S$12,595,577) for the year ended 31 May 2019, which represented 76% (2018: 83%) of total revenue.

Contract revenue is recognised progressively over time using the input method, based on the significant management judgements and estimates including total contract costs, remaining costs to completion and contract risks. Contract costs are recognised when work is performed, together with any provisions for expected contract losses.

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

Management reviews and revises the estimates of contract revenue, contract costs and variation orders for each contract by comparing the most current budgeted amounts with corresponding actual amounts as the contract work progresses.

The recognition of revenue and profit relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgement, particularly in forecasting the costs to complete a contract, in valuing contract variations, claims and liquidated and ascertained damages, in estimating the amount of expected losses and in assessing the ability of the Group to deliver services according to the agreed timetable.

We identified contract accounting estimates as a key audit matter because the estimation of the total contract revenue and total costs to complete contracts is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period.

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:

- obtaining a detailed breakdown of the total estimated costs to completion for all contracts in progress during the year and comparing, on a sample basis, actual costs incurred to the reporting date and future cost estimates with agreements, certifications or correspondence with subcontractors and suppliers and other documentation referred to by management in its assessment of the estimated costs to completion;

- for all projects in progress at the reporting date, challenging the assumptions and critical judgements made by management which impacted their estimations of the liquidated and ascertained damages assessments by comparing the key terms and conditions in the assessments with contract agreements with customers and by comparing the estimated contract completion time with the Group's updated progress report or correspondence from customers;

- performing a retrospective review of contracts completed during the current year by comparing the final outcome of the contracts with previous estimates made for those contracts to assess the reliability of the management's forecasting process;

- 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.

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

Impairment assessment of non-current assets

The Group has gross carrying amount of property plant and equipment of S$360,101 and intangible assets of S$2,289,627 respectively relating to the cash generating unit ("CGU") of Starlight. The CGU incurred losses for the year ended 31 May 2019. This has increased the risk that the carrying values of goodwill and intangible assets may be impaired. In the annual impairment review, management has concluded that the carrying amounts of S$1,465,038 is required to be impaired in respect of the intangible assets. This conclusion was based on a value in use model that required significant management judgment with respect to the discount rate and underlying cash flows, in particular future revenue growth.

Our response:

Our procedures in relation to management's impairment assessment included:

- Assessing the valuation methodology;
- Challenging the reasonableness of key assumptions adopted in the valuation, such as the discount rate, based on our knowledge of the business and industry and available market data; and
- Reconciling input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts.

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.

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.

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

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.

- 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.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ANACLE SYSTEMS LIMITED
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- 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, 23 August 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2019

	Notes	2019 S$	2018 S$
Revenue	6(c)	13,333,417	15,100,602
Cost of sales		(10,625,124)	(9,203,237)
Gross profit		2,708,293	5,897,365
Other revenue	7	79,551	55,112
Other gains and losses	8	(88,201)	(222,353)
Marketing and other operating expenses		(2,136,998)	(1,558,100)
Administrative expenses		(4,642,212)	(3,643,045)
Research and development costs		(1,672,626)	(159,537)
Impairment of intangible assets		(1,465,038)	-
Finance costs	9	(1,060)	-
Share of loss of an associate	17	(25,859)	-
(Loss)/profit before income tax	10	(7,244,150)	369,442
Income tax expense	13	331,433	(84,662)
(Loss)/profit for the year		(6,912,717)	284,780
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(5,686)	5,962
Total comprehensive income for the year		(6,918,403)	290,742
Loss for the year attributable to:			
Owners of the Company		(6,264,878)	284,780
Non-controlling interests		(647,839)	-
		(6,912,717)	284,780
Total comprehensive income for the year attributable to:			
Owners of the Company		(6,264,787)	290,742
Non-controlling interests		(653,616)	-
		(6,918,403)	290,742
		Singapore cents	Singapore cents
(Loss)/earnings per share attributable to owners of the Company			
- Basic	14	(1.57)	0.07
- Diluted	14	(1.57)	0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Notes	2019 S$	2018 S$
Non-current assets			
Property, plant and equipment	15	620,528	396,409
Intangible assets	16	3,470,269	5,825,606
Interest in an associate	17	76,633	-
Prepayments		-	227,859
		4,167,430	6,449,874
Current assets			
Trade receivables	19	4,734,455	4,992,778
Contract assets	20	2,094,314	-
Other receivables, deposits and prepayments	21	612,705	529,261
Inventories	22	1,364,465	660,958
Amounts due from customers	23	-	5,679,432
Bank balances and cash		2,428,307	4,018,466
		11,234,246	15,880,895
Current liabilities			
Trade payables	24	1,080,847	2,917,610
Contract liabilities	25	679,865	-
Other payables and accruals	26	1,482,984	671,791
Amounts due to customers	23	-	9,079
Amount due to a director		9,980	-
Provision for warranty	27	12,600	12,600
Deferred capital grants	28	8,104	5,403
Deferred income		-	401,324
Bank borrowings	29	103,325	-
Income tax payables		24,218	803
		3,401,923	4,018,610
Net current assets		7,832,323	11,862,285
Total assets less current liabilities		11,999,753	18,312,159
Non-current liabilities			
Deferred capital grants	28	72,939	75,640
Deferred tax liabilities	30	2,145	381,217
		75,084	456,857
NET ASSETS		11,924,669	17,855,302

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Notes	2019 S$	2018 S$
Capital and reserves			
Share capital	31	20,756,598	20,756,598
Reserves		(9,160,542)	(2,901,296)
Equity attributable to owners of the Company		11,596,056	17,855,302
Non-controlling interests		328,613	-
TOTAL EQUITY		11,924,669	17,855,302

Mr. Lau E Choon Alex
Director

Mr. Ong Swee Heng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2019

	Attributable to owners of the Company						
	Ordinary share capital	Share premium	Share-based compensation reserve	Exchange fluctuation reserve	Accumulated losses	Non-controlling interests	Total
	S$	S$	S$	S$	S$	S$	S$
At 1 June 2017	20,756,598	(1,376,024)	1,118,925	65,322	(3,176,227)	-	17,388,594
Loss 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 as originally stated	**20,756,598**	**(1,376,024)**	**1,294,891**	**71,284**	**(2,891,447)**	**-**	**17,855,302**
Initial application of IFRS 9	-	-	-	-	(84,949)	-	(84,949)
Restated balance as at 1 January 2018	20,756,598	(1,376,024)	1,294,891	71,284	(2,976,396)	-	17,770,353
Loss for the year	-	-	-	-	(6,264,878)	(647,839)	(6,912,717)
Other comprehensive income	-	-	-	91	-	(5,777)	(5,686)
Total comprehensive income	-	-	-	91	(6,264,878)	(653,616)	(6,918,403)
Capital injection to subsidiaries	-	-	-	-	-	982,229	982,229
Recognition of share-based payment expenses	-	-	90,490	-	-	-	90,490
At 31 May 2019	**20,756,598**	**(1,376,024)**	**1,385,381**	**71,375**	**(9,241,274)**	**328,613**	**11,924,669**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2019

	2019 S$	2018 S$
Cash flows from operating activities		
(Loss)/profit before income tax	(7,244,150)	369,442
Adjustments for:		
Depreciation of property, plant and equipment	131,072	178,468
Amortisation of intangible assets	996,177	550,627
Impairment of intangible assets	1,465,038	-
Share of loss of an associate	25,859	-
Interest expense	1,060	-
Interest income	(4,686)	(2,988)
Share-based payment	90,490	175,966
Provision for expected credit loss	42,206	-
Provision for doubtful debts	-	50,748
Write-down of inventories	24,534	14,841
Provision/(reversal of provision) for obsolete inventories	37,087	(279)
Operating cash flows before working capital changes	(4,435,313)	1,336,825
Decrease/(increase) in trade receivables	144,126	(1,954,943)
Decrease in contract assets	3,576,220	-
Increase in other receivables, deposits and prepayments	(94,415)	(113,169)
(Increase)/decrease in inventories	(767,036)	18,772
Increase in amounts due from customers	-	(2,096,321)
(Decrease)/increase in trade payables	(1,835,898)	2,788,637
Increase in contract liabilities	269,578	-
Increase/(decrease) in other payables and accruals	812,520	(561,324)
Decrease in amounts due to customers	-	(180,723)
Increase in amount due to a director	9,980	-
Decrease in provision for warranty	-	(5,295)
Increase in deferred income	-	37,357
Effect of foreign exchange rate changes	(65,468)	22,064
Net cash used in operations	(2,385,706)	(708,120)
Income tax paid	(24,684)	(35,035)
Net cash used in operating activities	(2,410,390)	(743,155)
Cash flows from investing activities		
Purchase of property, plant and equipment	(357,080)	(130,078)
Payment for the cost incurred for intangible assets	(105,878)	(2,002,929)
Proceeds from disposal of plant and equipment	-	913
Investment in an associate	(102,240)	-
Decrease/(increase) in prepayments	227,859	(227,859)
Interest received	4,686	2,988
Net cash used in investing activities	(332,653)	(2,356,965)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2019

	2019 S$	2018 S$
Cash flows from financing activities		
Cash received from non-controlling interests from issuance of capital of subsidiaries	982,229	-
Increase in trade finance advances	102,265	-
Net cash generated from financing activities	1,084,494	-
Net decrease in cash and cash equivalents	(1,658,549)	(3,100,120)
Cash and cash equivalents at beginning of year	4,018,466	7,134,663
Effect of foreign exchange rate changes	68,390	(16,077)
Cash and cash equivalents at end of year	2,428,307	4,018,466
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	2,428,307	4,018,466

1. GENERAL

Anacle Systems Limited (the "Company") was incorporated as a limited private company in Singapore on 21 February 2006. On 25 November 2017, 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 are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2018

Annual Improvements to IFRS 2014-2016 Cycle	Amendments to IAS 1, First-time adoption of International Financial Reporting Standards
Annual Improvements to IFRS 2014-2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
Amendments to IAS 40	Transfers of Investment Property
IFRIC–Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been summarised below. The Directors of the Company consider, other new or amended IFRSs that are effective from 1 June 2018 did not have any material impact on the Group's accounting policies.

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

(a) Adoption of new/revised IFRSs – effective 1 June 2018 (Continued)

A. IFRS 9 - Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 June 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2(a)(A)(i) and (ii) below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated with the exception of certain aspects of hedge accounting.

The total impact on the Group's accumulated losses as at 1 June 2018 is as follows:

	S$
Accumulated losses as at 31 May 2018	2,891,447
Increase in provision for expected credit loss	84,949
Accumulated losses as at 1 June 2018	2,976,396

(i) Classification and measurement of financial instruments

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flow and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

(a) Adoption of new/revised IFRSs – effective 1 June 2018 (Continued)

A. IFRS 9 - Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 June 2018:

	Original classification under IAS 39	New classification under IFRS 9	Balance as at 31 May 2018 under IAS 39	Balance as at 1 June 2018 under IFRS 9
			S$	S$
Financial assets				
Trade receivables	Loans and receivables	Amortised cost	4,992,778	4,946,443
Other receivables	Loans and receivables	Amortised cost	256,399	240,503
Amounts due from customers	Loans and receivables	Amortised cost	5,679,432	5,656,714
Bank balances and cash	Loans and receivables	Amortised cost	4,018,466	4,018,466

The measurement categories for all financial liabilities remain the same for the Group, the carrying amounts for all liabilities at 1 June 2018 have not been impacted by the initial application of IFRS 9.

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". IFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs and contract assets earlier than IAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

(a) Adoption of new/revised IFRSs – effective 1 June 2018 (Continued)

A. IFRS 9 - Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rate where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECLs model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all financial assets at amortised cost, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

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

(a) Adoption of new/revised IFRSs – effective 1 June 2018 (Continued)

A. IFRS 9 - Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices except amount of trade receivables and contract assets per below:

Impairment of trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and invoice day aging. On that basis, the loss allowance as at 1 June 2018 was determined as follows for:

By Due Day	Not past due	Within 1 month	1 – 3 months	Over 3 months	Default customer	Total
Expected credit loss rate (%)	0.40%	1.50%	5.62%	12.70%	100%	
Gross carrying amount (S$)	9,700,995	688,422	194,869	87,924	59,030	10,731,240
Loss allowance (S$)	38,804	10,326	8,756	11,167	59,030	128,083

Under IAS39, the Group had made a provision for impairment loss of trade receivables amounting to S$59,030 as at 31 May 2018.

A further provision of impairment allowance for trade receivables upon the transition to IFRS 9 as of 1 June 2018 were S$69,053. The provision for impairment allowances for trade receivables is amounting to S$46,166 during the year ended 31 May 2019.

As a result of the above changes, the impact of the new IFRS 9 impairment model results in an additional impairment allowance for trade receivables as follows:

	S$
Impairment loss as at 1 June 2018 under IAS 39	59,030
Additional impairment recognised	69,053
Loss allowance as at 1 June 2018 under IFRS 9	128,083

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

(a) Adoption of new/revised IFRSs – effective 1 June 2018 (Continued)

A. IFRS 9 - Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impairment of other receivables

Other receivables mainly represent amounts due from suppliers for the purchase of materials on their behalf. It is considered to be low risk as the borrower is considered to have a strong capacity to meet its obligations, and therefore the impairment provision is determined based on 12 months expected credit losses. After applying the expected credit loss model, the management considered that provision for impairment allowance for other receivables upon the transition to IFRS 9 as at 1 June 2018 were S$15,896.

(iii) Hedge accounting

Hedge accounting under IFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 May 2018, but are recognised in the consolidated statement of financial position on 1 June 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 June 2018. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "DIA"):

The determination of the business model within which a financial asset is held;

The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

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

(a) Adoption of new/revised IFRSs – effective 1 June 2018 (Continued)

B. IFRS 15: Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has reviewed the impact of IFRS 15 on all its business segments and has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Accordingly, the standard has been applied only to contracts that are not completed contracts as at 1 June 2018. The Group has adopted IFRS15 using cumulative method. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings as at the date of initial application (that is, 1 June 2018). As a result, the comparative financial information presented in 2018 have not been restated. As allowed by IFRS 15, the Group has applied the new requirement only to contracts that were not completed before 1 June 2018.

The following tables summarised the impact of adopting IFRS 15 on the Group's consolidated statement of financial position as at 1 June 2018. There was no material impact on the Groups' consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 May 2018:

	Impact of adoption of IFRS 15 at 1 June 2018 S$
Assets	
Current assets	
Amounts due from customers	(5,679,432)
Contract assets	5,679,432
	-
Liabilities	
Current liabilities	
Amounts due to customers	(9,079)
Contract liabilities	410,403
Deferred income	(401,324)
	-

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

(a) Adoption of new/revised IFRSs – effective 1 June 2018 (Continued)

B. IFRS 15: Revenue from Contracts with Customers (Continued)

The Group has applied the following accounting policy for revenue recognition in the preparation of these consolidated financial statements:

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

The Group has reviewed the impact of IFRS 15 and considered that IFRS 15 does not have a material impact on the timing and amounts of revenue recognized for contracts with customers.

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 services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

(a) Adoption of new/revised IFRSs – effective 1 June 2018 (Continued)

B. IFRS 15: Revenue from Contracts with Customers (Continued)

Details of the nature and effect of the changes on previous accounting policies in relation to the Group's major revenue sources are set out below:

(i) Contract revenue from projects of provision of enterprise application software solutions and energy management solutions

The Group generate revenue from projects of provision of enterprise application software solutions and energy management solutions. The transaction price for the services are charged at a fixed contracted price. Invoices are issued according to contractual terms and are usually payable within 90 days.

Under IAS 18, revenue for projects are recognised by reference to the stage of completion when this can be measured reliably. The stage of completion 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. The revenue is regconised over time as the Group's activities create or enhance an asset under the customer's control. Therefore, revenue for projects under IFRS15 was recognised on a similar basis in the comparative period under IAS 18.

Before the adoption of IFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as construction contracts in the statement of financial position before the construction services were billed to customers. Upon the adoption of IFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified S$5,679,432 from gross amount due from contract customers to contract assets.

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as gross amount due to contract customers. Under IFRS 15, the amount is classified as contract liabilities. Therefore, upon adoption of IFRS 15, the Group reclassified S$9,079 from gross amount due to contract customers to contract liabilities.

(ii) Revenue from rending of services including maintenance

The Group provides maintenance services to customers using their energy solutions and software. The services are charged at a fixed rate with no significant variable consideration. The Group recognised revenue in the amount to which the entity has the right to invoice, which is representative to the value being delivered. Invoices for maintenance services are issued on a monthly basis and are usually payable within 90 days. No significant financial component existed.

Under IAS 18, revenue for maintenance services are recognised when the services are rendered. The revenue is recognised over time as the benefits received and consumed simultaneously by the customer. The initial adoption of IFRS15 did not result in significant impact on the Group's accounting policies on revenue for accounting, settlement and clearing services.

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as deferred income. Under IFRS 15, the amount is classified as contract liabilities as it represents the Group's obligation to transfer services to a customer. Therefore, upon adoption of IFRS 15, the Group reclassified S$401,324 from deferred income to contract liabilities.

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

(a) Adoption of new/revised IFRSs – effective 1 June 2018 (Continued)

B. IFRS 15: Revenue from Contracts with Customers (Continued)

(iii) Revenue from sales of hardware

Invoices are issued when the customer takes possession of and accepts the products and are usually payable within 30 days from the date of billing. No significant financial component existed. The transaction price is determined based on a stand-alone selling price specified in the contracts for sales of hardware. Under IAS 18, revenue from sale of hardware is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually at the date when a Group entity has delivered products to the customer and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Under IFRS15, revenue is recognised when the customer takes possession of and accepts the products. Therefore, the initial adoption of IFRS15 did not result in significant impact on the Group's accounting policies on revenue for sale of hardware.

(iv) Subscription income

Revenue arising from the customers' subscription to use the application Mybill and Spacemonster. The services are charged at a fixed rate with no significant variable consideration. The revenue is recognised over time as the benefits received and consumed simultaneously by the customer. Under IAS 18, subscription income are recognised when the services are rendered. The initial adoption of IFRS15 did not result in significant impact on the Group's accounting policies on subscription income from Mybill and Spacemonster.

(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.

IFRS 16	Leases [1]
IFRIC-Int 23	Uncertainty over Income Tax Treatments [1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation [1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures [1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations [1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements [1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes [1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs [1]
IFRS 17	Insurance Contracts [3]
Amendments to IFRS 3	Definition of a business [2]
Amendments to IAS 1 and IAS 8	Definition of material [2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred / removed. Early application of the amendments continue to be permitted.

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

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

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 37, at 31 May 2019, the Group's future minimum lease payments under non-cancellable operating leases amount to S$1,261,770 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 IFRS 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
Simplicity (GEMINI)	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(q)).

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 (accounting policies applied from 1 June 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, contract assets and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (accounting policies applied from 1 June 2018)

(ii) Impairment loss on financial assets (Continued)

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is over 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group

The Group rebutted the presumption of significant increase in credit risk under ECL model for trade receivables, contract assets over 30 days past due based on the good repayment records for those customers and continuous business with the Group. Customers are assessed collectively based on provision matrix based on historical credit loss experience adjusted by forward looking estimates.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (accounting policies applied from 1 June 2018)

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, contract liabilities 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.

(iv) 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 period. 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.

(v) Equity instruments

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

(vi) 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 IFRS 9.

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 year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (accounting policies applied until 31 May 2018)

(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;
- 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)

(g) Financial instruments (accounting policies applied until 31 May 2018) (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

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (accounting policies applied from 1 June 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component using the practical expedient in IFRS15.

Contract revenue from projects of provision of enterprise application software solutions and energy management solutions

The Group generate revenue from projects of provision of enterprise application software solutions and energy management solutions. The transaction price for the services are charged at a fixed contracted price. Invoices are issued according to contractual terms and are usually payable within 90 days.

Revenue for projects are recognised by reference to the stage of completion when this can be measured reliably. The stage of completion 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. The revenue is recognised over time as the Group's activities create or enhance an asset under the customer's control. Therefore, revenue for projects under IFRS15 was recognised on a similar basis in the comparative period under IAS 18.

Contract balances relating to system integration contracts in progress were presented in the statement of financial position under "contact assets" or "contract liabilities" respectively. Details please refer to Note 4(k).

Revenue from rendering of services including maintenance

Revenues are recognised over time as the benefits received and consumed simultaneously by the customer. The services are charged at a fixed rate with no significant variable consideration. The Group recognised revenue in the amount to which the entity has the right to invoice, which is representative to the value being delivered. Invoices for maintenance services are issued on a monthly basis and are usually payable within 30 days. No significant financial component existed. IFRS 15 did not result in significant impact on the Group's accounting policies.

Revenue from sales of hardware

Sales of hardware are recognised when the customer takes possession of and accepts the products. This is usually taken as the time when the goods are delivered and the customer has accepted the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. There is generally only one performance obligation. Invoices are issued when the customer takes possession of and accepts the products and are usually payable within 30 days from the date of billing. No significant financial component existed. The transaction price is determined based on a stand-alone selling price specified in the contracts for sales of hardware.

Subscription income

Revenues are recognised over time as the benefits received and consumed simultaneously by the customer. The services are charged at a fixed rate with no significant variable consideration. The Group recognised revenue in the amount to which the entity has the right to invoice, which is representative to the value being delivered

Rental income

Rental income from leasing of hardware is recognised on a straight-line basis over the term of the relevant lease

Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Revenue recognition (accounting policies applied until 31 May 2018)

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.

(k) Contract assets and contract liabilities (accounting policies applied from 1 June 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Construction contracts (accounting policies applied until 31 May 2018)

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

(m) 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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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 (the "CPF Scheme"), a state-managed retirement benefit scheme operated by the government of Singapore. The Company is required to contribute a specified percentage of payroll costs to the CPF Scheme to fund the benefits. The only obligation of the Company with respect to the CPF Scheme is to make the specified contributions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

(q) 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
- Investments in subsidiaries and
- Interest in an associate

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.

(r) 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.

(s) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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) a person identified in (a)(i) has significant influence over the entity or is a member of key 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.

(ii) Recoverability of contract assets for construction services

The Group works on projects of provision of enterprise application software solutions and energy management solutions to customers before the customers pay consideration or before payments are due, contract assets are recognised for the earned considerations that are conditional. Contract assets are stated at cost less impairment. In assessing the recoverability of the contract assets, the Group regularly reviews and, where appropriate, adjusts the financial budget of each construction work based on work progress and latest available information (including correspondence with contract customers), and estimates the amount of foreseeable losses or attributable profits of each construction contract. When it is probable that total contract costs will exceed total contract revenue which indicates an impairment, the expected loss is recognised as an expense immediately. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

As at 31 May 2019, the Group recognised contract assets of S$2,094,314. The recoverability assessment of these contract assets involves significant estimations and judgements made by management when management prepares financial budgets of each construction work.

(iii) Impairment assessment of trade receivables

As at 31 May 2019, the Group recorded gross trade receivables of S$4,900,097, before impairment provision of trade receivables of S$165,642. In general, the credit terms granted by the Group to the customers generally ranged zero to two months (2018: zero to two months). Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(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.

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.sg – 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

	Simplicity and myBill		Starlight		SpaceMonster		Total	
	2019 S$	2018 S$	2019 S$	2018 S$	2019 S$	2018 S$	2019 S$	2018 S$
Revenue from external customers	10,864,250	9,704,819	2,317,978	5,387,463	151,189	8,320	13,333,417	15,100,602
Gross profit/(loss)	3,182,226	5,428,637	(606,483)	478,514	132,550	(9,786)	2,708,293	5,897,365
Reportable segment profit/(loss)	1,148,650	4,672,031	(3,813,024)	(377,570)	132,145	(81,748)	(2,532,229)	4,212,713
Depreciation and amortisation	869,882	478,032	173,532	165,615	12,862	12,861	1,056,276	656,508
Impairment of intangible assets	-	-	1,465,038	-	-	-	1,465,038	-
(Reversal of provision)/ provision for obsolete inventories	-	-	37,087	(279)	-	-	37,087	(279)
Write-down of inventories	-	-	24,534	14,841	-	-	24,534	14,841
Provision for expected credit loss	66,560	-	(24,354)	-	-	-	42,206	-
Provision for doubtful debts	-	50,748	-	-	-	-	-	50,748
Reportable segment assets	7,180,603	10,184,204	5,329,860	7,824,909	12,862	25,724	12,523,325	18,034,837
Additions to non-current assets	145,104	1,183,140	265,090	865,758	-	-	410,194	2,048,898
Reportable segment liabilities	1,438,767	725,912	811,083	3,029,825	(272)	-	2,249,578	3,755,737

6. SEGMENT REPORTING (Continued)

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

	2019 S$	2018 S$
(Loss)/profit before income tax		
Reportable segment (loss)/profit	(2,532,229)	4,212,713
Other revenue	79,551	55,112
Other gains and losses	15,626	(157,043)
Finance costs	(1,060)	-
Unallocated expenses:		
Staff costs	(2,541,712)	(1,513,415)
Share-based payments	(90,490)	(175,966)
Rental expenses	(834,703)	(733,608)
Auditor's remuneration	(123,000)	(119,000)
Legal and professional fee	(537,326)	(398,597)
Depreciation	(70,973)	(72,587)
Others	(607,834)	(728,167)
Consolidated (loss)/profit before income tax	(7,244,150)	369,442

	2019 S$	2018 S$
Assets		
Reportable segment assets	12,523,325	18,034,837
Bank balances and cash	2,428,307	4,018,466
Property, plant and equipment	113,520	68,453
Unallocated corporate assets	336,524	209,013
Consolidated total assets	15,401,676	22,330,769

	2019 S$	2018 S$
Liabilities		
Reportable segment liabilities	2,249,578	3,755,737
Other payables and accruals	1,087,761	340,025
Bank borrowings	103,325	-
Unallocated corporate liabilities	36,343	379,705
Consolidated total liabilities	3,477,007	4,475,467

6. SEGMENT REPORTING (Continued)

(c) Disaggregation of revenue

In the following table, revenue is disaggregated by timing of recognition and primary geographical market as below:

	Simplicity and myBill		Starlight		SpaceMonster		Total	
	2019 S$	2018 S$	2019 S$	2018 S$	2019 S$	2018 S$	2019 S$	2018 S$
Timing of revenue recognition								
Transferred over time								
- Project revenue	8,184,551	7,514,248	2,003,567	5,081,329	-	-	10,188,118	12,595,577
- Maintenance services	2,277,106	2,190,571	235,810	185,123	7,489	5,620	2,520,405	2,381,314
- Subscription	383,393	-	-	-	143,700	2,700	527,093	2,700
Recognised at a point of time								
- Sale of equipment	19,200	-	22,506	78,621	-	-	41,706	78,621
Other sources								
- Lease of equipment	-	-	56,095	42,390	-	-	56,095	42,390
	10,864,250	9,704,819	2,317,978	5,387,463	151,189	8,320	13,333,417	15,100,602
Primary geographical markets								
Singapore	9,211,609	8,964,596	2,105,538	5,111,849	151,189	8,320	11,468,336	14,084,765
Malaysia	142,871	50,335	197,199	207,629	-	-	340,070	257,964
PRC	1,439,975	-	-	-	-	-	1,439,975	-
Others	69,795	689,888	15,241	67,985	-	-	85,036	757,873
	10,864,250	9,704,819	2,317,978	5,387,463	151,189	8,320	13,333,417	15,100,602

(d) Geographical information

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"):

	2019 S$	2018 S$
Specified non-current assets		
Singapore	3,940,754	6,087,710
Malaysia	38,902	53,860
India	76,008	80,445
PRC	35,133	-
	4,090,797	6,222,015

6. SEGMENT REPORTING (Continued)

(e) 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:

	2019 S$	2018 S$
Customer A	1,995,808	2,882,530
Customer B	N/A	1,673,675
Customer C	N/A	1,488,380
	1,995,808	6,044,585

7. OTHER REVENUE

	2019 S$	2018 S$
Government grants	73,292	49,277
Interest income	4,686	2,988
Others	1,573	2,847
	79,551	55,112

8. OTHER GAINS AND LOSSES

	2019 S$	2018 S$
Net exchange gains/(losses)	15,626	(157,043)
(Provision)/reversal of provision for obsolete inventories	(37,087)	279
Write-down of inventories	(24,534)	(14,841)
Provision for expected credit loss	(42,206)	-
Provision for doubtful debt	-	(50,748)
	(88,201)	(222,353)

9. FINANCE COSTS

	2019 S$	2018 S$
Interest on bank borrowing	1,060	-

10. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived after charging/(crediting):

	2019	2018
	S$	S$
Staff costs (including directors' emoluments (note 11))		
Salaries and allowances	9,744,894	6,621,158
Contributions on defined contribution retirement plans	773,075	984,289
Share-based payments	90,490	175,966
	10,608,459	7,781,413
Less: capitalised as intangible assets	(73,478)	(1,431,278)
	10,534,981	6,350,135
Auditor's remuneration	123,000	119,000
Depreciation of property, plant and equipment	131,072	178,468
Amortisation of intangible assets	996,177	550,627
Provision of expected credit loss	42,206	-
Provision for doubtful debts	-	50,748
Write-down of inventories	24,534	14,841
Provision/(reversal of provision) for obsolete inventories	37,087	(279)
Impairment of intangible assets	1,465,038	-

11. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

2019	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	-	263,906	12,240	276,146
Mr. Ong Swee Heng	-	216,000	12,240	228,240
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	25,000	-	-	25,000
Mr. Elango Subramanian	25,000	-	-	25,000
Mr. Li Man Wai	25,000	-	-	25,000
	150,000	479,906	24,480	654,386

11. DIRECTORS' EMOLUMENTS (Continued)

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	25,000	-	-	25,000
Mr. Elango Subramanian	25,000	-	-	25,000
Mr. Li Man Wai	25,000	-	-	25,000
	150,000	447,070	24,692	621,762

No directors waived or agreed to waive any emoluments during the year ended 31 May 2019 (2018: 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 2019 (2018: Nil).

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining three (2018: three) individuals are as follows:

	2019	2018
	S$	S$
Salaries, allowances and benefits in kind	549,000	420,550
Share-based payments	36,808	73,862
Contributions on defined contribution retirement plans	37,060	35,700
	622,868	530,112

Their emoluments were within the following bands:

	2019 No. of individuals	2018 No. of individuals
HK$1,000,001 to HK$1,500,000 (equivalent to S$171,121 to S$268,680)	3	3

12. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	2019 No. of individuals	2018 No. of individuals
HK$ Nil to HK$1,000,000 (equivalent to Nil to S$179,120)	2	2
HK$1,000,001 to HK$1,500,000 (equivalent to S$179,121 to S$268,680)	2	3

13. INCOME TAX EXPENSE

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

	2019 S$	2018 S$
Current tax – overseas		
- provision for the year	47,629	19,522
- under provision in respect of prior years	-	16,351
Deferred tax (note 30)	(379,062)	48,789
	(331,433)	84,662

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 2019 and 2018, on the chargeable income.

The corporate income tax rate applicable to the Company's subsidiary in the People's Republic of China (the "PRC") is 25% according to tax laws and regulations.

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

	2019 S$	2018 S$
(Loss)/profit before income tax	(7,244,150)	369,442
Tax (credit)/charge calculated at Singapore income tax rate of 17%	(1,231,506)	62,805
Effect of different tax rates of the subsidiaries operating in other jurisdictions	(62,778)	(3,793)
Tax effect of revenue not taxable for tax purposes	-	(3,570)
Tax effect of expenses not deductible for tax purposes	90,815	102,202
Over-provision in respect of prior years	68,691	(119,240)
Tax effect of temporary differences not recognised	803,345	46,258
Income tax expense	(331,433)	84,662

14. (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings

	2019	2018
	S$	S$
(Loss)/profit for the purpose of basic (loss)/earnings per share	(6,264,878)	284,780

Number of shares

	2019	2018
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	399,158,496	399,158,496
Effect of dilutive potential ordinary shares: - share options	-	30,114,936
Weighted average number of ordinary shares for the purposes of diluted loss per share	399,158,496	429,273,432

The computation of diluted loss per share for the year ended 31 May 2019 does not assume the exercise of the outstanding share options as they had an anti-dilutive effect on the loss per share calculation.

15. PROPERTY, PLANT AND EQUIPMENT

	Computers S$	Furniture and fixtures S$	Plant and equipment S$	Leasehold improvements S$	Total S$
Cost					
At 1 June 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
Additions	95,420	2,464	259,196	-	357,080
Exchange alignment	(517)	(443)	(246)	(1,376)	(2,582)
At 31 May 2019	354,709	203,793	741,202	423,748	1,723,452
Accumulated depreciation					
At 1 June 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
Charge for the year	55,670	3,766	60,098	11,538	131,072
Exchange alignment	(36)	(251)	27	(433)	(693)
At 31 May 2019	228,389	191,976	294,152	388,407	1,102,924
Net carrying value					
At 31 May 2019	126,320	11,817	447,050	35,341	620,528
At 31 May 2018	87,051	13,311	248,225	47,822	396,409

16. INTANGIBLE ASSETS

	Simplicity	Simplicity (GEMINI)	Starlight	Starlight (Tesseract)	SpaceMonster	myBill.sg Portal	Total
	S$	S$	S$	S$	S$	S$	S$
	(note (a))	(note (b))	(note (c))	(note (c))	(note (d))	(note (e))	
Cost							
At 1 June 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	2,916,009	81,953	1,214,714	1,984,926	64,310	1,880,777	8,142,689
Additions	-	105,878	-	-	-	-	105,878
At 31 May 2019	2,916,009	187,831	1,214,714	1,984,926	64,310	1,880,777	8,248,567
Accumulated amortisation and impairment loss							
At 1 June 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
Charge for the year	478,032	15,681	59,734	53,699	12,862	376,169	996,177
Impairment loss	-	-	-	1,465,038	-	-	1,465,038
At 31 May 2019	1,959,949	15,681	856,314	1,518,737	51,448	376,169	4,778,298
Net carrying value							
At 31 May 2019	956,060	172,150	358,400	466,189	12,862	1,504,608	3,470,269
At 31 May 2018	1,434,092	81,953	418,134	1,984,926	25,724	1,880,777	5,825,606

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.

(b) During the financial years ended 31 May 2019 and 2018, a new version of human resources application named as Simplicity (GEMINI) (Digital Twin) was under the progress of development by the Company and their development costs incurred was capitalised as intangible assets. The development is completed in January 2019.

(c) Starlight is a one-stop cloud-based energy management solutions developed internally by the Company in 2011, with estimated useful life of ten years.

Starlight (Tesseract) is a new version of energy management solutions developed internally by the Company in 2015, with estimated useful life of ten years. During the financial years ended 31 May 2019 and 2018, a new version of meter and communicator was under the progress of development by the Company and their development costs incurred was capitalised as intangible assets. The development is completed in September 2018. They are launched to the market with the new version of energy management solution in March 2019.

Starlight and Starlight (Tesseract) is tested for impairment as the Starlight segment recorded a segment gross loss and segment loss during the year. For the purpose of impairment testing, cost of intangible assets and properties, plant and equipment of Starlight is allocated to the cash generating units ("CGU") identified of Starlight.

16. INTANGIBLE ASSETS (Continued)

The recoverable amounts of Starlight's CGU have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a three-year period. Cash flow beyond the three-year period is extrapolated using an estimated average growth rate of 5%, which does not exceed the long-term growth rate for the energy software industry in Singapore. Cash flows for the first three financial periods are based on expected sales orders estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2019
Discount rate	15.4%
Operating margin	4.0%-6.6%
Growth rate within the three–year period	5%

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. The growth rate within the three-year period has been based on past experience and expected sales orders estimated by management.

As a decline of operating margin is expected to be generated from Starlight's projects, the recoverable amounts determined by using value-in-use calculations is S$1,184,690, which is smaller than the carrying amount of Starlight's CGU of S$2,649,728. Accordingly, the carrying amounts of the intangible assets of Starlight and Starlight (Tesseract) amounted to S$1,465,038 of the Starlight's CGU have been impaired.

(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 developed internally by the Company which the development costs incurred have been capitalised as intangible assets. The platform has a useful live of five years and is tested for impairment and there is no indication that it needs to be impaired. The development was completed in June 2018

17. INTEREST IN ASSOCIATE

	2019 S$	2018 S$
Share of net assets	(8,543)	-
Goodwill	85,176	-
	76,633	-

Particulars of the Group's interest in an associate are as follows:

Name of company	Form of business structure	Place of incorporation/ operation	Percentage of ownership interest/ voting rights/ profit share	Principal activities
Real Icon Sdn Bhd	Corporation	Malaysia	30%	Provision of asset and energy management software and maintenance services

On 4 December 2018, the Group entered into a joint venture agreement (the "Agreement") with a third party, Blue Meche Sdn Bhd. ("BMSB"). Pursuant to the Agreement, the Group committed to inject capital amounted to Rm1,000,000 to Real Icon, being a subsidiary of BMSB, for 30% of its issued share capital. The first stage capital injection amounted to Rm300,000 (equivalent to S$102,240) has been paid on 17 April 2018.

Real Icon was established in Malaysia to carry out an energy project for the State of Sarawak's government which involved the supply, installation, testing, maintaining and managing of electricity, gas and water meters in the State of Sarawak, Malaysia.

17. INTEREST IN ASSOCIATE (Continued)

Summarised financial information in relation to Real Icon Sdn Bhd is presented below:

	2019 S$	2018 S$
As at 31 May		
Current assets	20,038	-
Non-current assets	602	-
Current liabilities	(49,114)	-
	(28,474)	-
Included in the above amounts are:		-
Bank balances and cash	7,083	-
Current financial liabilities (excluding trade and other payables)	48,376	-
Year ended 31 May		
Loss for the year	86,197	-
Total comprehensive loss	86,197	-
Included in the above amounts are:		
Depreciation and amortisation	167	-

18. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 May 2019 were as follows:

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			directly	indirectly	
Anacle Systems Sdn. Bhd.	Malaysia	RM100,000	100% (2018: 100%)	-	Provision of asset and energy management and software and maintenance services
Anacle Systems (India) Private Limited	India	Rs100,000	99.99% (note a) (2018: 99.99%)	-	Research and development, design, and supervise the manufacturing and assembly process of hardware products
Anacle Systems (Shanghai) Co Ltd	China	-	100% (2018: Nil)	-	Provision of asset and energy management and software and maintenance services
EASI Holdings Pte. Ltd	Singapore	S$10	70% (2018: Nil)	-	Investment holding
EASI Technology Co Ltd	China	RMB 7,500,000	-	35% (note b) (2018: Nil)	Provision of asset and energy management and software and maintenance services

18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

Note b: EASI Holdings Pte. Ltd hold 50.1% interest in EASI Technology Co Ltd.

19. TRADE RECEIVABLES

	2019 S$	2018 S$
Trade receivables	4,900,097	5,051,808
Less: provision for expected credit loss	(165,642)	
Less: provision for doubtful debts	-	(59,030)
	4,734,455	4,992,778

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

	2019 S$	2018 S$
Within 1 month	1,911,285	3,943,229
2 to 3 months	2,593,816	895,686
4 to 6 months	220,649	153,863
7 to 12 months	8,705	-
	4,734,455	4,992,778

The Group and the Company recognised impairment loss based on the accounting policy stated in Note 4(f). For details, please refer to Note 42.

The Group has a policy allowing its customers credit periods normally ranging from 30 days to 60 days. The Group does not hold any collateral as security.

20. CONTRACT ASSETS

	31 May 2019 S$	1 June 2018 S$	31 May 2018 S$
Unbilled revenue from contracts in progress	2,102,725	5,679,432	-
Less: provision for expected credit loss	(8,411)	-	-
	2,094,314	5,679,432	-

Typical payment terms which impact on the amount of contract assets recognised are as follows:

Projects of provision of enterprise application software solutions and energy management solutions

The Group's project contracts of provision of enterprise application software solutions and energy management solutions include payment schedules which require stage payments over the contracted period once milestones are reached. Unbilled revenue is initially recognised for revenue earned from the provision of enterprise application software solutions and energy management solutions as the receipt of consideration is conditional on successful completion of projects. Upon completion of projects and acceptance by the customer, the amounts recognised as unbilled revenue are reclassified to trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

After applying the expected credit loss rate to gross amount of contract assets, the management considered that the provision of impairment loss of contract assets is amounted to S$8,411 as at 31 May 2019.

As allowed by IFRS 15, the Group has applied the new requirement for contract assets and liabilities only to contracts that were not completed before 1 June 2018.

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 S$	2018 S$
Deposits	249,595	217,522
Prepayments	89,596	55,340
Other tax receivables	68,286	-
Other receivables	205,228	256,399
	612,705	529,261

22. INVENTORIES

	2019 S$	2018 S$
Raw materials	561,689	234,378
Work in progress	-	25,926
Finished goods	802,776	400,654
	1,364,465	660,958

23. AMOUNTS DUE FROM/(TO) CUSTOMERS

The following table sets out the details of the amounts due from/(to) customers as at 31 May 2018:

	2018 S$
Contracts in progress at the end of the year:	
Costs incurred to date plus recognised profits	13,523,683
Less: progress billings	(7,853,330)
	5,670,353
Represented by:	
Due from customers	5,679,432
Due to customers	(9,079)
	5,670,353

24. TRADE PAYABLES

	2018 S$	2018 S$
Trade payables	1,080,847	2,917,610

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:

	2019 S$	2018 S$
Within 1 month	705,656	1,293,432
2 to 3 months	308,542	1,584,110
4 to 6 months	66,649	32,859
Over 12 months	-	7,209
	1,080,847	2,917,610

25. CONTRACT LIABILITIES

	31 May 2019 S$	1 June 2018 S$	31 May 2018 S$
Contract liabilities arising from:		-	-
Construction projects of Simplicity and Starlight	251,271	-	-
Advance income received for maintenance services	428,594	401,324	-
Total contract liabilities	679,865	401,324	-

Movements in contract liabilities:

	Construction projects S$	Maintenance services S$	Total S$
Balance as at 31 May 2018	-	-	-
Initial adoption of IFRS15 (Note 2(a))	-	401,324	401,324
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	-	(401,324)	(401,324)
Increase in contract liabilities as a result of billing in advance of construction contracts	251,271	-	251,271
Increase in contract liabilities as a result of advance payment received from customers of maintenance services	-	428,594	428,594
Balance as at 31 May	251,271	428,594	679,865

26. OTHER PAYABLES AND ACCRUALS

	2019 S$	2018 S$
Accruals	690,108	334,081
Other payables	393,643	201,026
Goods and Services Tax payables (note)	274,278	136,684
Provision of onerous contract	124,955	-
	1,482,984	671,791

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.

27. PROVISION FOR WARRANTY

	2019 S$	2018 S$
At beginning of year	12,600	17,895
Utilised during the year	-	(5,295)
At end of year	12,600	12,600

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 possibility of further warranty claim based on the Group's recent claim experience and considers the provision for warrant as at 31 May 2019 is adequate.

28. DEFERRED CAPITAL GRANTS

	S$
Cost	
At 31 May 2017, 2018 and 2019	246,300
Amortisation	
At 1 June 2017	165,257
Released to profit or loss during the year	-
At 31 May 2018 and 2019	165,257
Net carrying amount	
At 31 May 2019	81,043
At 31 May 2018	81,043

	2019 S$	2018 S$
Represented by:		
Current portion	8,104	5,403
Non-current portion	72,939	75,640
	81,043	81,043

The balance of deferred capital grants for the year ended 31 May 2019 and 2018 is related to government grants for the research and development expenditure incurred by the Company for a new version of communicator of Starlight projects. The conditions or contingencies attached to the grants is not yet fulfilled since the final completion report is not yet approved by the government as at 31 May 2019. Therefore, no movement for the deferred capital grants noted this year.

29. BANK BORROWINGS

	2019	2018
	S$	S$
Current		
Trade finance advances due for repayment with 6 months	103,325	-

The bank borrowings represents trade finance advanced from DBS Limited. As at 31 May 2019, bank facilities in total of S$1,000,000 were granted to the Company by DBS Limited, of which S$103,325 is ultilised by the Company as at 31 May 2019. The Company also has bank facilities from the Hong Kong and Shanghai Banking Corporation amounted to S$2,000,000, which has not being utilised as at 31 May 2019.

All of the banking facilities are subject to the fulfillment of covenants relating to certain of the Company's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Company was to breach the covenants the drawn down facilities would become repayable on demand.

30. DEFERRED TAXATION

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

	Provision for warranty	Accelerated tax depreciation and amortisation	Tax losses	Others	Total
	S$	S$	S$	S$	S$
At 1 June 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)
(Charge)/credit to profit or loss for the year	(2,993)	415,496	(33,441)	-	379,062
Exchange alignment	-	10	-	-	10
At 31 May 2019	-	(397,145)	395,000	-	(2,145)

30. DEFERRED TAXATION (Continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset as at 31 May 2019 and 2018. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2019 S$	2018 S$
Deferred tax liabilities	(2,145)	(381,217)

As at 31 May 2019, the Group has unutilised tax losses of approximately S$4,385,069 (2018: S$2,520,241) that are available for offset against future taxable profits of the Group subject to agreement of the relevant authorities. The amount of S$850,726 of deductible temporary differences in respect of the unused tax losses had not been recognised as at 31 May 2019 due to unpredictability of future profit streams.

31. SHARE CAPITAL

	2019 Number	2019 S$	2018 Number	2018 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

32. NON-CONTROLLING INTEREST

On 14 September 2018, the Company and an independent third party formed a new company named as EASI Holdings Pte. Ltd ("EASI Pte") in Singapore. The Company held 70% of shareholdings of EASI Pte and it is accounted for as a subsidiary of the Company. EASI Pte is an investment holding company.

On 17 December 2018, EASI Pte, being a 70% owned subsidiary of the Company, established Easi Technology Co. Ltd ("EASI") with Enjoytown Holdings Limited ("EJH"), an independent third party. EASI Pte held 50.1% interest in EASI and it is accounted for as a subsidiary of the Group.

32. NON-CONTROLLING INTEREST (Continued)

The summarised financial information in relation to EASI Pte, before inter-group elimination, is presented below:

	2019	2018
	S$	S$
For the period from 14 September 2018 to 31 May 2019		
Revenue	1,132,325	-
Loss for the year	(998,190)	-
Total comprehensive expenses	(1,007,093)	-
Loss allocated to NCI	(647,839)	-
Dividend paid to NCI	-	-
For the period from 14 September 2018 to 31 May 2019		
Cash flows used in operating activities	(1,536,056)	-
Cash flows used in investing activities	(38,957)	-
Cash flows from financing activities	1,512,750	-
Net cash outflows	(62,263)	-

	2019	2018
	S$	S$
As at 31 May		
Current assets	987,425	-
Non-current assets	565,396	-
Current liabilities	(1,047,154)	-
Net assets	505,667	-
Accumulated non-controlling interests	328,613	-

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the condensed statement of financial position of the Company as at 31 May 2019 and 31 May 2018.

	Notes	2019 S$	2018 S$
Non-current assets			
Property, plant and equipment		470,485	262,104
Intangible assets		3,634,162	5,989,499
Investments in subsidiaries		2,089	2,082
Interest in an associate		76,633	-
Prepayments		-	227,859
		4,183,369	6,481,544
Current assets			
Trade receivables		3,562,088	4,949,858
Contract assets		2,024,065	-
Other receivables, deposits and prepayments		477,909	498,835
Inventories		1,255,877	554,513
Amounts due from customers		-	5,679,432
Amounts due from subsidiaries		335,918	11,143
Bank balances and cash		2,184,504	3,938,772
		9,840,361	15,632,553
Current liabilities			
Trade payables		970,503	2,899,638
Contract liabilities		480,654	-
Other payables and accruals		1,221,529	668,861
Amounts due to customers		-	9,079
Provision for warranty		12,600	12,600
Deferred capital grants		8,104	5,403
Deferred income		-	396,417
Bank borrowings		103,325	-
		2,796,715	3,991,998
Net current assets		7,043,646	11,640,555
Total assets less current liabilities		11,227,015	18,122,099
Non-current liabilities			
Deferred capital grants		72,939	75,640
Deferred tax liabilities		-	379,062
		72,939	454,702
NET ASSETS		11,154,076	17,667,397
Capital and reserves			
Share capital	31	20,756,598	20,756,598
Reserves	34	(9,602,522)	(3,089,201)
TOTAL EQUITY		11,154,076	17,667,397

Mr. Lau E Choon Alex Director	Mr. Ong Swee Heng Director

34. RESERVES

Movement of the reserves of the Company

	Share premium S$	Share-based compensation reserve S$	Exchange fluctuation reserve S$	Accumulated losses S$	Total S$
At 1 June 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)
Initial application of IFRS 9	-	-	-	(83,749)	(83,749)
Restated balance as at 1 January 2018	(1,376,024)	1,294,891	-	(3,091,817)	(3,172,950)
Loss for the year	-	-	-	(6,520,314)	(6,520,314)
Other comprehensive income	-	-	252	-	252
Total comprehensive income	-	-	252	(6,520,314)	(6,520,062)
Recognition of share based payment expenses	-	90,490		-	90,490
At 31 May 2019	(1,376,024)	1,385,381	252	(9,612,131)	(9,602,522)

35. 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.

35. SHARE-BASED PAYMENTS (Continued)

(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:

2019

		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	

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	

35. SHARE-BASED PAYMENTS (Continued)

(b) The 2013 Plan

2019

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

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

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:

	2019 Weighted average exercise price S$	2019 Number	2018 Weighted average exercise price S$	2018 Number
Outstanding at beginning of year	0.021	31,179,876	0.021	31,179,876
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Adjusted upon share split	-	-	-	-
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 (2018: S$0.021) and the weighted average remaining contractual life was 1.7 years (2018: 2.7 years).

Of the total number of options outstanding at end of the year, 31,179,876 (2018: 25,408,110) had vested and were exercisable.

36. SUPPORTING CASH FLOW STATEMENTS

Reconciliation of liabilities arising from financing activities

	Bank borrowings
	S$
At 1 June 2018	
Increase in bank borrowings	102,265
Other changes:	
Interest expenses	1,060
At 31 May 2019	103,325

37. OPERATING LEASE ARRANGEMENTS

As lessee

	2019	2018
	S$	S$
Minimum lease payments paid under operating leases during the year	834,703	733,608

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

	2019	2018
	S$	S$
Within one year	926,082	797,366
In the second to fifth years, inclusive	335,688	900,225
	1,261,770	1,697,591

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.

37. OPERATING LEASE ARRANGEMENTS (Continued)

As lessor

	2019 S$	2018 S$
Minimum lease payments received under operating leases during the year	56,095	42,390

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

	2019 S$	2018 S$
Within one year	25,125	28,735
In the second to fifth years, inclusive	-	25,125
	25,125	53,860

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.

38. CAPITAL COMMITMENTS

	2019 S$	2018 S$
Commitments for the acquisition of:		
Property, plant and equipment	-	85,783
Investment in an associate	229,953	-
	229,953	85,783

39. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

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

	2019 S$	2018 S$
Salaries, allowances and benefits in kind	1,067,907	1,033,685
Share-based payments	36,807	91,862
Contributions on defined contribution retirement plans	74,120	80,530
	1,178,834	1,206,077

40. 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.

41. 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:

	2019 S$	2018 S$
Total borrowing	103,325	-
Less: bank balances and cash	(2,428,307)	(4,018,466)
Net debt	(2,324,982)	(4,018,466)
Total capital	11,924,669	17,855,302
Gearing ratio	N/A	N/A

42. 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 carrying amounts of cash and cash equivalents and trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are state-owned commercial banks in China or public listed companies. Most of the bank deposits of the Group are placed with commercial banks with an acceptable credit rating.

For trade and other receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Most of these balances are due from stated-owned enterprises or major customers with good repayment history. There was no material default of the balances in the past.

Trade receivables and contract assets

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicated significantly different loss patterns for different customer segments, the grouping for trade receivables for the assessment of ECLs is by due date aging, while one group represents a credit-impaired customer with significant risk of default.

42. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 May 2019:

By Due Day	Not past due	Within 1 month	1 – 3 months	Over 3 months	Default customer	Total
Expected credit loss rate (%)	0.40%	1.50%	5.94%	12.70%	100%	
Gross carrying amount (S$)	3,969,702	2,049,640	722,041	202,605	58,834	7,002,822
Loss allowance (S$)	15,879	30,744	42,865	25,731	58,834	174,053

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables and contract assets.

Prior to 1 June 2018, an impairment loss was recognised only when there was indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments (see note 4(g)). At 31 May 2018, trade receivables and contract assets of S$59,030 was determined to be impaired.

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2019 S$	2018 S$
At beginning of year	59,030	27,970
Impact of initial application of IFRS 9 (Note 2(a))	69,053	-
Provision for the year	46,166	50,748
Amounts written off as uncollectable	-	(20,000)
Exchange difference	(196)	312
At end of year	174,053	59,030

42. 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	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	S$	S$	S$	S$	S$
2019					
Trade payables	1,080,847	1,080,847	1,080,847	-	-
Other payables and accruals	1,208,706	1,208,706	1,208,706	-	-
Bank borrowings	103,325	103,325	103,325	-	-
	2,392,878	2,392,878	2,392,878	-	-

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	S$	S$	S$	S$	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	-	-

(c) Interest rate risk

Other than bank balances with variable interest rates, the Group has no other significant interest bearing assets. Management does not anticipate any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises primarily from bank borrowing (note 29). Borrowing issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

At 31 May 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and retained profits by approximately S$10,074 (2018: Nil).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

42. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Renminbi.

At 31 May 2019, the Group had balances of RMB 1,482,030 (2018: Nil) due from trade receivables denominated in Renminbi other than the functional currency of the operations to which the Group relates. It is estimated there is an increase/decrease of S$56,854 (2018: Nil) in profit of the Group where the S$ strengthens against Renminbi by 5% (2018: Nil).

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting period.

43. 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:

	2019 S$	2018 S$
Financial assets		
Loans and receivables (including bank balances and cash)	-	15,164,597
Financial assets at amortised cost	9,732,246	-
Financial liabilities		
Financial liabilities measured at amortised costs	3,082,723	3,452,717

44. 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 23 August 2019.

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