

Anacle Systems

2020 Interim Report
For the six months ended
30 November 2019

Anacle Systems Limited

安科系有限公司*

(Incorporated in the Republic of Singapore with limited liability)

Stock code: 8353

* for identification purpose only

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

Table of Contents

Definitions	4
Corporate Information	6
Financial Highlights	7
Condensed Consolidated Statement of Comprehensive Income	8
Condensed Consolidated Statement of Financial Position	9
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Statement of Cash Flows	11
Notes To The Condensed Consolidated Financial Statements	12
Business Review	28
Future Prospect and Outlook	33
Financial Review	34
Use of Proceeds and Comparison of Business Objectives with Actual Business Progress	38
Corporate Governance and Other Information	40

DEFINITIONS

“Audit Committee”	the audit committee under the Board
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules
“commercialisation”	a product is considered commercially launched once our product generates its first dollar of revenue
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Company”	Anacle Systems Limited 安科系統有限公司, a company incorporated in Singapore with limited liability, the issued Shares of which are listed on the GEM (Stock code: 8353)
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries or, where the context so requires, all of its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares on GEM
“Listing Date”	16 December 2016 on which date dealings in the Shares commenced on GEM
“Ordinary Share(s)”	the ordinary share(s) of nil par value in the share capital of the Company
“Placing”	the placing of the Shares on 16 December 2016
“PRC”	the People’s Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus issued by the Company on 30 November 2016 in connection with the Placing
“Reporting Period”	the six months ended 30 November 2019

DEFINITIONS

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPLIANCE OFFICER

Mr. Ong Swee Heng

JOINT COMPANY SECRETARIES

Mr. Kwok Siu Man
Ms. Sylvia Sundari Poerwaka

AUTHORISED REPRESENTATIVES

Mr. Lau E Choon Alex
Mr. Ong Swee Heng

INDEPENDENT AUDITOR

BDO Limited

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
Room 2103B
21/F, 148 Electric Road
North Point
Hong Kong

HEADQUARTERS, REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

1 Fusionopolis View
#08-02 Sandcrawler
Singapore 138577

PRINCIPAL BANKER

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

COMPANY WEBSITE

www.anacle.com

GEM STOCK CODE

8353

FINANCIAL HIGHLIGHTS

From Interim 2020

	Six months ended	
	30 November 2019 (unaudited) S\$	30 November 2018 (unaudited) S\$
Revenue	8,080,441	7,162,870
Gross profit	3,174,931	2,915,091
(Loss)/profit before tax	(500,643)	208,352

12.8%

INCREASE IN REVENUE

myBill contributed S\$808,818 to the revenue increase followed by S\$61,285 from SpaceMonser and S\$77,887 from Simplicity. Starlight had a slight dip of S\$30,420 in revenue. Order book for Simplicity is stronger than it was last year. We are actively pursuing business opportunities in the energy management front. Sales pipeline for Starlight is still healthy and we remain confident that Starlight's performance will improve.

8.9%

INCREASE IN GROSS PROFIT

Decrease in revenue growth combined with a moderate increase in cost of sales contributed to lower gross profit and gross profit margin. Our PRC joint venture gross loss of 70.2% contributed to the decrease in gross profit.

S\$ 500,643

LOSS BEFORE TAX

The loss before tax was due to our PRC joint venture. The Group's core operations in Singapore had a net profit before tax of S\$90,224 which was all offset by our PRC joint venture's loss of S\$543,116

DIVIDEND

The Board has not declared the payment of a dividend for the six months ended 30 November 2019 (30 November 2018: S\$Nil).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 November		Six months ended 30 November	
		2019 (unaudited) S\$	2018 (unaudited) S\$	2019 (unaudited) S\$	2018 (unaudited) S\$
Revenue	3	4,353,606	3,585,797	8,080,441	7,162,870
Cost of sales		(2,683,610)	(2,427,202)	(4,905,510)	(4,247,779)
Gross profit		1,669,996	1,158,595	3,174,931	2,915,091
Other revenue	4	6,219	1,352	19,416	2,709
Other gains and (losses)	5	6,253	7,804	(466)	26,669
Marketing and other operating expenses		(449,847)	(403,829)	(870,918)	(770,732)
Administrative expenses		(1,081,870)	(918,465)	(2,319,021)	(1,782,230)
Research and development costs		(239,942)	(79,419)	(460,221)	(183,155)
Finance costs		(96)	-	(1,629)	-
Impairment loss on investment in an associate		(42,735)	-	(42,735)	-
(Loss)/profit before income tax	6	(132,022)	(233,962)	(500,643)	208,352
Income tax credit/(expense)	7	12,188	(10,419)	8,851	(13,389)
(Loss)/profit for the period		(119,834)	(244,381)	(491,792)	194,963
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising from translation of foreign operations		3,976	4,382	(20,707)	1,389
Total comprehensive income for the period		(115,858)	(239,999)	(512,499)	196,352
(Loss)/profit for the period attributable to:					
Owners of the Company		(65,775)	(244,381)	(179,506)	194,963
Non-controlling interests		(54,059)	-	(312,286)	-
		(119,834)	(244,381)	(491,792)	194,963
Total comprehensive income for the period attributable to:					
Owners of the Company		(67,363)	(239,999)	(193,581)	196,352
Non-controlling interests		(48,495)	-	(318,918)	-
		(115,858)	(239,999)	(512,499)	196,352
		Singapore cents	Singapore cents	Singapore cents	Singapore cents
Loss per share attributable to owners of the Company					
- Basic	9	(0.02)	(0.06)	(0.05)	0.05
- Diluted	9	(0.02)	(0.06)	(0.05)	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at	
		30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$
Non-current assets			
Property, plant and equipment	10	518,180	620,528
Intangible assets	11	2,964,135	3,470,269
Interest in associates		110,223	76,633
Total non-current assets		3,592,538	4,167,430
Current assets			
Trade receivables	12	2,965,773	4,734,455
Contract assets	13	2,815,719	2,094,314
Other receivables, deposits and prepayments		633,805	612,705
Inventories		1,615,131	1,364,465
Bank balances and cash		1,472,922	2,428,307
Total current assets		9,503,350	11,234,246
Current liabilities			
Trade payables	14	542,813	1,080,847
Contract liabilities	15	106,870	679,865
Other payables and accruals		845,049	1,482,984
Amount due to a director		9,715	9,980
Provision for warranty		12,600	12,600
Deferred capital grants		8,104	8,104
Bank borrowings		-	103,325
Income tax payable		-	24,218
Total current liabilities		1,525,151	3,401,923
Net current assets		7,978,199	7,832,323
Total assets less current liabilities		11,570,737	11,999,753
Non-current liabilities			
Deferred capital grants		208,060	72,939
Deferred tax liabilities		2,067	2,145
Total non-current liabilities		210,127	75,084
NET ASSETS		11,360,610	11,924,669
Capital and reserves			
Share capital	16	20,756,598	20,756,598
Reserves		(9,337,240)	(9,160,542)
Equity attributable to owners of the Company		11,419,358	11,596,056
Non-controlling interests		(58,748)	328,613
TOTAL EQUITY		11,360,610	11,924,669

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Total S\$
	Ordinary share capital	Share premium	Share-based compensation reserve	Exchange fluctuation reserve	Accumulated losses	Non- controlling interests		
	S\$	S\$	S\$	S\$	S\$			
At 31 May 2019 (audited)	20,756,598	(1,376,024)	1,385,381	71,375	(9,241,274)	328,613	11,924,669	
Loss for the period	-	-	-	-	(179,506)	(312,286)	(491,792)	
Other comprehensive income	-	-	-	(14,075)	-	(6,632)	(20,707)	
Total comprehensive income	-	-	-	(14,075)	(179,506)	(318,918)	(512,499)	
Recognition of share-based payment expenses	-	-	16,883	-	-	-	16,883	
Disposal of partial interests in subsidiary	-	-	-	-	-	(68,443)	(68,443)	
As at 30 November 2019 (unaudited)	20,756,598	(1,376,024)	1,402,264	57,300	(9,420,780)	(58,748)	11,360,610	
At 31 May 2018 (audited)	20,756,598	(1,376,024)	1,294,891	71,284	(2,891,447)	-	17,855,302	
Profit for the period	-	-	-	-	194,963	-	194,963	
Other comprehensive income	-	-	-	1,389	-	-	1,389	
Total comprehensive income	-	-	-	1,389	194,963	-	196,352	
Recognition of share-based payment expenses	-	-	46,067	-	-	-	46,067	
As at 30 November 2018 (unaudited)	20,756,598	(1,376,024)	1,340,958	72,673	(2,696,484)	-	18,097,721	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 November	
	2019 (unaudited) S\$	2018 (unaudited) S\$
Net cash used in operating activities	(633,279)	1,017,727
Net cash used in investing activities	(203,655)	(1,045,861)
Net cash used in financing activities	(103,325)	-
Net decrease in cash and cash equivalents	(940,259)	(28,134)
Cash and cash equivalents at beginning of period	2,428,307	4,018,466
Effect of foreign exchange rate changes	(15,126)	74,166
Cash and cash equivalents at end of period	1,472,922	4,064,498
Analysis of the balances of cash and cash equivalents Bank balances and cash	1,472,922	4,064,498

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim 2020

1. GENERAL INFORMATION

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

The principal activities of the Group are software development, provision of enterprise application software solutions and energy management solutions, and provision of support and maintenance services.

The unaudited condensed consolidated statement of comprehensive income, the unaudited consolidated statement of financial position and the unaudited condensed consolidated statement of changes in equity of the Group for the six months ended 30 November 2019 (the “**Interim Financial Statements**”) were approved for issue by the Board on 6 January 2020.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended 31 May 2019 (the “**2019 Financial Statements**”).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The First Quarterly Financial Statements have been prepared in accordance with all applicable International Financial Reporting Standards, International Accounting Standards and Interpretations (hereinafter collectively referred to as the "IFRSs") and the disclosure requirements of the Companies Ordinance. The accounting policies and methods of computation used in the preparation of the First Quarterly Financial Statements are consistent with those used in the preparation of the 2019 Financial Statements.

(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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(c) 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.

The Group as lessor

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.

The Group as lessee

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.

(d) 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.

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 "contract assets" or "contract liabilities" respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(d) Revenue recognition (accounting policies applied from 1 June 2018) (Continued)

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.

(e) 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(f) 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.

(g) 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT REPORTING

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

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

- **Simplicity and myBill** – a package of enterprise application software solutions that provides specific solutions for municipal services management, commercial real estate management, corporate real estate management, as well as industrial asset management;
- **Starlight** – a one-stop cloud-based energy management solutions that provide real-time access to the energy profiles of buildings, including information such as energy consumption, power quality, demand analytics and carbon footprint profiles; and
- **SpaceMonster** – an online venue booking platform.

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

(a) Business segments

	Simplicity & myBill		Starlight		SpaceMonster		Total	
	Six months ended 30 November							
	2019 (unaudited) S\$	2018 (unaudited) S\$	2019 (unaudited) S\$	2018 (unaudited) S\$	2019 (unaudited) S\$	2018 (unaudited) S\$	2019 (unaudited) S\$	2018 (unaudited) S\$
Revenue from external customers	6,516,847	5,630,141	1,465,893	1,496,313	97,701	36,416	8,080,441	7,162,870
Gross profit/(loss)	2,650,347	2,436,888	438,233	451,176	86,351	27,027	3,174,931	2,915,091
Depreciation and amortisation	445,872	427,109	87,960	61,914	6,431	6,431	540,263	495,454
Write-down of inventories	-	-	-	4,166	-	-	-	4,166
Reportable segment profit/(loss)	2,051,270	2,001,417	(237,429)	21,590	86,351	26,622	1,900,192	2,049,629

	As at							
	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$
	Reportable segment assets	6,123,513	7,180,603	5,009,764	5,329,860	6,786	12,862	11,140,063
Additions to non-current assets	-	145,104	6,508	265,090	-	-	6,508	410,194
Reportable segment liabilities	522,396	1,438,767	588,266	811,083	-	(272)	1,110,662	2,249,578

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT REPORTING (CONT'D)

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

	Three months ended 30 November		Six months ended 30 November	
	2019	2018	2019	2018
	(unaudited) S\$	(unaudited) S\$	(unaudited) S\$	(unaudited) S\$
(Loss)/profit before income tax				
Reportable segment profit	985,160	730,550	1,900,192	2,049,629
Other revenue	2,554	1,352	15,751	2,709
Other gains and (losses)	6,253	7,904	(466)	30,835
Finance costs	(96)	-	(1,629)	-
Unallocated expenses:				
- Staff costs	(621,539)	(502,070)	(1,403,439)	(945,328)
- Share-based payments	(8,336)	(22,821)	(16,883)	(46,067)
- Rental expenses	(197,438)	(182,141)	(414,085)	(364,402)
- Legal and professional fee	(115,440)	(87,673)	(243,115)	(194,154)
- Others	(183,140)	(179,063)	(336,969)	(324,870)
Consolidated (loss)/profit before income tax	(132,022)	(233,962)	(500,643)	208,352

	As at	
	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$
Assets		
Reportable segment assets	11,140,063	12,523,325
Bank balances and cash	1,472,922	2,428,307
Property, plant and equipment	106,484	113,520
Unallocated corporate assets	376,419	336,524
Consolidated total assets	13,095,888	15,401,676

	As at	
	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$
Liabilities		
Reportable segment liabilities	1,110,662	2,249,578
Other payables and accruals	613,189	1,087,761
Bank borrowings	-	103,325
Unallocated corporate liabilities	11,427	36,343
Consolidated total liabilities	1,735,278	3,477,007

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT REPORTING (CONT'D)

(c) Disaggregation of revenue

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

	Simplicity and myBill		Starlight		SpaceMonster		Total	
	Six months ended 30 November							
	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	3,969,473	4,240,857	1,320,036	1,288,267	-	-	5,289,509	5,529,124
- Maintenance services	1,720,079	1,341,667	86,652	156,312	3,801	4,516	1,810,532	1,502,495
- Subscription	818,675	28,417	-	-	93,900	31,900	912,575	60,317
Recognised at a point of time								
- Sale of equipment	8,620	19,200	30,240	23,469	-	-	38,860	42,669
Other sources								
- Lease of equipment	-	-	28,965	28,265	-	-	28,965	28,265
	6,516,847	5,630,141	1,465,893	1,496,313	97,701	36,416	8,080,441	7,162,870
Primary geographical market								
Singapore	6,164,559	5,049,158	1,440,769	1,413,997	97,701	36,416	7,703,029	6,499,571
Malaysia	25,911	7,960	18,583	82,316	-	-	44,494	90,276
PRC	200,401	550,350	-	-	-	-	200,401	550,350
Others	125,976	22,673	6,541	-	-	-	132,517	22,673
	6,516,847	5,630,141	1,465,893	1,496,313	97,701	36,416	8,080,441	7,162,870

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")

	As at	
	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$
Specified non-current assets		
Singapore	3,379,149	3,940,754
Malaysia	31,964	38,902
India	71,202	76,008
PRC	-	35,133
	3,482,315	4,090,797

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT REPORTING (CONT'D)

(d) Information about major customers

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

	Six months ended 30 November	
	2019 (unaudited) S\$	2018 (unaudited) S\$
Customer A	989,646	1,118,982
Customer B	880,707	N/A

4. OTHER REVENUE

	Three months ended 30 November		Six months ended 30 November	
	2019 (Unaudited) S\$	2018 (Unaudited) S\$	2019 (Unaudited) S\$	2018 (Unaudited) S\$
Government grants	5,576	-	18,147	-
Interest income	643	1,034	1,269	1,528
Others	-	318	-	1,181
	6,219	1,352	19,416	2,709

5. OTHER GAINS AND (LOSSES)

	Three months ended 30 November		Six months ended 30 November	
	2019 (Unaudited) S\$	2018 (Unaudited) S\$	2019 (Unaudited) S\$	2018 (Unaudited) S\$
Net exchange gains/(losses)	(5,669)	7,904	(12,388)	30,835
Write-down of inventories	-	(100)	-	(4,166)
Reversal of/(provision for) expected credit loss	11,924	-	11,924	-
	6,255	7,804	(464)	26,669

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Three months ended 30 November		Six months ended 30 November	
	2019	2018	2019	2018
	(unaudited) S\$	(unaudited) S\$	(unaudited) S\$	(unaudited) S\$
Staff costs (including directors' emoluments)				
Salaries and allowances	2,155,140	1,862,075	4,654,620	3,785,123
Contributions on defined contribution retirement plans	221,477	160,553	450,097	325,878
Share-based payments	8,336	22,821	16,883	46,067
	2,384,953	2,045,449	5,121,600	4,157,068
Less: amount capitalised as intangible assets	-	(117,899)	-	(288,654)
	2,384,953	1,927,550	5,121,600	3,868,414
Depreciation of property, plant and equipment	35,205	25,688	73,093	59,036
Amortisation of intangible assets	211,329	231,695	506,134	463,407
Write-down of inventories	-	100	-	4,166
Finance costs	96	-	1,629	-
Auditor's remuneration	18,410	9,555	18,410	9,555

7. INCOME TAX CREDIT/(EXPENSE)

	Three months ended 30 November		Six months ended 30 November	
	2019	2018	2019	2018
	(unaudited) S\$	(unaudited) S\$	(unaudited) S\$	(unaudited) S\$
Current tax	12,188	(10,419)	8,851	(13,389)
Deferred tax	-	-	-	-
	12,188	(10,419)	8,851	(13,389)

Pursuant to the corporate tax rules and regulations of Singapore, Malaysia and India, the corporate taxes of the Company, and the two wholly-owned subsidiaries namely, Anacle Systems Sdn Bhd and Anacle Systems (India) Private Limited, are calculated at 17%, 24% and 30.9% respectively for the six months ended 30 November 2019 and 30 November 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDEND

The Board has not declared the payment of a dividend for the six months ended 30 November 2019 (30 November 2018: S\$Nil).

9. EARNINGS/(LOSS) PER SHARE

For the six months ended 30 November 2019, the basic and diluted loss per share of the Company was S\$0.05 cents. The calculation is based on the loss attributable to the owners of the Company of S\$193,581 and 399,158,496 Ordinary Shares in issue. Basic and diluted loss per share are the same because the share options had no anti-dilutive effect on the basic loss per share.

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

10. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment valued at S\$6,508 (for the six months ended 30 November 2018: S\$117,351).

11. INTANGIBLE ASSETS

During the Reporting Period, the Group did not incur any additional development cost in respect of the intangible assets (for the six months ended 30 November 2018: S\$424,806).

12. TRADE RECEIVABLES

	As at	
	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$
Trade receivables	3,131,390	4,900,097
Less: provision for doubtful debts	(165,617)	(165,642)
	2,965,773	4,734,455

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE RECEIVABLES (CONT'D)

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

	As at	
	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$
Within 1 month	2,180,333	1,911,285
2 to 3 months	623,555	2,593,816
4 to 6 months	160,858	220,649
7 to 12 months	1,027	8,705
	2,965,773	4,734,455

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

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

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

13. CONTRACT ASSETS

	As at	
	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$
Unbilled revenue from contracts in progress	2,824,130	2,102,725
Less: provision for expected credit loss	(8,411)	(8,411)
	2,815,719	2,094,314

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE PAYABLES

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

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

	As at	
	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$
Within 1 month	246,038	705,656
2 to 3 months	233,450	308,542
4 to 6 months	63,325	66,649
	542,813	1,080,847

15. CONTRACT LIABILITIES

	As at	
	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$
Contract liabilities arising from:		
Construction projects of Simplicity and Starlight	-	251,271
Advance income received for maintenance services	106,870	428,594
	106,870	679,865

16. SHARE CAPITAL

	Number of Shares	S\$
Issued and fully paid		
Ordinary Shares	399,158,496	20,756,598
As at 31 May 2019 (audited)	399,158,496	20,756,598
As at 30 November 2019 (unaudited)	399,158,496	20,756,598

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE BASED PAYMENTS

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

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

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

(a) The 2010 Plan

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE BASED PAYMENTS (CONT'D)

(b) The 2013 Plan

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

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

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

	30 November 2019 (unaudited)		31 May 2019 (audited)	
	Weighted average exercise price S\$	Number	Weighted average exercise price S\$	Number
Outstanding at the beginning and at the end of period	0.021	31,179,876	0.021	31,179,876

18. OPERATING LEASE ARRANGEMENTS

(a) As lessee

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

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

	As at	
	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$
Within one year	590,229	926,082
In the second to fifth years, inclusive	40,224	335,688
	630,453	1,261,770

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. OPERATING LEASE ARRANGEMENTS (CONT'D)

(b) As lessor

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

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

	As at	
	30 November 2019 (unaudited) S\$	31 May 2018 (audited) S\$
Within one year	41,485	25,125
In the second to fifth years, inclusive	11,100	-
	52,585	25,125

19. RELATED PARTY TRANSACTIONS

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

	Three months ended 30 November		Six months ended 30 November	
	2019 (Unaudited) S\$	2018 (Unaudited) S\$	2019 (Unaudited) S\$	2018 (Unaudited) S\$
Salaries, allowances and benefits in kind	275,257	252,757	550,514	500,814
Share-based payments	829	9,311	4,154	18,794
Contributions on defined contribution retirement plans	18,360	18,360	36,720	36,720
	294,446	280,428	591,388	556,328

20. CAPITAL COMMITMENTS

	As at	
	30 November 2019 (unaudited) S\$	31 May 2019 (audited) S\$
Commitments for the acquisition of: Investment in an associate	196,363	229,953

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

The Group derived a majority of its revenue from Simplicity which is a self-developed enterprise application software solution that offers specific solutions for municipal services management, commercial real estate management, corporate real estate management, as well as industrial asset management. Starlight is a self-developed energy management solution that combines software and hardware components and is a one-stop energy management solution for commercial property and building owners to monitor energy usage in buildings, including energy consumption, power quality, energy analytics and carbon footprint profiles, which helps end-users better manage their energy usage and cut costs. SpaceMonster is an online portal designed to bring together and match people who need short-term meeting and leisure facilities with organisations that own or manage such venues. myBill is a pay-per-use utilities revenue assurance platform for the liberalized electricity market in Singapore. In a newly liberalized and fully competitive electricity market, energy retailers will not know in advanced how many customers they can sign up. The myBill platform is targeted at energy retailers that cannot afford multi-million dollar billing software by allowing them a pay-per-use scheme for electricity billing.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

SIMPLICITY

Six months ended 30 November 2019 S\$		Six months ended 30 November 2018 S\$
5,605,292	Total Simplicity Revenue	5,527,404
3,876,593	Simplicity Project revenue	4,166,537
1,720,079	Simplicity Maintenance Services	1,341,667
8,620	Simplicity Sale of Equipment	19,200

▲ 1.4% (30 November 2018: ▲40.1%)

TOTAL SIMPLICITY REVENUE

▼ 7.0% (30 November 2018: ▲54.3%)

SIMPLICITY PROJECT REVENUE

▲ 28.2% (30 November 2018: ▲8.9%)

SIMPLICITY MAINTENANCE SERVICES REVENUE

We were recovering from the milestones billing delay in the first quarter. As compared to the same quarter last year, the Group has increased its customer base and Simplicity's order book was healthier this year. Singapore market would continue to remain as the major source of revenue for Simplicity for the near future while the Group continued the effort to expand the international footprint. Our PRC joint venture has not been performing well with a 1.1% revenue contribution during the Reporting period.

Our recurring maintenance service customers base in Singapore has increased by S\$378,412. Overall, the increase in our Simplicity maintenance services revenue has been partially offset by the decrease in project revenue resulting in an overall slight increase of 1.4% in Simplicity's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

STARLIGHT

Six months ended 30 November 2019 S\$		Six months ended 30 November 2018 S\$
1,465,893	Total Starlight Revenue	1,496,313
1,320,036	Starlight Project Revenue	1,288,267
86,652	Starlight Maintenance Services	156,312
28,965	Starlight Leasing of Equipment	28,265
30,240	Starlight Sale of Equipment	23,469

▼2.0% (30 November 2018: ▲7.3%)
TOTAL STARLIGHT REVENUE

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

▲2.5% (30 November 2018: ▲5.9%)
STARLIGHT PROJECT REVENUE

Starlight has been recovering from the delay in the commencement of our new smart-home energy monitoring in Singapore. We have recently been commissioned to deploy our Starlight IoT and Digital-Twin based smart building platform energy monitoring project for the built environment in Singapore. The first phase of this project is expected to be completed within this financial year.

▼44.6% (30 November 2018: ▲14.4%)
STARLIGHT MAINTENANCE SERVICES REVENUE

Our recurring service revenue experienced a slight decrease by S\$69,660 because we are renegotiating the renewal terms with two of our major customers. Our remaining recurring service customers base was stable.

▲2.5% (30 November 2018: ▲39.7%)
STARLIGHT LEASING REVENUE

MANAGEMENT DISCUSSION AND ANALYSIS

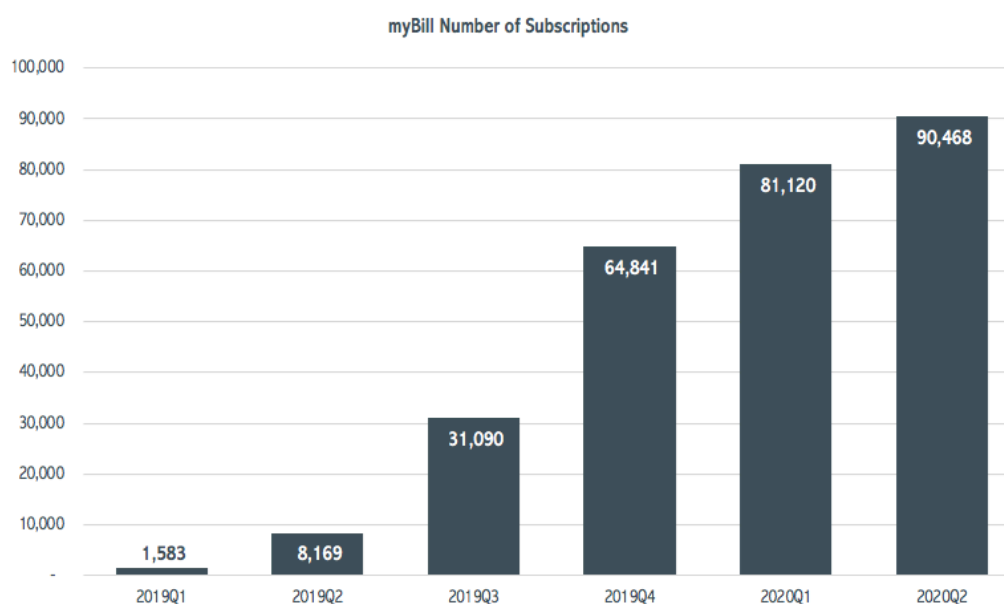
Business Review

myBill

Six months ended 30 November 2019 S\$		Six months ended 30 November 2018 S\$
911,555	Total myBill Revenue	102,737
818,675	myBill Subscription	28,417
92,880	myBill Project Revenue	74,320

myBill is a pay-per-use utilities revenue assurance platform for the liberalized electricity market in Singapore. In the newly liberalized and fully competitive electricity market, also known as the Open Electricity Market, energy retailers will not know in advanced how many customers they can sign up. The myBill platform is targeted at energy retailers that cannot afford multi-million dollar billing software by allowing them a pay-per-use scheme for electricity billing.

Subscription to myBill platform has been increasing steadily since its launch in June 2018. We expect that the number of subscriptions will continue to increase in the coming quarters.



MANAGEMENT DISCUSSION AND ANALYSIS Business Review

SpaceMonster

Six months ended 30 November 2019 S\$		Six months ended 30 November 2018 S\$
97,701	SpaceMonster Revenue	36,416

Demand in venue sharing services continued to increase and our **SpaceMonster**'s revenue had a healthy growth of 168.3% in revenue as compared to last year's second quarter. Gross profit of **SpaceMonster** remained healthy at 88.4%.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Prospect and Outlook

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

The Singapore markets for enterprise application software and building energy management systems remain robust and are expected to grow throughout 2019. With Singapore's focus on Smart Nation (especially Smart Energy) initiatives, the Starlight business unit is expected to provide major contribution to the Group's growth in financial year 2020.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

REVENUE

The Group's revenue for the Reporting Period increased by S\$917,570 or 12.8% from S\$7,162,870 in 30 November 2018 to S\$8,080,440 during the Reporting Period. Revenue from Simplicity increased by S\$77,887 or 1.4% and revenue from Starlight decreased by S\$30,420. SpaceMonster has continued to see a steady increase in revenue. myBill's revenue growth of 787.3% or S\$808,818 contributed to the majority of the revenue increase during the Reporting Period. Detailed analysis of each business unit's revenue are discussed in the preceding Business Review section.

COST OF SALES

During the Reporting Period, cost of sales for the Group increased by 15.5%. Simplicity's cost of sales increased by 10.0% which was offset by the decrease in Starlight's cost of sales of 1.7%. The major contributor of overall increase in cost of sales was third party contractor costs followed by staff remuneration. SpaceMonster and myBill's increase in cost of sales was 20.9% and 124.1%, respectively, which was due to increased support for the revenue growth of the two business units.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's overall gross profit increased by S\$259,839 or 8.9% during the Reporting Period. Gross profit margin, however, has dipped slightly by 1.4% due to higher cost of sales.

Simplicity's gross profit decrease was due to the poor performance of our PRC joint venture. The Group's core Simplicity business unit in Singapore had a gross profit margin of 44.6%. Our PRC joint venture's Simplicity business units suffered a gross loss of 77.5% which resulted in the overall decrease of gross profit margin in Simplicity.

myBill, our new utilities revenue assurance platform is currently in its second year of operations and we are pleased to report that the number of subscriptions have been increasing and so has the revenue. myBill's revenue has increased significantly this quarter from S\$102,737 to S\$911,555. myBill has turned profitable with a gross profit margin of 28.3%. We are working on improving the platform to further increase the gross profit margin.

Starlight's gross profit decreased by 2.9% or S\$12,943 due to the decrease in its revenue and increased costs as discussed in the preceding Business Review section.

SpaceMonster has improved its profitability at 88.4% this interim period as compared to 74.2% in the last year's interim period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

ADMINISTRATIVE EXPENSES

The increase of S\$ 536,791 was attributed to mainly to our PRC joint venture's operations. Administrative expenses of the Group's core operations in Singapore remained stable.

MARKETING AND OTHER OPERATING EXPENSES

Sales, marketing and distribution expenses have of the Group's core operations in Singapore have remained stable as compared to the same interim period last year. Our PRC joint venture has contributed to the increase as they are still in market exploration and business development phase.

RESEARCH AND DEVELOPMENT COSTS

The Group continued to invest in improvements and enhancements to the existing products to better served the evolving market. New features have been continuously added to enhance our customers' experience in using our Simplicity, Starlight and myBill products. By the end of financial year 2020, our Simplicity intangible asset will have 12 months of remaining useful life. The technological advancement in architecture and customers' demand compel us to improve our framework to keep up and move ahead of our competitors.

NET LOSS BEFORE TAX

The Group's core operations in Singapore had a net profit before tax of S\$90,224. The loss position was attributed to S\$543,116 of net loss before tax incurred by our PRC joint venture operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CASH POSITION

As at 30 November 2019, the cash and bank balances of the Group were S\$1,472,922 (as at 31 May 2019: S\$2,428,307). The decrease was primarily due to working capital for overseas expansion. In view of the Group's current level of cash and bank balances and funds generated internally from its operations, the Board is confident that the Group will have sufficient resources to meet its finance needs for its operations. The net current assets of the Group were S\$7,978,199 (as at 31 May 2019: S\$7,832,323).

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

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

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

Apart from the reorganisations in relation to the Listing as disclosed in the Prospectus, there were no significant investments held, material acquisitions or disposals of subsidiaries during the six months ended 30 November 2019. Except for the business plan as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 30 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

CONTINGENT LIABILITIES

There were no material contingent liabilities of the Group as at 30 November 2019 (as at 31 May 2019: S\$Nil).

CHARGE ON GROUP'S ASSETS

As at 30 November 2019, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 May 2019: Nil).

CAPITAL COMMITMENTS

As at 30 November 2019, the Group had operating lease commitments in respect of the lease of its offices in Singapore, Malaysia and India. The Group's operating lease commitments as at 30 November 2019 was S\$630,453 (31 May 2019: S\$1,261,770). As at 30 November 2019, the Group had S\$196,363 of capital commitments in respect of an investment in an associate. (31 May 2019: S\$229,953).

EMPLOYEES AND REMUNERATION POLICY

The Group had 133 employees (including executive Directors) as at 30 November 2019 (as at 31 May 2019: 177 employees). Remuneration is determined by reference to market terms and the performance, qualifications and experience of the individual employee. Remuneration includes monthly salaries, allowances, performance bonuses, contributions on defined contribution retirement plans, performance incentives, share-based payments and other benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

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

USE OF PROCEEDS

The shares of the Company have been successfully listed on GEM on 16 December 2016. The Gross proceeds from the Listing was Hong Kong Dollars 74 million or S\$13,756,600. After deducting listing expenses of S\$4,379,781, the net listing proceeds was S\$9,376,819 (the "Net Listing Proceeds"). The Net Listing Proceeds was lower than the estimated figure as stated in the Prospectus. The Company applied the Net Listing Proceeds to the same business strategy as stated in the Prospectus for the period from 21 November 2016 (the "Latest Practicable Date) to 30 November 2019 but with monetary adjustments to each business strategy on a pro-rata basis.

The table below sets out an adjusted allocation of the Net Listing Proceeds, the actual usage of the Net Listing Proceeds and the unutilised Net Listing Proceeds as at 30 November 2019.

	Adjusted allocation of the Net Listing Proceeds %	Adjusted allocation of the Net Listing Proceeds S\$	Planned utilisation of the Net Listing Proceeds from the Latest Practicable Date to 30 November 2019 S\$	Actual utilisation of the Net Listing Proceeds as at 30 November 2019 S\$	Unutilised Net Listing Proceeds as at 30 November 2019 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 in the PRC	23.8%	2,227,932	2,227,932	942,398	1,285,534
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	5,824,850	3,551,969

MANAGEMENT DISCUSSION AND ANALYSIS

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business strategy	Business objectives from the Latest Practicable Date to 31 May 2019	Actual business progress up to 30 November 2019
To acquire and set up data centre infrastructure	To acquire additional server infrastructure comprising of approximately six to eight servers in Singapore to 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	<ul style="list-style-type: none"> 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 efforts, and reinforce our brand and product images	<ul style="list-style-type: none"> 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 expansion to PRC	To incorporate an overseas base in Hangzhou, the PRC	We have utilised S\$0.9 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 November 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 ("SFO")) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Shares and the Underlying Shares

Name of Directors	Capacity / Nature of interest	Number of Shares / underlying Shares interested	Total interest	Approximate percentage of the Company's issued shares ⁽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 ⁽²⁾	6.94%
	Beneficial interest	4,969,783 ⁽¹⁾		

Notes:

- (1) These interests represent the total underlying Shares comprised in 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 30 November 2019, without taking into account the Shares to be issued upon exercise of the Pre-IPO share options

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF 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 30 November 2019, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

The above Directors were granted share options under the Pre-IPO Share Option Schemes of the Company to subscribe for the Shares, which are exercisable in four equal tranches at the end of the year commencing on the date of grant and shall expire (i) 10 years from the date on which the share options become exercisable; or (ii) three years from the date on which the Company becomes listed on a stock exchange, whichever is earlier. The following table sets out the details of the share options under the Pre-IPO Share Option Schemes granted to the Directors as at 30 November 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 ⁽¹⁾	Approximately S\$0.01	4,969,783 ⁽¹⁾	10 March 2010	1.25%
Mr. Ong ⁽²⁾	Approximately S\$0.01	4,969,783 ⁽¹⁾	10 March 2010	1.25%

Notes:

- (1) These interests represent the total underlying Shares comprised in 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 30 November 2019, without taking into account the Shares to be issued upon exercise of the Pre-IPO share options

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 November 2019, so far as was known to the Directors, the following persons/entities (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO :

Name of Shareholders	Capacity/Nature of interest	Number of Shares held	Number of Underlying Shares held	Approximate percentage of Company's issued shares ⁽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	28,698,162	-	7.19%
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 in 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, 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 Fund Limited is beneficially owned by Asia Core Properties Inc. Pte. Ltd., Lee Hau Hian, Frank H. Levinson Revocable Living Trust, Gotthard Haug, Harry Harmain Diah, iGlobe Sapphire Pte. Ltd., iGlobe Partners (II) Pte. Ltd., Kepventure Pte. Ltd., Khattar Holdings Private Limited, Liu Lynn Ya-Lin, Melody Investment Holdings Pte. Ltd., Priya-Roshni Private Ltd., Quek Soo Hoon, Tay Thiam Song and Wong Mee Chun. iGlobe Platinum Fund Limited is owned as to approximately 21.1% by iGlobe Sapphire Pte. Ltd., which is in turn beneficially owned by Jean Philippe Sarraut, Hu Xiao Bao, Lee Suan Hiang, Quek Soo Hoon, Quek Soo Boon, Annie Koh, Yong Woon Sui, Koh Hiang Chin Melanie, Philip Yeo Liat Kok, Prof. Wong Poh Kam, Ng Kah Joo and Kitade Koichiro.
- (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 Jinhua, 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 30 November 2019 (i.e. 399,158,496 Shares).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Save as disclosed above, as at 30 November 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEMES

Pre-IPO Share Option Schemes

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

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

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

As at 30 November 2019 and the date of this report, share options comprising 31,179,876 underlying Shares have been granted to 11 grantees under the terms of the Pre-IPO Share Option Schemes. These grantees comprised two Directors, four members of our senior management, and five current/former employees of the Group. .

Post-IPO Share Option Scheme

The Company has conditionally adopted the Post-IPO Share Option Scheme which was approved by written resolutions passed by the Shareholders on 24 November 2016. Since the adoption of the Post-IPO Share Option Scheme, no share option has been granted, exercised or cancelled by the Company under the Post-IPO Share Option Scheme and there were no outstanding share options under the Post-IPO Share Option Scheme as at 30 November 2019 and as at the date of this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

DIVIDEND

The Board has resolved not to declare the payment of a dividend for the six months ended 30 November 2019 (30 November 2018: S\$Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The Board established the Audit Committee on 24 November 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code. The Audit Committee comprises two independent non-executive Directors, namely Mr. Li Man Wai and Mr. Elango Subramanian and one non-executive Director, Mr. Robert Chew. Mr. Li Man Wai was appointed to serve as the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the risk management and internal control procedures of the Company. The 2020 Interim Financial Statements have not been audited by the Company's auditors, but have been reviewed by the Audit Committee.

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

Singapore, 6 January 2020

ANACLE SYSTEMS LIMITED
Stock Code: 8353

Phone
+65 6734 9012

Email
info@anacle.com

1 Fusionopolis View
#08-02
Singapore 138577

Fax
+65 6734 9011

Website
www.anacle.com