2020 ANNUAL REPORT

ANACLE SYSTEMS

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

* for identification purpose only

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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

AUTHORISED REPRESENTATIVES
Mr. Lau E Choon Alex
Mr. Ong Swee Heng

AUDITOR
BDO Limited

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

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Singapore 138633

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE
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COMPANY WEBSITE
www.anacle.com

GEM STOCK CODE
8353

2020 ANNUAL REPORT
ANACLE SYSTEMS

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 2020 ("FY2020").

We performed much better in FY2020 than FY2019. Despite the negative economic impact of the COVID-19 pandemic, we recorded significantly improved sales and profitability across all of our business units. Overall, Anacle closed FY2020 with S$ 18.9 million in sales and a net loss after tax of S$0.13 million. The loss is due to the full impairment of our Smart Utilities Management intellectual property asset of S$0.72 million and production moulds of S$0.32 million as a result of COVID-19 assessment of the near term market.

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, driven by strong demand in the public and commercial real estate sectors in Southeast Asia, was S$13.3 million in FY2020, up 29.4% from the previous year. Revenue from our Smart Utilities Management Solution portfolio increased 49.1% tp S$ 3.46 million, marking a recovery of the project delivery pipeline. myBill, our utilities revenue assurance platform, continues to outperform, growing at a record 247.1% and now contributes a substantial 10.1% of the entire group's revenue.

Milestones

During FY2020, we successfully secured our largest project to date - to deliver a next generation smart real estate management system for the Singapore Housing Development Board, the world's largest public housing authority managing more than 1 million residential units.

Challenges

Due to the worsening international economic climate, especially in China, we relinquished control of our Hangzhou-based joint venture to focus on the South East Asian market. Singapore has officially entered into its worst recession since independence. We expect our operating environment to remain challenging in the year ahead as uncertainties ensues in both local and global fronts.

Outlook

Our cash flow generation remain sufficient to sustain our operations. In FY2020 we have accumulated more than S$ 4 million of additional cash reserves from our business operations. As we enter into a new uncertain COVID-19 era, 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 recession,

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 the upcoming year. Resilience, innovation and passion are Anacle's strength. Anacle has high expectations for Anacle and we are committed to meeting and exceeding them.

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, 21 August 2020

GROUP CEO'S REVIEW

FY2020 marked a remarkable turnaround from the difficult FY2019. We achieved multiple financial and business milestones for the first time in the Group's history, including achieving our highest ever revenue figure and closing our largest ever contract. In spite of the difficult economic times caused by the COVID-19 pandemic, every of our business units and product lines has shown improvement in both revenue and profitability.

Overall, the Smart City Management Software business unit registered an impressive revenue growth of 29.4%. This is primarily driven by an upsurge in Corporate Real Estate Software demand, especially in Singapore. Against strong international competition, we won the region's largest smart estate management contract with the Singapore public housing authority. This led to a 26.4% growth in the Simplicity® Corporate Real Estate segment and put us clearly as a preferred choice of the industry.

We also recorded a modest 5% growth in the Simplicity® Commercial Real Estate segment with expansion into Vietnam where we won our first two projects from Vincom, the largest commercial real estate landlord in Indochina. The Simplicity® Industrial Asset Management segment recovered from the dip in FY2019, with a rebound growth of 185.3% back to near FY2018 levels. It is important to recognise that many of the new projects secured for Simplicity® are recurring Software-as-a-Service model.

The Smart Utilities Management Solution business unit also recovered from the dip of FY2019 with a respectable revenue of S$ 3.46 million, representing an increase of 49.1% over FY2018. However in our assessment of the worsening economy, we decided to take the prudent step of impairing our intellectual property and production facility assets related to this business.

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. By FY2020, myBill has achieved sales of S$ 1.91 million, an astounding growth of 247.1% over FY2019.

As we enter into an uncertain future post COVID-19 and in the midst of the worst economic depression of modern history, we will be prudent with our cash management and investment activities. A successful FY2020 allowed us to accumulate in excess of S$4 million of additional cash, in addition, our operations, strengthened by improved an delivery organisation, strong order book and robust sales pipeline, will ensure that FY2021 and the near future remains optimistic for Anacle.

Alex Lau
Group CEO
Singapore, 21 August 2020

2020 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
18,933	**7,594**	**941**	**2,090**	**0.07**
2019: 13,333	2019: 2,708	2019 (5,689)	2019: (4,560)	2019: (1.57)
2018: 15,100	2018: 5,897	2018: 545	2018: 1,274	2018: 0.07

(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]	**4,831**	**6,199**	**2,311**	**3,455**	**1,909**	**228**
	▲ Up 5.0%	▲ Up 26.4%	▲ Up 185.3%	▲ Up 49.1%	▲ Up 247.1%	▲ Up 51.0%
	2019: 4,599	2019: 4,905	2019: 810	2019: 2,318	2019: 550	2019: 151
	2018: 1,775	2018: 4,671	2018: 3,259	2018: 5,387	2018: N/A	2018: 8
Gross profit/ (loss)[3]	**2,544**	**2,410**	**1,209**	**731**	**492**	**208**
	▲ Up 13.2%	▲ Up 86.0%	▲ Up 850.9%	▲ 220.6%	▲ Up 344.8%	▲ Up 57.6%
	2019: 2,248	2019: 1,296	2019: (161)	2019: (606)	2019: (201)	2019: 132
	2018: 1,139	2018: 2,500	2018: 1,790	2018: 478	2018: N/A	2018: (10)

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)
15,651	**2,112**	**13,539**	**3,823**	**79**	**3,744**
2019: 15,401	2019: 4,167	2019: 11,234	2019: 3,477	2019: 75	2019: 3,402
2018: 22,331	2018: 6,450	2018: 15,881	2018: 4,476	2018: 457	2018: 4,019

(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.

FINANCIAL SUMMARY

	2020 S$	2019 S$	2018 S$	2017 S$	2016 S$
Revenue	18,933,335	13,333,417	15,100,602	13,333,991	11,090,280
Cost of sales	(11,339,175)	(10,625,124)	(9,203,237)	(7,246,113)	(4,383,320)
Gross profit	7,594,160	2,708,293	5,897,365	6,087,878	6,706,960
Other revenue	801,630	79,551	55,112	60,161	208,248
Other gains and losses	(213,089)	(88,201)	(222,353)	(486,400)	(60,094)
Marketing and other operating expenses	(1,604,467)	(2,136,998)	(1,558,100)	(1,419,210)	(722,285)
Administrative expenses	(4,652,929)	(4,642,212)	(3,643,045)	(3,852,953)	(2,276,705)
Research and development costs	(871,223)	(1,672,626)	(159,537)	(92,423)	(32,783)
Impairment of intangible assets	(716,988)	(1,465,038)	-	-	-
Impairment of property, plant and equipment	(316,049)	-	-	-	-
Finance costs	(36,324)	(1,060)	-	(887)	(46,124)
Share of loss in an associate	(110,223)	(25,859)	-	-	-
Listing expenses	-	-	-	(2,447,780)	(555,977)
(Loss)/ profit before income tax	(125,502)	(7,244,150)	369,442	(2,151,614)	3,221,240
Income tax expense	(5,872)	331,433	(84,662)	(172,430)	(727,542)
(Loss)/profit for the year	(131,374)	(6,912,717)	284,780	(2,324,044)	2,493,698
(Loss)/profit before income tax	(125,502)	(7,244,150)	369,442	(2,151,614)	3,221,240
Add back:					
Impairment of intangible assets	716,988	1,465,038	-	-	-
Impairment of property, plant and equipment	316,049	-	-	-	-
Share-based payments	33,648	90,490	175,966	362,218	201,848
Listing expenses	-	-	-	2,447,780	555,977
Adjusted (loss)/profit before tax	941,183	(5,688,622)	545,408	658,384	3,979,065
Adjust for:					
Depreciation	135,017	131,072	178,468	306,895	271,058
Amortisation	1,012,207	996,177	550,627	642,870	301,248
Finance costs	36,324	1,060	-	887	46,124
Adjusted EBITDA	2,124,731	(4,560,313)	1,274,503	1,609,036	4,597,495

	2020 S$	2019 S$	2018 S$	2017 S$	2016 S$
Assets and liabilities					
Non-current assets	2,111,519	4,167,430	6,449,874	4,823,160	4,063,165
Current assets	13,539,070	11,234,246	15,880,895	14,914,181	6,031,478
Current liabilities	3,743,923	3,401,923	4,018,610	1,941,902	2,030,412
Net current assets	9,795,147	7,832,323	11,862,285	12,972,279	4,001,066
Non-current liabilities	79,384	75,084	456,857	406,845	249,247
Net assets	11,827,282	11,924,669	17,855,302	17,388,594	7,814,984

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.

Market growth
In FY2020, Starlight® achieved a recovery of 49.0% in revenue from a poor FY2019 in our core markets in Singapore and Malaysia. This is driven mainly by the successful delivery and acceptance of projects delayed from FY2019.

Outlook
As the global economic outlook worsens, and with site installation constraints imposed in many cities due to the pandemic, we expect FY2021 will be a much more challenging year for Starlight®. Key to overcoming the challenges will be cities successfully containing and managing the COVID-19 outbreak.

Revenue

S$ 3,455,550

▲ 49.0%

Gross profit

S$ 731,320

▲ 220.6%

Geographical revenue

- Singapore 97.2% (2019: 90.8%)
- Malaysia 2.0% (2019: 8.5%)
- Others 0.9% (2019: 0.7%)

(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.

BUSINESS REVIEW

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 2018, we have signed up 4 energy retailers on the myBill® platform. Growth has been very brisk, and as of end FY2020, myBill® generated billing for more than 100,000 customer accounts. FY2020 revenue was a phenomenal S$1.91 million and the business unit has achieved profitability.

With more billing services (e.g. water and gas) expected to be outsourced to the private market in FY2021, we are strongly optimistic on the FY2010 outlook for myBill®.

Revenue[1]	S$1,909,057 ▲ 247.0%
Gross profit[1]	S$492,089 ▲ 344.8%
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 FY2020, with a surge of 51.0% to S$228 thousand and achieving profitability.

With sharing economy concepts getting more accepted by society, we are strongly optimistic on the FY2021 outlook for SpaceMonster®.

Revenue[1]	S$228,354 ▲ 51.0%
Gross profit[1]	S$208,254 ▲ 57.1%
Geographical revenue	
■ Singapore	100%

BUSINESS REVIEW

SIMPLICITY®
COMMERCIAL REAL ESTATE SOLUTION

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

Despite the negative impact of the pandemic on the commercial real estate industry, especially for retail landlords, Simplicity® CommREM solution managed to record a growth of 5.1% over FY2019.

We remain cautiously optimistic on the FY2021 outlook for Simplicity® CommREM, with the poor economy tempered by digital transformation efforts undertaken by the major Asian commercial real estate players.

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 an impressive 26.4% growth, primarily from the Singapore public sector market, We continue to be the software of choice for the educational and public sector market.

With public sector investment expected to increase and being on a Software-as-a-Service ("SaaS") model, we are strongly optimistic on the FY2020 outlook for Simplicity® CorpREM.

	Simplicity® Commercial Real Estate Solution[2]
Revenue[1]	S$4,830,997 ▲ 5.1%
Gross profit[1]	S$2,543,567 ▲ 13.1%

	Simplicity® Corporate Real Estate Solution[2]
Revenue[1]	S$6,199,225 ▲ 26.4%
Gross profit[1]	S$2,410,125 ▲ 85.9%

(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.

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 recovery of 185.3% from the dip in FY2019. This is mainly due to public sector water utilities providing new demand despite a fall in demand from the process industry 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 FY2021 outlook.

	Simplicity® Industrial Asset Management Solution(2)
Revenue(1)	S$2,311,152 ▲ 185.3%
Gross profit(1)	S$1,208,805 ▲ 849.3%

Geographical revenue

- Singapore 92.3% (2019: 84.0%)
- China 1.6% (2019: 14.0)
- Others 6.1% (2019: 2.0%)

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FINANCIAL REVIEW

Starlight® Smart Utilities Management Solution

Delivery of delayed projects from FY2019 allowed Starlight® Smart Utilities Management Solution to have a strong recovery of 49.1% in FY2020.

Due to site installation restrictions imposed in many cities due to the COVID-19 pandemic, demand for Starlight® in FY2021 is expected to be weaker than FY2020. A successful containment and management of the pandemic in FY2021 by the international community will be key to Starlight®'s growth prospects.

Revenue (S$)	Starlight® Smart Utilities Management
Project	3,156,610 2019: 2,026,073 2018: 5,159,950
Recurring	239,470 2019: 235,810 2018: 185,123
Rental	58,470 2019: 56,095 2018: 42,390
Total	3,454,550 2019: 2,317,978 2018: 5,387,463

FINANCIAL REVIEW

Revenue (S$)	Simplicity® Commercial Real Estate Solution	Simplicity® Corporate Real Estate Solution	Simplicity® Industrial Asset Management Solution	myBill® Utilities Revenue Assurance	Total
Project	4,169,534 2019: 3,779,895 2018: 901,582	5,068,971 2019: 3,909,538 2018: 3,760,382	1,175,928 2019: 347,558 2018: 2,852,285	120,600 2019: 166,760 2018: N/A	10,535,033 2019: 8,203,751 2018: 7,514,248
Recurring	661,463 2019: 818,646 2018: 873,224	1,130,254 2019: 995,854 2018: 910.573	1,135,224 2019: 462,606 2018: 406,774	N/A 2019: N/A 2018: N/A	2,926,941 2019: 2,277,106 2018: 2,190,571
Subscription	N.A 2019: N/A 2018: N/A	N/A 2019: N/A 2018: N/A	N/A 2019: N/A 2018: N/A	1,788,457 2019: 383,393 2018: N/A	1,788,457 2019: 383,393 2018: N/A
Total	4,830,997 2019: 4,598,541 2018: 1,774,806	6,199,225 2019: 4,905,392 2018: 4,670,955	2,311,152 2019: 810,164 2018: 3,259,059	1,909,057 2019: 550,153 2018: N/A	15,250,431 2019: 10,864,250 2018: 9,704,819

Simplicity® Commercial Real Estate

Simplicity® CommREM solution recorded a modest 5.1% growth due to the second half of FY2020 getting impacted by the COVID-19 pandemic.

Project-based revenue grew by 10.3% while recurring revenue slightly declined by 19.2%. The dip in recurring revenue is mainly caused by customers requesting temporary fee relief from us during the pandemic.

Simplicity® Corporate Real Estate

Simplicity® CorpREM solution recorded an impressive 26.4% growth, primarily from the Singapore public sector market, with more than 50 out of 90 government agencies on our platform.

Project-based revenue grew by 29.7% while recurring revenue grew by 13.5%.

Simplicity® Industrial Asset Management

Simplicity® IndEAM recorded a rebound growth of 185.3% as increased public water utilities spending more than offset the fall in demand from the process industry sector as global energy prices fall.

Project-based and recurring revenue grew by 238.3% and 145.4%, respectively.

myBill® Utilities Revenue Assurance

In FY2020, myBill® brought in more than 100,000 customer accounts.

Revenue clocks in at a remarkable S$1.91 million, of which S$121 thousand is project-based revenue, and S$1.79 million is recurring subscription revenue which is charged per customer account managed on the platform.

FINANCIAL REVIEW

Starlight® Smart Utilities Management Solution

Gross profit for Starlight® recovered to a healthy 21.1% as delayed projects from FY2019 were successfully delivered in FY2020.

Gross profit/(loss)	Starlight Smart Utilities Management (S$)
2020	**731,320**
2019	(606,483)
2018	478,515

SpaceMonster® Online Venue Booking Portal

Gross profit for SpaceMonster® Venue Booking Portal contiued to improve as revenue increased while cost remained stable.

Gross profit/(loss)	SpaceMonster® Online Venue Booking Portal (S$)
2020	**208,254**
2019	132,550
2018	(9,785)

FINANCIAL REVIEW

Gross profit/ (loss)	Simplicity® Commercial Real Estate (S$)	Simplicity® Corporate Real Estate (S$)	Simplicity® Industrial Asset Management (S$)	myBill® Utilities Revenue Assurance (S$)	Total (S$)
2020	**2,543,567**	**2,410,125**	**1,208,805**	**492,089**	**6,654,586**
2019	2,247,965	1,296,624	(161,328)	(201,035)	3,182,226
2018	1,138,823	2,499,894	1,789,918	N/A	5,428,636

Simplicity® Commercial Real Estate

Gross profit margin for Simplicity® CommREM has increased 13.2% from FY2019 as staff hires from FY2019 completed their training and became productive.

Simplicity® Corporate Real Estate

Gross profit margin for Simplicity® CorpREM has increased substantially by 86.0% from FY2019 due to projects being more profitable.

Simplicity® Industrial Asset Management

Gross profit margin for Simplicity® IndEAM has moved back into positive healthy territory (52.3%).

myBill® Utilities Revenue Assurance

Gross profit of myBill® Utilities Revenue Assurance has moved into positive territory for the first time in history. As revenue continues to grow and costs remain stable, we expect the business unit to be even more profitable in the future.

FINANCIAL REVIEW

Other revenue

In FY2020, government grant included S$490,539 wage support received under the Job Support Scheme ("JSS") from the Singapore government aimed to help companies to retain local employees during COVID-19 pandemic situation. S$219,829 in government grant was received during the financial year for research and development of TESSERACT.

	2020 (S$ 000)	2019 (S$ 000)
Government grants	767	73
Gain on deemed disposal of a subsidiary	25	-
Interest income	3	5
Others	7	2
	802	80

Other gains and (losses)

As at 31 May 2019, the Group held 35.7% equity interest in EASI Technology Co., Ltd ("EASI"), EASI was accounted for as a subsidiary of the Company as it was controlled by a 70% owned subsidiary of the Company, EASI Holdings. In September 2019, the management of EASI Holdings made an application to the local authority to amend the constitution of EASI. The major amendment was to change the composition of the board of directors of EASI from two out of three directors appointed by the Company to one out of three directors appointed by the Company. (the "Amendments") As a result of the change, the management assessed that the Company lost its control over EASI and its financial results would no longer be consolidated into the financial statements of the Group after the Amendments

	2020 (S$ 000)	2019 (S$ 000)
Net exchange gains/(losses)	(4)	16
Slow-moving inventories	(1)	(62)
Write-off of asset	(27)	-
Impairment of receivables and others	(181)	(42)
	(213)	(88)

Marketing and other operating expenses

We have rationalised our overseas business development efforts during FY 2020 and focused instead on domestic market. Overseas sales expansion in South East Asia region was mainly done through our channel partners. We did not participate in any trade fairs during the last quarter of FY 2020 due to COVID-19 pandemic.

We have completed the deployment of Starlight Smart Green Home during FY 2020 and we made certain provisions for product warranty which resulted in the increase in our logistics and distribution expense.

	2020 (S$ 000)	2019 (S$ 000)
Sales and marketing	1,293	1,861
Logistics and distributions	311	276
	1,604	2,137

Finance costs

Interest on bank borrowing of S$1,629 (2019: S$1,060) represented interest incurred from our trade financing facilities. Interest on lease liabilities arose from the adoption of IFRS 16 - Leases on 1 June 2019.

	2020 (S$ 000)	2019 (S$ 000)
Interest on bank borrowing	1	1
Interest on lease liabilities	35	-

FINANCIAL REVIEW

Research and development costs

As part of our cost control, we did not undertake extensive product enhancements and improvement during FY 2020. There were some minor works to improve Simplicity and myBill® to keep up with the latest technological advancements. Starlight® costs were mainly for our office in India

	2020 (S$ 000)	2019 (S$ 000)
Simplicity®	122	799
myBill®	46	41
Starlight®	703	833
	871	1,673

Administrative expenses

The increase in staff emoluments, benefits and recruitment expenses were offset by the decrease in professional fees.

Our overall administrative expenses have remained stable as compared to the previous financial year.

	2020 (S$ 000)	2019 (S$ 000)
Staff emoluments	2,270	2,019
Staff benefits, recruitment and others	295	260
Share-based payment	34	90
Depreciation	69	71
Auditors remuneration	133	123
Depreciation of right-of-use assets	774	-
Rent	5	830
Directors' fees	150	150
Professional fees	289	574
Others	634	525
	4,653	4,642

Impairment losses

Impairment losses pertained to Starlight® and Starlight® (Tesseract) intangible assets and the associated plant and equipment. Such impairment was deemed necessary in view of COVID-19 impact which has affected commercial properties owners resulting in consumption cutback. Disruptions in supply chain and labour may potentially result in higher cost. Anticipated increase in costs and lower demand due to spending cutback have contributed to the overall negative operating margin of Starlight business segment and therefore the impairment of Starlight's intangible asset and equipment.

	2020 (S$ 000)	2019 (S$ 000)
Impairment of plant and equipment	316	-
Impairment of intangible assets	717	1,465

Share of loss in an associate

The Group has an interest in an associate Real Icon Sdn Bhd. ("Real Icon"), arising from an agreement to invest RM1,000,000 for 30% of its interest. In July 2019, the Company contributed to RM100,000, or approximately S$33,590, in addition to the RM300,000 or approximately S$102,240, which was made during the last financial year. Real Icon was established to implement the smart green home project using Starlight® TESSERACT energy meters in the State of Sarawak, Malaysia. The Group had submitted several proposals and had deployed a successful proof-of-concept. However due to the COVID-19 pandemic, the project was put on hold for an indeterminate period. Real Icon's main business opportunity was with the Sarawak government and Real Icon had no other material tangible of intangible asset. In view of the risks and high uncertainty in future income, we have performed impairment assessment on the net investment in Real Icon and the result suggested that the entire goodwill implicit in the net investment, amounted to S$85,176, should be fully impaired. The impairment of net investment in Real Icon is included as share of loss from investment in an associate during the year.

LIQUIDITY, FINANCIAL RESOURCES, AND CAPITAL STRUCTURE

CASH
An increase in revenue and collection of receivables as well as overall reduction in costs have improved the cash level.

CASH
S$ 4,749,041
2019: S$ 2,428,307

NET CURRENT ASSET
An increase in net current asset was largely contributed by an increase in cash.

NET CURRENT ASSET
S$ 9,795,147
2019: S$ 7,832,323

GEARING RATIO
Gearing ratio is calculated by dividing total bank borrowings by total equity. There was no outstanding trade financiling facilities as at 31 May 2020 (31 May 2019: S$ 103,325).

GEARING RATIO
N/A
2019: 0.9%

CURRENT RATIO
Current ratio is current assets divided by current liabilities. The increase in cash balance has contributed to the slight improvement of current ratio.

CURRENT RATIO
3.6x
2019: 3.3x

QUICK RATIO
Quick ratio is current assets less inventories divided by current liabilities.
Likewise, our quick ratio has also improved due to higher cash balance as at 31 May 2020.

QUICK RATIO
3.3x
2019: 2.9x

TOTAL EQUITY
Total equity has slightly decreased mainly due to a loss after tax of S$ 131,374.

TOTAL EQUITY
S$ 11,827,282
2019: S$ 11,924,669

ISSUED SHARE CAPITAL
The capital of the Company comprises only ordinary shares. As at 31 May 2020 the number of the Company's issued ordinary shares was 399,158,496 (31 May 2019: 399,158,496).

ISSUED SHARE CAPITAL
S$ 20,756,598
2019: S$ 20,756,598

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

The Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets for the year ended 31 May 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plans for other material investments and capital assets.

COMMITMENTS

Capital commitments of the Group in respect of an investment in an associate as at 31 May 2020 was S$195,122 (2019: S$229,953)

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 May 2020 (2019: Nil).

CHARGE ON GROUP'S ASSETS

As at 31 May 2020, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (2019: 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 years ended 31 May 2020 and 31 May 2019:

	Property, plant and equipment (S$ 000)	Intangible assets (S$ 000)	Total (S$ 000)
As at 31 May 2020	13	-	13
As at 31 May 2019	357	106	463

FOREIGN EXCHANGE RISK

TThe 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 2020, revenue derived from our sales in Singapore accounted for approximately 94.0% (2019: 86.0%) 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 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 13.7% of our revenue as compared to 8.8% 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.

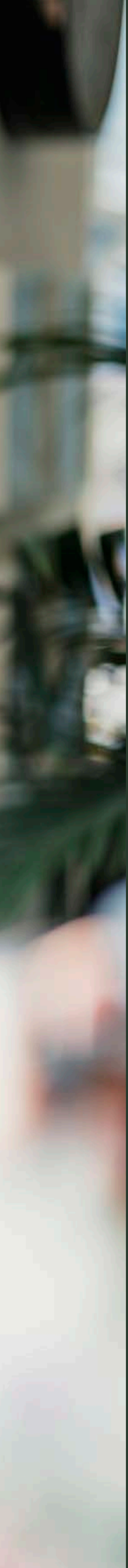
We mitigate the seasonal fluctuation in our revenue by controlling our operating capital carefully so as to provide our business with adequate cash for operations.

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.



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.

136 Staff

2019: 177 staff

S$10.5^{m}

2019: S$11.0^{m}

Our headcount has decreased by 23.2% mainly because of the de-consolidation of subsidiary in Hangzhou, China. Staff costs decreased by 4.5%. The Group's staff strength as at 31 May 2020 was 111 staff in Singapore (2019: 111 staff), 24 staff in India (2019: 28 staff).

BOARD OF DIRECTORS

Lee Suan Hiang, 70

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)
- Leader Environmental Technologies Ltd [Stock code: LS9] (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, 47

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

BOARD OF DIRECTORS

Ong Swee Heng, 47

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, 63

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, 68

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, 57

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

BOARD OF DIRECTORS

Alwi Bin Abdul Hafiz, 58

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, 62

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

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.

SENIOR MANAGEMENT

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

The Board is pleased to present the corporate governance report of the Group for the financial year ended 31 May 2020 (the "FY2020").

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 2020, 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 FY2020.

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 2020, 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 2020, 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 4 October 2019, 6 January 2020, 7 April 2020 and 21 August 2020 and, amongst other matters, discussed and approved (i) the Group's unaudited consolidated financial results for the three months ended 31 August 2019, the six months ended 30 November 2019 and the nine months ended 29 February 2020; (ii) the engagement of independent auditor for FY2020 and the audited consolidated financial statements of the Group for FY2020; (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 FY2020

The attendance of each Director at the Board meetings during FY2020 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 FY2020, the Company held an annual general meeting of the shareholders on 30 September 2019.

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 FY2020, 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.

Prof. Wong Poh Kam, Mr. Robert Chew and Mr. Alwi Bin Abdul Hafiz (the "Retiring Directors") shall retire by rotation at the forthcoming 2020 annual general meeting of the Company (the "2020 AGM"). It is noted that the above retiring directors will offer themselves for re-election at the 2020 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 23 August 2019, 6 January 2020, and 6 April 2020 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 FY2020 is as follows:

Remuneration Committee members	Number of meetings attended/held
Mr. Alwi Bin Abdul Hafiz (Chairman)	3/3
Mr. Li Man Wai	3/3
Prof. Wong Poh Kam	3/3

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 23 August 2019, 4 October 2019, 6 January 2020 and 6 April 2020 and amongst other matters, considered and approved for presentation to the Board for consieration and approval, the audited consolidated financial results for the financial year ended 31 May 2019 and the draft unaudited consolidated financial results for the three months ended 31 August 2019, the six months ended 30 November 2019 and the nine months ended 29 February 2020

The attendance of each committee member during FY2020 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 23 August 2019 and 6 January 2020 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 FY2020 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, Kong Lim & Partners LLP (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 FY2020 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 FY2020.

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 FY2020.

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 2020, 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 FY2020 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 FY2020 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 FY2020 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 FY2020 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 FY2020 was S$133,386.

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 FY2020, 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 FY2020.

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 3 Fusionopolis Way, Symbiosis #14-21, Singapore 138633, 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 3 Fusionopolis Way, Symbiosis #14-21, Singapore 138633, 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 FY2020.

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

INVESTOR RELATIONS

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

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

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

DIRECTOR'S REPORT

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the financial year ended 31 May 2020 ("FY2020").

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 FY2020.

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, "Group CEO's Review" on pages 8 to 9, and the "Management Discussion and Analysis" section on pages 16 to 27 of this annual report.

RESULTS AND DIVIDENDS

The Group's financial performance for FY2020 is set out in the consolidated statement of comprehensive income on page 78 of this annual report and the consolidated statement of financial position of the Group as at 31 May 2020 on pages 79 to 80 of this annual report.

The Directors have resolved not to declare the payment of a final dividend for FY2020 (2019: Nil).

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Wednesday, 30 September 2020 (the "AGM"). For determining the entitlement of the shareholders to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Friday, 25 September 2020 to Wednesday, 30 September 2020, 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 Thursday, 24 September 2020.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 May 2020, 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 24 to 25 of this annual report.

PLANT AND EQUIPMENT

Details of movements in the Group's plant and equipment during FY2020 are set out in note 15 to the audited consolidated financial statements in this annual report.

BANK BORROWINGS
As at 31 May 2020, the Group did not have any bank borrowings (As at 31 May 2019: S$103,325)

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 FY2020 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 81 of the consolidated statement of changes in equity of this annual report.

DISTRIBUTABLE RESERVES
As at 31 May 2020, the Company had no distributable reserves.

MAJOR CUSTOMERS AND SUPPLIERS
During FY2020, sales to the Group's five largest customers accounted for approximately 54.3% (2019: 43.0%) of total sales and sales to the largest customer amounted to approximately 13.3% (2019: 15.0%) of total sales.

The Group's five largest suppliers accounted for approximately 35.8% (2019: 34.0%) of total purchases during FY2020 and purchases from the largest supplier amounted to approximately 10.0% (2019: 9.6%) 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 FY2020.

DIRECTORS
The Directors who held office during FY2020 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, Prof. Wong Poh Kam, Mr. Robert Chew, and Mr. Alwi Bin Abdul Hafiz would retire by rotation and, being eligible, offer themselves for re-election at the 2020 AGM. Mr. Robert Chew will retire and will not offer himself for re-election at the 2020 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 FY2020, 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 FY2020.

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 FY2020.

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 2020. 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 2020 and the date of this annual report, 31,179,876 optionshave 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.

2,730,000 options were forfeited and 19,354,244 options have lapsed during FY2020. No options were exercised or cancelled during FY2020 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 2020 and as at the date of this annual report.

Save as disclose above, at no time during FY2020 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 2020, 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[1]
Mr. Lau E Choon Alex ("Mr. Lau")	Beneficial interest	45,572,000	45,572,000	11.42%
Mr. Ong Swee Heng ("Mr. Ong")	Beneficial interest	22,750,000	22,750,000	5.70%

Notes:

1. *The percentage of shareholding was calculated based on the Company's total number of issued Shares of 399,158,496 as at 31 May 2020, 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 2020, 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.

9,939,566 share options granted to the above Directors under the Pre-IPO Share Option Scheme of the Company have lapsed during FY2020.

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

As at 31 May 2020, 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	-	11.42%
Lim Lay Hong [2]	Interest of spouse	22,750,000	-	5.70%
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 2020 (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 2020, 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 FY2020, 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 FY2020 are disclosed in note 40 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 2020. A report on the principal corporate governance practices adopted by the Company is set out on page 35 to page 47 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 FY2020, 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.

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 FY2019 or subsisted at the end of FY2020.

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 FY2020.

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 11 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 FY2020 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.

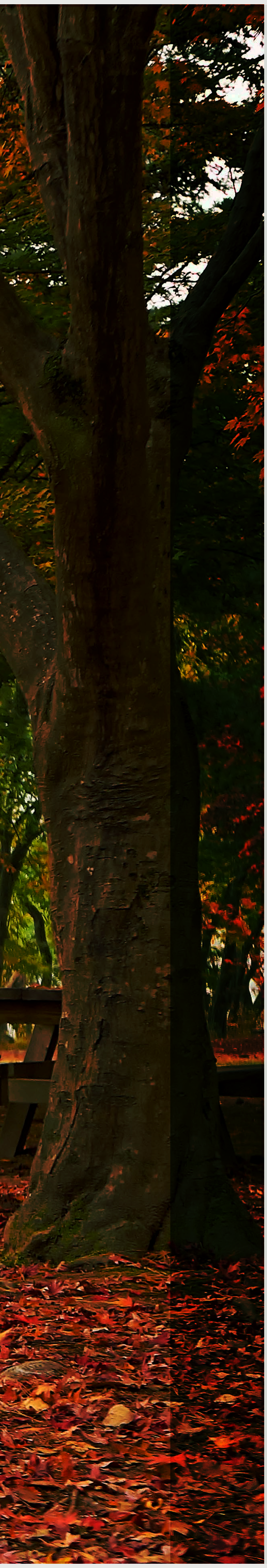
EVENTS AFTER THE REPORTING PERIOD

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 FY2020 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, 21 August 2020



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 2020. 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 2019 to 31 May 2020 (the "Reporting Period"), unless otherwise stated.

The Group's operations in Malaysia and India each accounted 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 equiva-lent (tCO2eq)	Total carbon emission in %
Scope 1 Direct Emission		
Combustion of fuel for mobile sources – passenger car fueled by petrol	3.47	7.8%
Scope 2 Indirect emission		
Purchased electricity from Singapore's Power Grid	25.56	57.3%
Scope 3 Other Indirect Emission		
Paper waste disposal	1.84	4.1%
Business air travel	13.73	30.8%
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 0.38 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 2020, a total of 72,620 kWh energy consumption was recorded, with an intensity of 79.23 kWh/m^2 or 654.23 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	60,981 kWh	60,981 kWh
Petrol	1,279 litre	11,639 kWh
Total		72,620 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, 58.7m^3 of fresh water was consumed with an intensity of 0.06m^3/m2 or 0.53m^3/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 2020, 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 2020

	Number of people	%
Total workforce by gender		
Woman	41	37%
Man	70	63%
Total workforce by age group		
< 25 years old	5	5%
25 – 29 years old	48	43%
30 – 39 years old	36	32%
40 – 49 years old	19	17%
> 50 years old	3	3%
Total workforce by level		
Management	12	11%
Mid-level staff	32	29%
Junior staff	67	60%
Total workforce by employment type		
Full time	111	100%
Part time	-	-%

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	6	23%
Man	25	96%
Total workforce by age group		
< 25 years old	1	4%
25 – 29 years old	15	58%
30 – 39 years old	8	31%
40 – 49 years old	4	15%
> 50 years old	3	12%
Total workforce by level		
Management	3	12%
Mid-level staff	6	23%
Junior staff	22	85%
Total workforce by employment type		
Full time	30	97%
Part time	1	3%

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	41	37%	10.27 hours
Man	70	63%	14.45 hours
By level			
Management	12	11%	7.83 hours
Mid-level staff	32	29%	13.55 hours
Junior staff	67	60%	13.51 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 155 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.

AUDITORS' REPORT AND FINANCIAL STATEMENTS

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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 page 78 to page 152, which comprise the consolidated statement of financial position as at 31 May 2020, 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 2020 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), 20 and 24 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$13,563,108 (2019: S$10,188,118) for the year ended 31 May 2020, which represented 72% (2019: 76%) 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.

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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; and

- 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

Refer to notes 4(o), 5(i) and 16 to the consolidated financial statements.

The Group has gross carrying amount of property plant and equipment of S$316,049 and intangible assets of S$2,182,026 respectively relating to the cash generating unit ("CGU") of Starlight. The CGU incurred losses for the year ended 31 May 2020. 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 whole carrying amounts of the property plant and equipment and intangible assets are required to be impaired. 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.

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INDEPENDENT AUDITOR'S REPORT
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Directors' Responsibilities for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong, 21 August 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2020

	Notes	2020 S$	2019 S$
Revenue	6(c)	18,933,335	13,333,417
Cost of sales		(11,339,175)	(10,625,124)
Gross profit		**7,594,160**	**2,708,293**
Other revenue	7	801,630	79,551
Other gains and losses	8	(213,089)	(88,201)
Marketing and other operating expenses		(1,604,467)	(2,136,998)
Administrative expenses		(4,652,929)	(4,642,212)
Research and development costs		(871,223)	(1,672,626)
Impairment of intangible assets		(716,988)	(1,465,038)
Impairment of property, plant and equipment		(316,049)	-
Finance costs	9	(36,324)	(1,060)
Share of loss in an associate	17	(110,223)	(25,859)
Loss before before income tax	**10**	**(125,502)**	**(7,244,150)**
Income tax (expense)/credit	13	(5,872)	331,433
Loss for the year		**(131,374)**	**(6,912,717)**
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		(24,065)	(5,686)
Total comprehensive income for the year		**(155,439)**	**(6,918,403)**
Profit/(loss) attributable to:			
Owners of the Company		266,644	(6,264,878)
Non-controlling interests		(398,018)	(647,839)
		(131,374)	**(6,912,717)**
Total comprehensive income for the year attributable to:			
Owners of the Company		246,426	(6,264,787)
Non-controlling interests		(401,865)	(653,616)
		(155,439)	**(6,918,403)**
		Singapore cents	Singapore cents
Earnings/(loss) per share attributable to owners of the Company			
- Basic	**14**	**0.07**	**(1.57)**
- Diluted	**14**	**0.07**	**(1.57)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MAY 2020

	Notes	2020 S$	2019 S$
Non-current assets			
Property, plant and equipment	15	113,884	620,528
Right-of-use assets	38	256,561	-
Intangible assets	16	1,741,074	3,470,269
Interests in associates	17	-	76,633
		2,111,519	4,167,430
Current assets			
Trade receivables	19	6,331,514	4,734,455
Contract assets	20	701,809	2,094,314
Other receivables, deposits and prepayments	21	638,175	612,705
Inventories	22	1,118,531	1,364,465
Bank balances and cash		4,749,041	2,428,307
		13,539,070	11,234,246
Current liabilities			
Trade payables	23	759,623	1,080,847
Contract liabilities	24	850,138	679,865
Other payables and accruals	25	1,478,271	1,482,984
Amount due to a director		9,890	9,980
Provision for warranty	26	41,000	12,600
Deferred government grants	27	390,343	8,104
Bank borrowings	28	-	103,325
Lease liabilities	29	188,002	-
Income tax payables		26,656	24,218
		3,743,923	3,401,923
Net current assets		**9,795,147**	**7,832,323**
Total assets less current liabilities		**11,906,666**	**11,999,753**
Non-current liabilities			
Deferred government grants	27	-	72,939
Deferred tax liabilities	30	582	2,145
Lease liabilities	29	78,802	-
		79,384	75,084
NET ASSETS		**11,827,282**	**11,924,669**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MAY 2020

	Notes	2020 S$	2019 S$
Capital and reserves			
Share capital	31	20,756,598	20,756,598
Reserves		(8,880,468)	(9,160,542)
Equity attributable to owners of the Company		11,876,130	11,596,056
Non-controlling interests		(48,848)	328,613
TOTAL EQUITY		**11,827,282**	**11,924,669**

Mr. Lau E Choon Alex
Director

Mr. Ong Swee Heng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2020

	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 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**
Profit/(loss) for the year	-	-	-	-	266,644	(398,018)	(131,374)
Other comprehensive income	-	-	-	(20,218)	-	(3,847)	(24,065)
Total comprehensive income	-	-	-	(20,218)	266,644	(401,865)	(155,439)
Recognition of share-based payment expenses	-	-	33,648	-	-	-	33,648
Lapse of share options	-	-	(571,330)	-	571,330	-	-
Forfeiture of share options	-	-	(158,945)	-	158,945	-	-
Deemed disposal of a subsidiary	-	-	-	-	-	24,404	24,404
At 31 May 2020	**20,756,598**	**(1,376,024)**	**688,754**	**51,157**	**(8,244,355)**	**(48,848)**	**11,827,282**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2020

	2020 S$	2019 S$
Cash flows from operating activities		
Loss before income tax	(125,502)	(7,244,150)
Adjustments for:		
Depreciation of property, plant and equipment	135,017	131,072
Depreciation of right-of-use assets	773,649	-
Amortisation of intangible assets	1,012,207	996,177
Gain on deemed disposal of a subsidiary	(24,502)	-
Impairment of intangible assets	716,988	1,465,038
Impairment of property, plant and equipment	316,049	-
Write-off of property, plant and equipment	27,545	-
Write-off of amount due from an associate	155,575	-
Share of loss of an associate	110,223	25,859
Interest expense	1,629	1,060
Interest expense on lease liabilities	34,695	-
Interest income	(3,486)	(4,686)
Share-based payment	33,648	90,490
Government grants	(766,830)	-
(Reversal of provision)/provision for expected credit loss		
- Trade receivables and contract assets	(30,820)	46,166
- Other receivables	55,910	(3,960)
Write-down of inventories	838	24,534
(Reversal of provision)/provision for obsolete inventories	(307)	37,087
Operating cash flows before working capital changes	2,422,526	(4,435,313)
(Increase)/decrease in trade receivables	(2,057,403)	144,126
Decrease in contract assets	1,396,318	3,576,220
Decrease/(increase) in other receivables, deposits and prepayments	147,797	(94,415)
Decrease/(increase) in inventories	243,022	(767,036)
Decrease in trade payables	(235,690)	(1,835,898)
Increase in contract liabilities	313,345	269,578
Increase in other payables and accruals	515,459	812,520
Increase in amount due to a director		9,980
Increase in provision for warranty	28,400	-
Effect of foreign exchange rate changes	(18,246)	(65,468)
Net cash generated from / (used in) operations	2,755,528	(2,385,706)
Income tax paid	(3,476)	(24,684)
Net cash generated from / (used in) operating activities	**2,752,052**	**(2,410,390)**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2020

	2020 S$	2019 S$
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,982)	(357,080)
Payment for the cost incurred for intangible assets	-	(105,878)
Advance to an associate	(155,575)	-
Investment in an associate	(33,590)	(102,240)
Decrease in prepayments	-	227,859
Interest received	3,486	4,686
Deemed disposal of a subsidiary, net of cash disposed (Note 37)	(154,352)	-
Net cash used in investing activities	**(353,013)**	**(332,653)**
Cash flows from financing activities		
Cash received from non-controlling interests from issuance of capital of subsidiaries	-	982,229
Receipts from government grants	812,651	-
Repayment of lease liabilities	(796,863)	-
Interest paid	(1,629)	-
(Decrease)/increase in trade finance advances	(103,325)	102,265
Net cash (used in)/generated from financing activities	**(89,166)**	**1,084,494**
Net increase/(decrease) in cash and cash equivalents	**2,309,873**	**(1,658,549)**
Cash and cash equivalents at beginning of year	**2,428,307**	**4,018,466**
Effect of foreign exchange rate changes	10,861	68,390
Cash and cash equivalents at end of year	**4,749,041**	**2,428,307**
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	4,749,041	2,428,307

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 2019

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRSs 2015–2018 Cycle	Amendments to IFRS 3, Business Combinations
Annual Improvements to IFRSs 2015–2018 Cycle	Amendments to IFRS 11, Joint Arrangements
Annual Improvements to IFRSs 2015–2018 Cycle	Amendments to IAS 12, Income Taxes
Annual Improvements to IFRSs 2015–2018 Cycle	Amendments to IAS 23, Borrowing Costs

The impact of the adoption of IFRS 16 have been summaries in below. The other new or amended IFRSs that are effective from 1 June 2019 did not have any significant 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 2019 (Continued)

A. IFRS 16 - Leases

IFRS 16 supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has adopted IFRS 16 retrospectively from 1 June 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 June 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 June 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 June 2019 was ranging from 3.769% to 9.490%.

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

(a) Adoption of new/revised IFRSs – effective 1 June 2019 (Continued)

A. IFRS 16 - Leases (Continued)

	S$
Operating lease commitments disclosed as at 31 May 2019	1,086,701
Discounted using the lessee's incremental borrowing rate at the date of initial application	(33,765)
(Less): short-term leases recognised on a straight-line basis as expense	(8,927)
Lease liabilities recognised as at 1 June 2019	1,044,009
Of which are:	
Current lease liabilities	786,565
Non-current lease liabilities	257,444
Right-of-use assets recognised as at 1 June 2019	1,044,009

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 May 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 June 2019 S$
Properties	1,044,009

The change in accounting policy affected the following items in the balance sheet on 1 June 2019:

	1 June 2019 S$
Right-of-use assets — increase by	1,044,009
Lease liabilities — increase by	(1,044,009)
	-

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

(a) Adoption of new/revised IFRSs – effective 1 June 2019 (Continued)

A. IFRS 16 - Leases (Continued)

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 June 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRSs

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

From 1 June 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

(a) Adoption of new/revised IFRSs – effective 1 June 2019 (Continued)

A. IFRS 16 - Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

(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.

Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 3	Definition of a Business[1]
IFRS 17	Insurance Contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Covid-19 Related Rental Concessions[3]

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

<u>IFRS 17 – Insurance Contracts</u>

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

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

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

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate. 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.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the HKICPA amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

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.

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

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

Amendments to IFRS 16 Covid-19 Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

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) Leases (accounting policies applied from 1 June 2019)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 June 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (accounting policies applied from 1 June 2019) (Continued)

(i) As a lessee (Continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The rightof-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (accounting policies applied from 1 June 2019) (Continued)

(i) As a lessee (Continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "loans and borrowings" in the statement of financial position.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (accounting policies applied from 1 June 2019) (Continued)

(i) As a lessor (Continued)

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see note 4(g)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of “other revenue”.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance

(e) Leases (accounting policies applied until 31 May 2019)

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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 revenue.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets (other than goodwill) (Continued)

(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(o)).

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.

(g) Financial instruments

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(i) Financial assets (Continued)

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)

(g) Financial instruments (Continued)

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(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)

(h) Inventories

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

(i) Revenue recognition

Revenue from 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.

<u>Contract revenue from projects of provision of enterprise application software solutions and energy management solutions</u>

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 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.

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(j).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (Continued)

Revenue from rending 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. 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) Contract assets and contract liabilities

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)

(k) 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.

(l) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Foreign currency (Continued)

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.

(m) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plan

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

(q) 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.

(r) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties (Continued)

(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 differ from these estimates.

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

Key sources of estimation uncertainty

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

(i) Useful lives and impairment of intangible assets

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

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

(ii) 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 2020, the Group recognised contract assets of S$701,809. The recoverability assessment of these contract assets involves significant estimations and judgements made by management when management prepares financial budgets of each construction work.

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

(iii) Impairment assessment of trade receivables

As at 31 May 2020, the Group recorded gross trade receivables of S$6,420,427, before impairment provision of trade receivables of S$88,913. In general, the credit terms granted by the Group to the customers generally ranged zero to two months (2019: 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.

(iv) Impact of COVID-19

The coronavirus broke out in early 2020. On 11 March 2020, the World Health Organisation announced that the coronavirus outbreak can be characterised as a pandemic. COVID-19 has significantly impacted the world economy. In Singapore and Malaysia, under the prevention and control measures of COVID-19, some of the construction projects of the Group were interrupted. In preparation for the consolidated financial statements for the year ended 30 June 2020, the Group took into account the impact of COVID-19 when making key accounting estimates, including the provision for expected credit losses on trade receivables and contract assets, and impairment of intangible assets.

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.

6. SEGMENT REPORTING (Continued)

(a) Business segments

	Simplicity and myBill		Starlight		SpaceMonster		Total	
	2020 S$	2019 S$	2020 S$	2019 S$	2020 S$	2019 S$	2020 S$	2019 S$
Revenue from external customers	15,250,431	10,864,250	3,454,550	2,317,978	228,354	151,189	18,933,335	13,333,417
Gross profit/(loss)	6,654,586	3,182,226	731,320	(606,483)	208,254	132,550	7,594,160	2,708,293
Reportable segment profit/(loss) before taxation	5,648,152	1,148,650	(1,652,818)	(3,813,024)	208,218	132,145	4,203,552	(2,532,229)
Depreciation and amortisation	891,744	869,882	173,267	173,532	12,862	12,862	1,077,873	1,056,276
Impairment of intangible assets	-	-	716,988	1,465,038	-	-	716,988	1,465,038
Impairment of property, plant and equipment	-	-	316,049	-	-	-	316,049	-
(Reversal of provision)/ provision for obsolete inventories	-	-	(307)	37,087	-	-	(307)	37,087
Write-down of inventories	-	-	838	24,534	-	-	838	24,534
(Reversal of provision) / provision for expected credit loss – trade receivables and contract assets	(30,043)	66,560	(813)	(20,394)	36	-	(30,820)	46,166
Provision/(reversal of provision) for expected credit loss – other receivables	-	-	55,910	(3,960)	-	-	55,910	(3,960)
Write-off of amount due from an associate	155,575	-	-	-	-	-	155,575	-
Reportable segment assets	8,488,863	7,180,603	1,600,496	5,329,860	8,964	12,862	10,098,323	12,523,325
Additions to non-current assets	4,518	145,104	8,464	265,090	-	-	12,982	410,194
Reportable segment liabilities	1,530,024	1,438,767	296,438	811,083	(358)	(272)	1,826,104	2,249,578

6. SEGMENT REPORTING (Continued)

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

	2020 S$	2019 S$
Loss before income tax		
Reportable segment profit/(loss)	4,203,552	(2,532,229)
Other revenue	556,936	79,551
Other gains and losses	(31,893)	15,626
Finance costs	(36,324)	(1,060)
Unallocated expenses:		
- Staff costs	(2,832,932)	(2,541,712)
- Share-based payments	(33,648)	(90,490)
- Rental expenses	(4,963)	(834,703)
- Auditor's remuneration	(133,386)	(123,000)
- Legal and professional fee	(376,032)	(537,326)
- Depreciation	(69,351)	(70,973)
- Depreciation of right-of-use assets	(773,649)	-
- Others	(593,812)	(607,834)
Consolidated loss before income tax	(125,502)	(7,244,150)

	2020 S$	2019 S$
Assets		
Reportable segment assets	10,098,323	12,523,325
Bank balances and cash	4,749,041	2,428,307
Right-of-use assets	256,561	-
Property, plant and equipment	33,982	113,520
Unallocated corporate assets	512,682	336,524
Consolidated total assets	15,650,589	15,401,676

	2020 S$	2019 S$
Liabilities		
Reportable segment liabilities	1,826,104	2,249,578
Other payables and accruals	1,302,928	1,087,761
Lease liabilities	266,804	-
Bank borrowings	-	103,325
Unallocated corporate liabilities	427,471	36,343
Consolidated total liabilities	3,823,307	3,477,007

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	
	2020 S$	2019 S$	2020 S$	2019 S$	2020 S$	2019 S$	2020 S$	2019 S$
Timing of revenue recognition								
Transferred over time								
- Project revenue	10,521,213	8,184,551	3,041,895	2,003,567	-	-	13,563,108	10,188,118
- Maintenance services	2,926,941	2,277,106	239,470	235,810	5,804	7,489	3,172,215	2,520,405
- Subscription	1,788,457	383,393	-	-	222,550	143,700	2,011,007	527,093
Recognised at a point of time								
- Sale of equipment	13,820	19,200	114,715	22,506	-	-	128,535	41,706
Other sources								
- Lease of equipment	-	-	58,470	56,095	-	-	58,470	56,095
	15,250,431	10,864,250	3,454,550	2,317,978	228,354	151,189	18,933,335	13,333,417
Primary geographical markets								
Singapore	14,219,348	9,211,609	3,356,600	2,105,538	228,354	151,189	17,804,302	11,468,336
Malaysia	32,824	142,871	67,567	197,199	-	-	100,391	340,070
PRC	212,837	1,439,975	-	-	-	-	212,837	1,439,975
Others	785,422	69,795	30,383	15,241	-	-	815,805	85,036
	15,250,431	10,864,250	3,454,550	2,317,978	228,354	151,189	18,933,335	13,333,417

(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"):

	2020 S$	2019 S$
Specified non-current assets		
Singapore	1,791,577	3,940,754
Malaysia	-	38,902
India	63,381	76,008
PRC	-	35,133
	1,854,958	4,090,797

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:

	2020 S$	2019 S$
Customer A	2,595,321	1,995,808
Customer B	2,429,166	N/A
Customer C	2,028,926	N/A
	7,053,413	1,995,808

7. OTHER REVENUE

	2020 S$	2019 S$
Government grants (Note)	766,830	73,292
Gain on deemed disposal of a subsidiary	24,502	-
Interest income	3,486	4,686
Others	6,812	1,573
	801,630	79,551

Note:
The government grants included a balance of S$490,539 represented grant received under Jobs Support Scheme ("JSS") from the Singapore government. For details, please refer to Note 27.

8. OTHER GAINS AND LOSSES

	2020 S$	2019 S$
Reversal of provision/(provision) for obsolete stock	307	(37,087)
Net exchange (losses)/gains	(4,348)	15,626
Write-down of inventories	(838)	(24,534)
Reversal of provision/(provision) for expected credit loss		
- Trade receivables and contract assets	30,820	(46,166)
- Other receivables	(55,910)	3,960
Write-off of property, plant and equipment	(27,545)	-
Write-off of amount due from an associate	(155,575)	-
	(213,089)	(88,201)

9. FINANCE COSTS

	2020 S$	2019 S$
Interest on bank borrowings	1,629	1,060
Interest on lease liabilities	34,695	-
	36,324	1,060

10. LOSS BEFORE INCOME TAX

	2020 S$	2019 S$
Staff costs (including directors' emoluments (note 11))		
Salaries and allowances	9,410,266	9,744,894
Contributions on defined contribution retirement plans	854,544	773,075
Share-based payments	33,648	90,490
	10,298,458	10,608,459
Less: capitalisation as intangible assets	-	(73,478)
	10,298,458	10,534,981
Auditor's remuneration	133,386	123,000
Depreciation of property, plant and equipment	135,017	131,072
Depreciation of right-of-use assets	773,649	-
Amortisation of intangible assets	1,012,207	996,177
Provision of expected credit loss	25,090	42,206
Write-off of inventories	838	24,534
(Reversal of provision)/provision for obsolete stock	(307)	37,087
Impairment of intangible assets	716,988	1,465,038
Impairment of property, plant and equipment	316,049	-

11. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

2020	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	-	295,828	16,320	312,148
Mr. Ong Swee Heng	-	255,600	15,912	271,512
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	551,428	32,232	733,660

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)

No directors waived or agreed to waive any emoluments during the year ended 31 May 2020 (2019: 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 2020 (2019: Nil).

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2019: two) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining three (2019: three) individuals are as follows:

	2020 S$	2019 S$
Salaries, allowances and benefits in kind	640,800	549,000
Share-based payments	9,508	36,808
Contributions on defined contribution retirement plans	51,000	37,060
	701,308	622,868

Their emoluments were within the following bands:

	2020 No. of individuals	2019 No. of individuals
HK$1,000,001 to HK$1,500,000 (equivalent to S$177,035 to S$265,553)	3	3

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

	2020 No. of individuals	2019 No. of individuals
HK$ Nil to HK$1,000,000 (equivalent to Nil to S$177,035)	2	2
HK$1,000,001 to HK$1,500,000 (equivalent S$177,035 to S$265,553)	2	2

13. INCOME TAX EXPENSE/(CREDIT)

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

	2020 S$	2019 S$
Current tax – overseas		
- provision for the year	7,357	47,629
Deferred tax (note 30)	(1,485)	(379,062)
	5,872	(331,433)

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%, 17% and 29% respectively for the financial year ended 31 May 2020 and 2019, on the chargeable income.

The corporate income tax rate applicable to the Company's subsidiary in the Peoples 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 before income tax in the consolidated statements of comprehensive income as follows:

	2020 S$	2019 S$
Loss before income tax	(125,502)	(7,244,150)
Tax credit calculated at Singapore income tax rate of 17%	(21,335)	(1,231,506)
Effect of different tax rates of the subsidiaries operating in other jurisdictions	(40,260)	(62,778)
Tax effect of revenue not taxable for tax purposes	(127,900)	-
Tax effect of expenses not deductible for tax purposes	15,717	90,815
Over-provision in respect of prior years	-	68,691
Tax effect of temporary differences not recognised	179,650	803,345
Income tax expense/(credit)	5,872	(331,433)

14. EARNINGS/(LOSS) PER SHARE

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

Earnings/(loss)

	2020 S$	2019 S$
Profit/(loss) for the purpose of basic earnings/(loss) per share	266,644	(6,264,878)

Number of shares

	2020	2019
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	399,158,496	399,158,496
Effect of dilutive potential ordinary shares:		
- share options (note)	7,881,926	-
Weighted average number of ordinary shares for the purposes of diluted loss per share	407,040,422	399,158,496

The computation of diluted loss per share for the year ended 31 May 2019 did 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 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
Additions	11,466	-	1,516	-	12,982
Write-off	(7,756)	(16,736)	-	(56,630)	(81,122)
Deemed disposal of a subsidiary	(40,522)	(1,849)	-	-	(42,371)
Exchange alignment	(3,532)	(433)	(4,129)	87	(8,007)
At 31 May 2020	314,365	184,775	738,589	367,205	1,604,934
Accumulated depreciation and impairment					
At 1 June 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
Charge for the year	56,258	3,203	65,665	9,891	135,017
Impairment loss	-	-	316,049	-	316,049
Write-off	(7,295)	(14,815)	-	(31,467)	(53,577)
Deemed disposal of a subsidiary	(6,039)	(293)	-	-	(6,332)
Exchange alignment	(1,857)	(94)	(1,116)	36	(3,031)
At 31 May 2020	269,456	179,977	674,750	366,867	1,491,050
Net carrying value					
At 31 May 2020	44,909	4,798	63,839	338	113,884
At 31 May 2019	126,320	11,817	447,050	35,341	620,528

16. INTANGIBLE ASSETS

	Simplicity S$ (note (a))	Simplicity (GEMINI) S$ (note (b))	Starlight S$ (note (c))	Starlight (Tesseract) S$ (note (c))	SpaceMonster S$ (note (d))	myBill.sg Portal S$ (note (e))	Total S$
Cost							
At 1 June 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
Additions	-	-	-	-	-	-	-
At 31 May 2020	2,916,009	187,831	1,214,714	1,984,926	64,310	1,880,777	8,248,567
Accumulated amortisation and impairment							
At 1 June 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	-	-	-	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
Charge for the year	478,032	37,560	59,733	47,868	12,862	376,152	1,012,207
Impairment loss	-	-	298,667	418,321	-	-	716,988
At 31 May 2020	2,437,981	53,241	1,214,714	1,984,926	64,310	752,321	6,507,493
Net carrying value							
At 31 May 2020	478,028	134,590	-	-	-	1,128,456	1,741,074
At 31 May 2019	956,060	172,150	358,400	466,189	12,862	1,504,608	3,470,269

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) A new version of human resources application named as Simplicity GEMINI (Digital Twin) was developed by the Company and their development costs incurred was capitalised as intangible assets. The asset has an estimated useful life of five years. No indication of impairment is noted.

16. INTANGIBLE ASSETS (Continued)

(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. A new version of meter and communicator was developed by the Company in 2018 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 loss during the financial years ended 2019 and 2020. 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.

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 the recent budget prepared by the management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

	2020	**2019**
Discount rate	16.1%	15.4%
Operating margin	-8% to -12%	4.0% to 6.6%
Growth rate within the three–year period	-45% to 75%	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.

During the year, segment loss is recorded due to excessive selling, marketing and research cost incurred in order to attract customers. Currently, the global economic outlook worsens which lead to reducing demands, and with more site installation constraints imposed by local government on energy meters, a lower or negative operating margin is expected by the management in the future. Management is of the opinion that under current market preference, the possibility for the Group to generate future operating profit and cash inflow from Starlight's projects is remote. Therefore, the recoverable amounts determined by using value-in-use calculations is negative.

Accordingly, the whole gross carrying amounts of the intangible assets of Starlight and Starlight (Tesseract) amounted to S$2,182,026 and property plant and equipment amounted to S$316,049 of the Starlight's CGU should been fully impaired. In 2019, an impairment loss of S$1,465,038 was recognised, therefore the additional impairment loss of S$716,988 on intangible assets and S$316,049 on property, plant and equipment was recognised in the Consolidated Statement of Comprehensive Income for the year ended 31 May 2020.

(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.

16. INTANGIBLE ASSETS (Continued)

(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.

17. INTERESTS IN ASSOCIATES

	2020 S$	2019 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 (Note (a))	Corporation	Malaysia	30%	Provision of asset and energy management software and maintenance services
EASI Technology Co Ltd ("EASI") (Note (b))	Corporation	PRC	35%	Provision of asset and energy management and software and maintenance services

Note:

(a) On 9 Feburary 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. As at 31 May 2020, capital injection amounted to Rm400,000 (equivalent to S$135,830) has been paid.

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.

During the year, impairment loss for goodwill of S$85,176 was recognised in respect of the Group's interest in Real Icon based on the recoverable amount, being the higher of value in use and fair value less cost of disposal, determined by the management.

17. INTERESTS IN ASSOCIATES (Continued)

Particulars of the Group's interests in an associate are as follows: (Continued)

Note: (Continued)

(b) EASI was established to expand the market of the Company's software products to PRC market. During the year, the Group's management decided to step down as the controlling party of EASI. The Company made an application to the local authority to amend the constitution of EASI, which changed the composition of the board of directors of EASI. Following this amendment, the remaining 51% interest in EASI was recognised as interest in an associate and equity accounted for. Further details please refer to note 37. Since the cost on initial recognition of the investment is zero, it is classified as an immaterial associate of the Group.

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

	2020	**2019**
	S$	**S$**
As at 31 May		
Current assets	8,420	20,038
Non-current assets	28,187	602
Current liabilities	(179,177)	(49,114)
	(142,570)	(28,474)
Included in the above amounts are:		
Bank balances and cash	574	7,083
Current financial liabilities (excluding trade and other payables)	(179,177)	48,376
Year ended 31 May		
Loss for the year	115,642	86,197
Total comprehensive loss	115,642	86,197
Included in the above amounts are:		
Depreciation and amortisation	2,708	167

18. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 May 2020 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% (2019: 100%)	-	Provision of asset and energy management and software and maintenance services
Anacle Systems (India) Private Limited	India	Rs100,000	99.99% (note a) (2019: 99.99%)	-	Research and development, design, and supervise the manufacturing and assembly process of hardware products
Anacle Systems (Shanghai) Co Ltd	China	-	100% (2019: 100%)	-	Provision of asset and energy management and software and maintenance services
EASI Holdings Pte. Ltd ("EASI Pte")	Singapore	S$10	70% (2019: 70%)	-	Investment holding
EASI	China	RMB 7,500,000	-	- (note b) (2019: 35%)	Provision of asset and energy management and software and maintenance services

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 Pte hold 50.1% interest in EASI. As discussed in Note 37, EASI was deemed disposal of on 27 September 2019.

19. TRADE RECEIVABLES

	2020 S$	2019 S$
Trade receivables	6,420,427	4,900,097
Less: provision for expected credit loss	(88,913)	(165,642)
	6,331,514	4,734,455

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

	2020 S$	2019 S$
Within 1 month	3,049,691	1,911,285
2 to 3 months	3,064,272	2,593,816
4 to 6 months	144,928	220,649
7 to 12 months	72,623	8,705
	6,331,514	4,734,455

The Group and the Company recognised impairment loss based on the accounting policy stated in Note 4(g). For details, please refer to Note 43.

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

	2020 S$	2019 S$
Unbilled revenue from contracts in progress	705,300	2,102,725
Less: provision for expected credit loss	(3,491)	(8,411)
	701,809	4,734,455

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

<u>Projects of provision of enterprise application software solutions and energy management solutions</u>

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.

20. CONTRACT ASSETS (Continued)

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$3,491 as at 31 May 2020.

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 S$	2019 S$
Deposits	231,593	249,595
Prepayments	128,599	89,596
Other tax receivables	-	68,286
Other receivables	277,983	205,228
	638,175	612,705

22. INVENTORIES

	2020 S$	2019 S$
Raw materials	494,546	561,689
Finished goods	623,985	802,776
	1,118,531	1,364,465

23. TRADE PAYABLES

	2020 S$	2019 S$
Trade payables	759,623	1,080,847

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:

	2020 S$	2019 S$
Within 1 month	554,904	705,656
2 to 3 months	176,624	308,542
4 to 6 months	28,095	66,649
	759,623	1,080,847

24. CONTRACT LIABILITIES

	2020 S$	2019 S$
Contract liabilities arising from:		
Construction projects of Simplicity and Starlight	120,813	251,271
Advance income received for maintenance services	729,325	428,594
Total contract liabilities	850,138	679,865

Construction projects of Simplicity and Starlight

Where discrepancies arise between the milestone payments and the Group's assessment of the stage of completion, contract liabilities can arise for construction projects for Simplicity and Starlight.

Advance income received for maintenance services

For maintenance services income, the Group receives 10% to 50% of the contract value as deposits from new customers when they sign the maintenance services contracts. The advance payment results in contract liabilities being recognised until the relevant services are rendered by the Group.

The above contract liabilities balances are expected to be realised within 1 year.

24. CONTRACT LIABILITIES (Continued)

Movements in contract liabilities:

	Construction projects S$	Maintenance services S$	Total S$
Balance as at 1 June 2019	251,271	428,594	679,865
Deemed disposal of a subsidiary	(138,381)	-	(138,381)
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	(112,890)	(428,594)	(541,484)
Increase in contract liabilities as a result of billing in advance of construction contracts	120,813	-	120,813
Increase in contract liabilities as a result of advance payment received from customers of maintenance services	-	729,325	729,325
Balance as at 31 May 2020	120,813	729,325	850,138

	Construction projects S$	Maintenance services S$	Total S$
Balance as at 1 June 2018	-	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 2019	251,271	428,594	679,865

25. OTHER PAYABLES AND ACCRUALS

	2020 S$	2019 S$
Accruals	343,823	690,108
Other payables	630,643	393,643
Goods and Services Tax payables (note)	499,416	274,278
Provision of onerous contract	4,389	124,955
	1,478,271	1,482,984

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.

26. PROVISION FOR WARRANTY

	2020 S$	2019 S$
At beginning of year	12,600	12,600
Addition during the year	28,400	-
At end of year	41,000	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 2020 is adequate.

27. DEFERRED GOVERNMENT GRANTS

	S$
Cost	
At 1 June 2019	246,300
Addition during the year	1,019,668
At 31 May 2020	1,265,968
Amortisation	
At 1 June 2019	165,257
Released to profit or loss during the year	710,368
At 31 May 2020	875,625
Net carrying amount	
At 31 May 2020	390,343
At 31 May 2019	81,043

	2020 S$	2019 S$
Represented by:		
Current portion	390,343	8,104
Non-current portion	-	72,939
	390,343	81,043

The balance of deferred capital grants for the year ended 31 May 2019 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 fulfilled as the completion filing was made during the year. Following the impairment of the related intangible assets made during the year, the whole amount of grant received is recognised in the Consolidated Statement of Comprehensive Income for the year.

The balance of deferred capital grant represents grant received under the Jobs Support Scheme ("JSS") from Singapore government with regards to government support towards entities during the COVID-19 pandemic situation. The purpose of the JSS is to provide wage support to employers to help them retain their local employees (Singapore Citizens and Permanent Residents) during this period of economic uncertainty. The Company will utilise the grant received for compensating wages from January 2020 to September 2020. Therefore, deferred capital grant was recognised.

28. BANK BORROWINGS

	2020 S$	2019 S$
Current liabilities		
Trade finance advances due for repayment within 6 months	-	103,325

The bank borrowings represents trade finance advanced from DBS Limited. As at 31 May 2020, bank facilities in total of S$1,000,000 were granted to the Company by DBS Limited, which has not being ultilised by the Company as at 31 May 2020. 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 2020.

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.

29. LEASE LABILITIES

	2020 S$	2019 S$
Current liabilities		
Lease liabilities - current portion	188,002	-
Non-current liabilities		
Lease liabilities - non-current portion	78,802	-

Lease liabilities

	Properties S$
At 1 June 2019	**1,044,009**
Addition	156,161
Interest expense	34,695
Lease payments	(796,863)
Deemed disposal of a subsidiary	(160,400)
Exchange alignment	(10,798)
At 31 May 2020	**266,804**

29. LEASE LIABILTIES (Continued)

Future lease liabilities are payable as follows:

	Minimum lease payments S$	Interest S$	Present value S$
At 1 June 2019			
Not later than one year	814,142	27,577	786,565
Later than one year and not later than five years	263,376	5,932	257,444
	1,077,518	33,509	1,044,009

	Minimum lease payments S$	Interest S$	Present value S$
At 31 May 2020			
Not later than one year	198,644	10,642	188,002
Later than one year and not later than five years	81,998	3,196	78,802
	280,642	13,838	266,804

The present value of future lease payments are analysed as:

	2020 S$
Current liabilities	188,002
Non-current liabilities	78,802
	266,804

30. DEFERRED TAXATION

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

	Provision for warranty S$	Accelerated tax depreciation and amortisation S$	Tax losses S$	Others S$	Total S$
At 1 June 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)
(Charge)/credit to profit or loss for the year	-	396,485	(395,000)	-	1,485
Exchange alignment	-	78	-	-	78
At 31 May 2020	-	(582)	-	-	(582)

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 2020 and 2019. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2020 S$	**2019 S$**
Deferred tax liabilities	(582)	(2,145)

As at 31 May 2020, the Group has unutilised tax losses of approximately S$3,306,351 (2019: S$4,385,069) that are available for offset against future taxable profits of the Group subject to agreement of the relevant authorities. The amount of S$588,915 of deductible temporary differences in respect of the unused tax losses due to unpredictability of future profit streams.

31. SHARE CAPITAL

	2020 Number	2020 S$	2019 Number	2019 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

As at 31 May 2019, the Group has non-controlling interests ("NCI") in EASI Pte and its subsidiary, EASI. Following the deemed disposal transaction as detailed in Note 37, EASI is no longer a subsidiary of the Group and therefore its non-controlling interests are deemed disposed of. The remaining non-controlling interests in EASI Pte is immaterial to the financial statements.

Summarised financial information for the years ended 31 May 2020 and 2019 in relation to the NCI of EASI Pte and its subsidiary before intra-group eliminations, is presented below:

For the period from:	**1 June 2019 to 27 September 2019 S$**	**14 September 2018 to 31 May 2019 S$**
Revenue	90,195	1,132,325
Loss for the year	(547,674)	(998,190)
Total comprehensive expenses	(555,381)	(1,007,093)
Loss allocated to NCI	(355,752)	(647,839)
Dividend paid to NCI	-	-
Cash flows used in operating activities	(43,580)	(1,536,056)
Cash flows used in investing activities	(117,183)	(38,957)
Cash flows from financing activities	155,575	1,512,750
Net cash outflows	(5,188)	(62,263)

	31 May 2019 S$
Current assets	987,415
Non-current assets	35,133
Current liabilities	(516,073)
Net assets	506,475
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 2020 and 2019.

	Notes	2020 S$	2019 S$
Non-current assets			
Property, plant and equipment		50,502	470,485
Intangible assets		1,741,074	3,634,162
Investments in subsidiaries		2,089	2,089
Interest in an associate		-	76,633
Right-of-use assets		114,309	-
		1,907,974	4,183,369
Current assets			
Trade receivables		6,308,453	3,562,088
Contract assets		701,809	2,024,065
Other receivables, deposits and prepayments		583,236	477,909
Inventories		1,016,785	1,255,877
Amounts due from subsidiaries		-	335,918
Bank balances and cash		4,443,097	2,184,504
		13,053,380	9,840,361
Current liabilities			
Trade payables		621,829	970,503
Contract liabilities		850,138	480,654
Other payables and accruals		1,448,953	1,221,529
Amounts due to a subsidiary		128,112	-
Provision for warranty		41,000	12,600
Deferred government grants		390,343	8,104
Bank borrowings		-	103,325
Lease liabilities		116,464	-
		3,596,839	2,796,715
Net current assets		**9,456,541**	**7,043,646**
Total assets less current liabilities		**11,364,515**	**11,227,015**
Non-current liabilities			
Deferred government grants		-	72,939
NET ASSETS		**11,364,515**	**11,154,076**
Capital and reserves			
Share capital	31	20,756,598	20,756,598
Reserves	34	(9,392,083)	(9,602,522)
TOTAL EQUITY		**11,364,515**	**11,154,076**

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 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)
Profit for the year	-	-	-	176,791	176,791
Recognition of share based payment expenses	-	33,648	-	-	33,648
Lapse of share options	-	(571,330)	-	571,330	-
Forfeiture of share options	-	(158,945)	-	158,945	-
At 31 May 2020	(1,376,024)	688,754	252	(8,705,065)	(9,392,083)

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.

(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:

2020

		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	Lapsed during the year	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	-	-	(2,730,000)	(2,730,000)	-	0.009
	1-Aug-13	3,779,594	-	-	-	(2,834,741)	944,853	0.009
	1-May-15	2,730,000	-	-	-	(1,365,000)	1,365,000	0.009
	1-Jun-16	455,000	-	-	-	-	455,000	0.009
Sub-total		14,909,531	-	-	(2,730,000)	(9,414,678)	2,764,853	
Total		24,849,097	-	-	(2,730,000)	(19,354,244)	2,764,853	

35. SHARE-BASED PAYMENTS (Continued)

(a) The 2010 Plan (Continued)

2019

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

(b) The 2013 Plan

2020

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

2019

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

35. SHARE-BASED PAYMENTS (Continued)

(b) The 2013 Plan (Continued)

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:

	2020		2019	
	Weighted average exercise price S$	Number	Weighted average exercise price S$	Number
Outstanding at beginning of year	0.021	31,179,876	0.021	31,179,876
Forfeited during the year	0.009	(2,730,000)	-	-
Lapsed during the year	0.009	(19,354,244)	-	-
Outstanding at the end of year	0.049	9,095,632	0.021	31,179,876

The weighted average exercise price of options outstanding at the end of the year is S$0.049 (2019: S$0.021) and the weighted average remaining contractual life was 0.74 years (2019: 1.7 years).

Of the total number of options outstanding at end of the year, 9,094,471 (2019: 30,753,350) had vested and were exercisable.

36. SUPPORTING CASH FLOW STATEMENTS

Reconciliation of liabilities arising from financing activities:

	Bank borrowings S$	Lease liabilities S$	Total S$
At 1 June 2019	103,325	1,044,009	1,054,334
Changes from financing cash flows:			
Decrease in bank borrowings	(103,325)	-	(103,325)
Payment of lease liabilities	-	(796,863)	(796,863)
Interest paid	(1,629)	-	(1,629)
Total changes from financing cash flows	(104,954)	(796,863)	(901,817)
Other changes:			
Interest expense	1,629	34,695	36,324
Addition of new lease	-	156,161	156,161
Deemed disposal of a subsidiary	-	(160,400)	(160,400)
Exchange alignment	-	(10,798)	(10,798)
Total liability-related other changes	1,629	19,658	21,287
At 31 May 2020	-	266,804	266,804

37. DEEMED DISPOSAL OF A SUBSIDIARY

As at 31 May 2019, the Group held 35.7% equity interest in EASI Technology Co., Ltd ("EASI"), EASI was accounted for as a subsidiary of the Company as it is controlled by a 70% owned subsidiary of the Company, being EASI Holdings. On 27 September 2019, the management of EASI Holdings had made an application to the local authority to amend the constitution of EASI. The major amendment was to change the composition of the boards of directors of EASI from 2 out of 3 directors appointed by the Company to 1 out of 3 directors appointed by the Company. (the "Amendments") As a result of the changes above, the management assessed that the Company lost its control over EASI and its financial results will no longer be consolidated into the financial statements of the Group after the Amendments.

The directors of the Company consider that they have power to exercise significant influence on EASI as 1 of the 3 directors in EASI is appointed by the Company. Under IAS 28, the investment in EASI is classified as interest in an associate and has been accounted for in the consolidated financial statements using equity method after the Amendments. The fair value of the 51% retained interest in EASI at the date on which the control was lost is regarded as the cost on initial recognition of the investment in EASI as an associate and is amounted to zero. It is because EASI was in a net liability position with high uncertainty of possible future cash inflow.

37. DEEMED DISPOSAL OF A SUBSIDIARY (Continued)

	S$
Fair value of interest retained	-
Analysis of assets and liabilities of EASI which control was lost:	
Non-current assets	
Property, plant and equipment	36,039
Right-of-use assets	159,402
	195,441
Current assets	
Trade receivables	463,428
Other receivables, deposits and prepayments	29,336
Bank balances and cash	154,352
	647,116
Current liabilities	
Trade payables	(83,127)
Contract liabilities	(138,381)
Other payables and accruals	(509,555)
Lease liabilities	(160,400)
	(891,463)
Net liabilities disposed of	(48,906)
Deemed gain on disposal of EASI	
Net liabilities disposed of	(48,906)
Fair value of retained interest	-
Non-controlling interests	24,404
Gain on deemed disposal	(24,502)
Net cash outflow arising on disposal	
Cash and cash equivalents of EASI deemed disposed of	(154,352)

38. LEASE

(a) Leases as lessee

The Group leases office properties. The leases typically run for a period of one to three years. Lease payments are renegotiated every one to three years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Previously, these leases were classified as operating leases under IAS 17. Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as Right-of-use assets.

	Properties S$
At 1 June 2019	**1,044,009**
Addition	156,161
Depreciation charge for the year	(773,649)
Deemed disposal of a subsidiary	(159,402)
Exchange alignment	(10,558)
At 31 May 2020	**256,561**

(ii) Amounts recognised in profit or loss

	S$
2020 - Leases under IFRS 16	
Interest on lease liabilities	34,695
Expenses relating to short-term leases	8,927
Balance at 31 May	43,622
Aggregate undiscounted commitments for short-term leases	2,660

(iii) Operating lease under IAS 17 (2019)

	S$
2019 - Operating leases under IAS 17	
Minimum lease payments	834,703

38. LEASE (Continued)

(a) Leases as lessee (Continued)

(iii) Operating lease under IAS 17 (2019) (Continued)

The total future minimum lease payments are due as follows:

	2019 S$
Within one year	796,201
In the second to fifth years, inclusive	290,500
Lease expense	1,086,701

(iv) Amounts recognised in consolidated statement of cash flows

	S$
2020	
Total cash outflow for leases	(796,863)

(b) Leases as lessor

The Group leases out its Starlight meters. All leases are classified as operating leases from a lessor perspective. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during 2020 was S$58,470 (2019:S$56,095).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2020 S$	2019 S$
Within one year	58,800	25,125

39. CAPITAL COMMITMENTS

	2020 S$	2019 S$
Commitments for the acquisition of:		
Investment in an associate	195,122	229,953
	195,122	229,953

40. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2020 S$	2019 S$
Salaries, allowances and benefits in kind	1,204,782	1,067,907
Share-based payments	13,090	36,807
Contributions on defined contribution retirement plans	91,079	74,120
	1,308,951	1,178,834

41. 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.

42. 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:

	2020 S$	2019 S$
Total borrowing	266,804	103,325
Less: bank balances and cash	(4,749,041)	(2,428,307)
Net cash	(4,482,237)	(2,324,982)
Total capital	11,827,282	11,924,669
Gearing ratio	N/A	N/A

43. 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.

43. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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.

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

2020

By Due Day	Not past due	Within 1 month	1 – 3 months	Over 3 months	Default customer	Total
Expected credit loss rate (%)	0.56%	1.50%	2.89%	12.70%	100%	
Gross carrying amount (S$)	4,028,444	2,483,207	532,381	73,691	8,004	7,125,727
Loss allowance (S$)	22,422	37,248	15,371	9,359	8,004	92,404

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$)	3,969,702	2,049,639	722,041	202,605	58,835	7,002,822
Loss allowance (S$)	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.

43. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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:

	2020 S$	2019 S$
At beginning of year	174,053	59,030
Impact of initial application of IFRS 9	-	69,053
(Reversal of)/provision for the year	(30,820)	46,166
Amounts write-off as uncollectable	(50,748)	-
Exchange difference	(81)	(196)
At end of year	92,404	174,053

(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.

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	Carrying amount S$	Total contractual undiscounted cash flow S$	Within 1 year or on demand S$	More than 1 year but less than 2 years S$	More than 2 years but less than 5 years S$
2020					
Trade payables	759,623	759,623	759,623	-	-
Other payables and accruals	978,855	978,855	978,855	-	-
Amount due to a director	9,890	9,890	9,890	-	-
Lease liabilities	266,804	280,641	198,643	81,998	-
	2,015,172	2,029,009	1,947,011	81,998	-

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

(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 borrowings (note 28) and lease liabilities (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.

The Group's fair value interest-rate risk mainly arises from lease liabilities as disclosed in note 29. Lease liabilities were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

43. 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 2020, the Group had no balances of due from trade receivables denominated in Renminbi other than the functional currency of the operations to which the Group relates. At 31 May 2019, the Group had RMB1,482,030 balances of 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$56,854 in profit of the Group where the S$ strengthens against Renminbi by 5%.

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.

44. 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:

	2020 S$	2019 S$
Financial assets		
Financial assets at amortised cost	12,291,940	9,732,246
Financial liabilities		
Financial liabilities measured at amortised costs	2,015,172	3,082,723

45. 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 21 August 2020.

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