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ANACLE SYSTEMS
2019 FIRST QUARTERLY REPORT

ANACLE SYSTEMS LIMITED

安科系有限公司*

(Incorporated in the Republic of Singapore with limited liability)

Stock code: 8353

** for identification purpose only*

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

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

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

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

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DEFINITIONS

“Audit Committee”	the audit committee under the Board
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules
“commercialisation”	a product is considered commercially launched once our product generates its first dollar of revenue
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Company”	Anacle Systems Limited 安科系統有限公司, a company incorporated in Singapore with limited liability, the issued Shares of which are listed on the GEM (Stock code: 8353)
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries or, where the context so requires, all of its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares on GEM
“Listing Date”	16 December 2016 on which date dealings in the Shares commenced on GEM
“Ordinary Share(s)”	the ordinary share(s) of nil par value in the share capital of the Company
“Placing”	the placing of the Shares on 16 December 2016
“PRC”	the People’s Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus issued by the Company on 30 November 2016 in connection with the Placing
“Reporting Period”	the three months ended 31 August 2018

DEFINITIONS

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lau E Choon Alex (Chief Executive Officer)

Mr. Ong Swee Heng (Chief Operating Officer)

Non-Executive Directors

Mr. Lee Suan Hiang (Chairman)

Prof. Wong Poh Kam

Mr. Robert Chew

Independent Non-Executive Directors

Mr. Alwi Bin Abdul Hafiz

Mr. Elango Subramanian

Mr. Li Man Wai

BOARD COMMITTEES

Audit Committee

Mr. Li Man Wai (Chairman)

Mr. Elango Subramanian

Mr. Robert Chew

Remuneration Committee

Mr. Alwi Bin Abdul Hafiz (Chairman)

Prof. Wong Poh Kam

Mr. Li Man Wai

Nomination Committee

Mr. Lee Suan Hiang (Chairman)

Mr. Alwi Bin Abdul Hafiz

Mr. Elango Subramanian

COMPLIANCE OFFICER

Mr. Ong Swee Heng

JOINT COMPANY SECRETARIES

Mr. Kwok Siu Man

Ms. Sylvia Sundari Poerwaka

COMPANY WEBSITE

www.anacle.com

GEM STOCK CODE

8353

AUTHORISED REPRESENTATIVES

Mr. Lau E Choon Alex

Mr. Ong Swee Heng

INDEPENDENT AUDITOR

BDO Limited

COMPLIANCE ADVISER

KGI Capital Asia Limited

HONG KONG LEGAL ADVISER

Deacons

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited

Room 2103B

21/F, 148 Electric Road

North Point

Hong Kong

HEADQUARTERS, REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

1 Fusionopolis View

#08-02 Sandcrawler

Singapore 138577

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

31/F, 148 Electric Road

North Point

Hong Kong

PRINCIPAL BANKER

DBS Bank Ltd

12 Marina Bay Boulevard, Level 3

Marina Bay Financial Centre Tower 3

Singapore 018982

FINANCIAL HIGHLIGHTS

From First Quarter 2019

	Three months ended 31 August	
	2018 (unaudited) S\$	2017 (unaudited) S\$
Revenue	3,577,073	2,795,272
Gross profit	1,756,496	1,581,746
Profit before tax	442,314	308,953

28.0%

INCREASE IN REVENUE

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

11.0%

INCREASE IN GROSS PROFIT

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

43.2%

INCREASE IN PROFIT BEFORE TAX

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

DIVIDEND

The Board has not declared the payment of a dividend for the three months ended 31 August 2018 (31 August 2017: S\$Nil).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 31 August	
		2018 (unaudited) S\$	2017 (unaudited) S\$
Revenue	4	3,577,073	2,795,272
Cost of Sales		(1,820,577)	(1,213,526)
Gross profit		1,756,496	1,581,746
Other revenue	5	1,357	250
Other gains and losses	6	18,865	(100,847)
Marketing and other operating expenses		(366,903)	(349,034)
Administrative expenses		(863,765)	(787,917)
Research and development costs		(103,736)	(35,245)
Profit before income tax	7	442,314	308,953
Income tax expense	8	(2,970)	(16,283)
Profit for the period		439,344	292,670
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of foreign operations		(2,993)	14,925
Total comprehensive income for the period		436,351	307,595
Profit for the period attributable to:			
Owners of the Company		439,344	292,670
Total comprehensive income for the period attributable to:			
Owners of the Company		436,351	307,595
		Singapore cents	Singapore cents
Earnings per share attributable to owners of the Company:			
Basic	10	0.11	0.07
Diluted	10	0.11	0.07

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares S\$	Share premium S\$	Share-based compensation reserve S\$	Exchange fluctuation reserve S\$	Accumulated losses)/ Retained profits S\$	Total S\$
At 1 June 2018 (audited)	20,756,598	(1,376,024)	1,294,891	71,284	(2,891,447)	17,855,302
Profit for the period	-	-	-	-	439,344	439,344
Other comprehensive income	-	-	-	(2,993)	-	(2,993)
Total comprehensive income	-	-	-	(2,993)	439,344	436,351
Recognition of share- based payment expenses	-	-	23,246	-	-	23,246
As at 31 August 2018 (unaudited)	20,756,598	(1,376,024)	1,318,137	68,291	(2,452,103)	18,314,899
At 1 June 2017 (audited)	20,756,598	(1,376,024)	1,118,925	65,322	(3,176,227)	17,388,594
Profit for the period	-	-	-	-	292,670	292,670
Other comprehensive income	-	-	-	14,925	-	14,925
Total comprehensive income	-	-	-	14,925	292,670	307,595
Recognition of share- based payment expenses	-	-	46,769	-	-	46,769
As at 31 August 2017 (unaudited)	20,756,598	(1,376,024)	1,165,694	80,247	(2,883,557)	17,742,958

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

First Quarter 2019

1. GENERAL INFORMATION

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

The Company was listed on the GEM on 16 December 2016.

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

The unaudited condensed consolidated statement of comprehensive income and the unaudited condensed consolidated statement of changes in equity of the Group for the three months ended 31 August 2018 (the “**First Quarterly Financial Statements**”) were approved for issue by the Board on 8 October 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

The First Quarterly Financial Statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the annual financial statements for the year ended 31 May 2018 (the “**2018 Financial Statements**”).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Group has not applied or early adopted the new or revised IFRSs (including their consequential amendments) which are relevant to the Group that have been issued but are not yet effective in the preparation of these unaudited condensed consolidated results. The Group is currently assessing the impact of these new or revised IFRSs upon initial application but is not yet in a position to state whether these new or revised IFRSs would have any significant impact on its results of operations and financial position. It is anticipated that all of the pronouncements will be adopted in the Group's accounting policies in the accounting periods when they first become effective.

3. SEGMENT REPORTING

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT REPORTING (CONTINUED)

(a) Business segments

	Simplicity & myBill		Starlight		SpaceMonster		Total	
	Three months ended 31 August							
	2018 (unaudited) S\$	2017 (unaudited) S\$	2018 (unaudited) S\$	2017 (unaudited) S\$	2018 (unaudited) S\$	2017 (unaudited) S\$	2018 (unaudited) S\$	2017 (unaudited) S\$
Revenue from external customers	2,763,912	2,099,719	796,473	694,804	16,688	749	3,577,073	2,795,272
Gross profit/(loss)	1,371,771	1,326,771	371,759	261,202	12,966	(6,227)	1,756,496	1,581,746
Depreciation and amortisation	213,563	119,508	35,256	14,934	3,215	3,215	252,034	137,657
Write-down of inventories	-	-	4,066	1,850	-	-	4,066	1,850
Reportable segment profit/(loss)	1,125,160	1,144,714	181,359	35,258	12,560	(6,969)	1,319,079	1,173,003

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

	Three months ended 31 August	
	2018 (unaudited) S\$	2017 (unaudited) S\$
Profit/(loss) before income tax		
Reportable segment profit	1,319,079	1,173,003
Other revenue	1,357	250
Other gains and losses	22,931	(98,997)
Unallocated expenses:		
- Staff costs	(443,258)	(334,241)
- Share-based payments	(23,246)	(46,769)
- Rental expenses	(182,261)	(174,968)
- Legal and professional fee	(106,481)	(65,666)
- Others	(145,807)	(143,659)
Consolidated profit before income tax	442,314	308,953

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT REPORTING (CONTINUED)

(c) Geographical information

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

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

	Three months ended 31 August	
	2018 (unaudited) S\$	2017 (unaudited) S\$
Revenue from external customers		
Singapore	3,334,532	2,663,641
Malaysia	72,268	113,820
PRC	150,350	-
Others	19,923	17,811
	3,577,073	2,795,272

4. REVENUE

	Three months ended 31 August	
	2018 (unaudited) S\$	2017 (unaudited) S\$
Project income	2,711,247	2,117,475
Recurring service income	852,616	668,067
Rental income	13,210	9,730
	3,577,073	2,795,272

5. OTHER REVENUE

	Three months ended 31 August	
	2018 (unaudited) S\$	2017 (unaudited) S\$
Interest income	494	-
Others	863	250
	1,357	250

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER (GAINS) AND LOSSES

	Three months ended 31 August	
	2018 (unaudited) S\$	2017 (unaudited) S\$
Net exchange (gain)/loss	(22,931)	98,997
Write-down of inventories	4,066	1,850
	(18,865)	100,847

7. PROFIT BEFORE INCOME TAX

	Three months ended 31 August	
	2018 (unaudited) S\$	2017 (unaudited) S\$
Staff costs (including directors' emoluments)		
Salaries and allowances	1,923,048	1,566,748
Contributions on defined contribution retirement plans	165,325	142,618
Share-based payments	23,246	46,769
	2,111,619	1,756,135
Less: capitalised as intangible assets	(170,755)	(456,639)
	1,940,864	1,299,496
Depreciation of property, plant and equipment	33,348	45,900
Amortisation of intangible assets	231,712	137,657
Write-down of inventories	4,066	1,850

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

	Three months ended 31 August	
	2018 (unaudited) S\$	2017 (unaudited) S\$
Current tax	2,970	15,272
Deferred tax	-	1,011
	2,970	16,283

Pursuant to the corporate tax rules and regulations of Singapore, Malaysia and India, the corporate taxes of the Company, and the two wholly-owned subsidiaries namely, Anacle Systems Sdn Bhd and Anacle Systems (India) Private Limited, are calculated at 17%, 24% and 30.9% respectively for the three months ended 31 August 2018 and 31 August 2017.

9. DIVIDEND

The Board has not declared the payment of a dividend for the three months ended 31 August 2018 (31 August 2017: S\$Nil).

10. EARNINGS/(LOSS) PER SHARE

For the three months ended 31 August 2018, the basic and diluted earnings per share of the Company was S\$0.11 cents. The calculation is based on the profit attributable to the owners of the Company of S\$439,344 and 399,158,496 Ordinary Shares in issue. Basic and diluted earnings per share are the same because the share options had no anti-dilutive effect on the basic earnings per share.

For the three months ended 31 August 2017, the basic and diluted earnings per share of the Company was S\$0.07 cents. The calculation is based on the profit attributable to the owners of the Company of S\$292,670 and 399,158,496 Ordinary Shares in issue. Basic and diluted earnings per share are the same because the share options had no anti-dilutive effect on the basic earnings per share.

11. SHARE CAPITAL

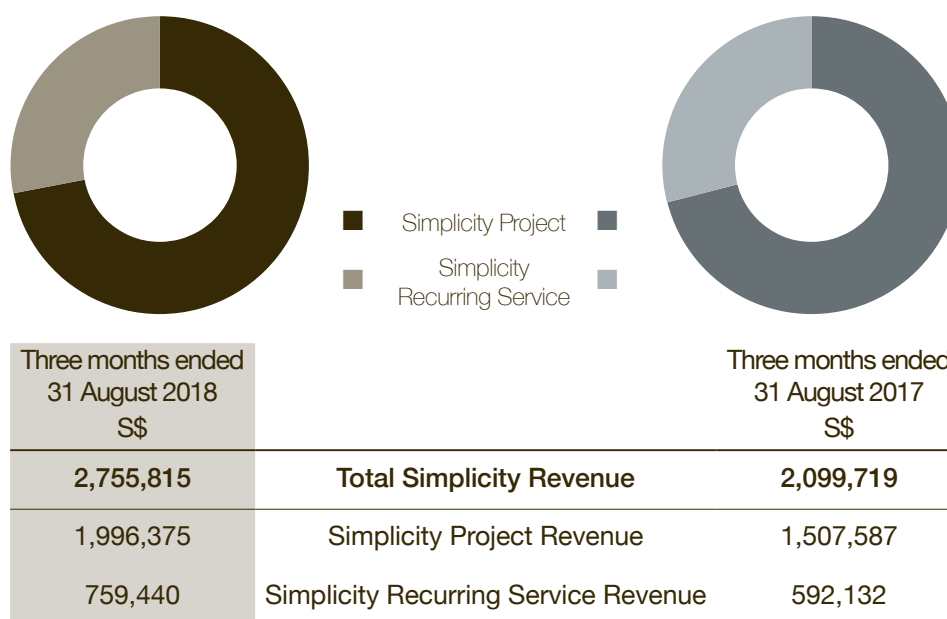
	Number of Shares	S\$
Issued and fully paid		
Ordinary Shares	399,158,496	20,756,598
As at 31 May 2018 (audited)	399,158,496	20,756,598
As at 31 August 2018 (unaudited)	399,158,496	20,756,598

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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



**SIMPLICITY
TOTAL REVENUE**

+31.2%

**SIMPLICITY
PROJECT**

+32.4%

**SIMPLICITY
RECURRING
SERVICE**

+28.3%

For the Reporting Period, revenue from Simplicity increased by 31.2% from S\$2.10 million to S\$2.75 million. Revenue from Simplicity enterprise application software implementation increased by 32.4% and recurring revenue increased by 28.3%. Project based revenue for Simplicity implementation contributed to 72.4% of the total Simplicity revenue for the Reporting Period (31 August 2017: 71.8%). Project based revenue will continue to remain the major contributor of Simplicity revenue as the demand for Simplicity enterprise software remains strong.

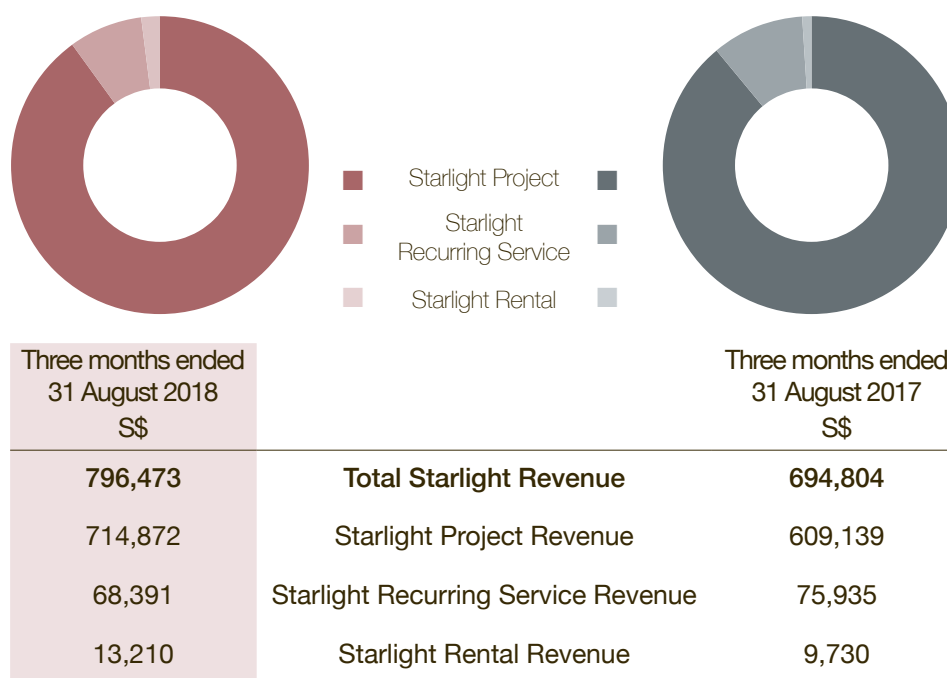
myBill

myBill is a pay-per-use utilities revenue assurance platform for the liberalized electricity market in Singapore. In the newly liberalized and fully competitive electricity market, also known as the Open Electricity Market, energy retailers will not know in advanced how many customers they can sign up. The myBill platform is targeted at energy retailers that cannot afford multi-million dollar billing software by allowing them a pay-per-use scheme for electricity billing. Post Singapore's soft launch of the Open Electricity Market in late April 2018 in the district of Jurong with 130,000, Anacle has signed up 4 energy retailers onto the platform. It has been announced that the full liberalisation of the market for 1.5 million households will take place in phases from 1 November 2018 to 1 May 2019.

During the Reporting Period, myBill generated revenue of S\$8,097 (31 August 2017: S\$Nil).

SpaceMonster

During the Reporting Period, SpaceMonster's revenue increased significantly by 2,128% as demand in venue sharing services continued to increase, especially as SpaceMonster was selected to be the platform for the Government Technology Agency of Singapore ("GovTech") initiative for venue sharing among 90 government agencies.



**STARLIGHT
TOTAL REVENUE**

+14.6%

+17.4%

-9.9%

+35.8%

**STARLIGHT
PROJECT**

**STARLIGHT
RECURRING
SERVICE**

**STARLIGHT
RENTAL**

Revenue from Starlight increased moderately by 14.6% from S\$0.69 million to S\$0.80. Demand for energy management remained strong resulting in the increase in project based Starlight energy management solution implementation, recurring maintenance service and rental subscription from the SaaS model. Project based revenue grew by 17.4% and rental subscription from the SaaS model grew by 35.8%. The majority of the revenue or 89.8%, was derived from capex-based project (31 August 2017: 87.7%). SaaS rental subscription contributed to 1.7% (31 August 2017: 1.4%) and recurring maintenance service contributed to 8.6% (31 August 2017: 10.9%) of Starlight revenue.

FUTURE PROSPECT AND OUTLOOK

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

The Singapore markets for enterprise application software and building energy management systems remain robust and are expected to grow throughout 2018. With Singapore's focus on Smart Nation (especially Smart Energy) initiatives, the Starlight business unit is expected to provide major contribution to the Group's growth in financial year 2019.

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

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

FINANCIAL REVIEW

REVENUE

Revenue for the Group for the Reporting Period increased by approximately 28.0% to S\$3,577,073 from S\$2,795,272 for the three months ended 31 August 2017.

During the Reporting Period, revenue from Simplicity increased by 31.2% or S\$656,096 due to a growing number of new implementations. The increased demand for energy management system has contributed to a growth of 14.6% or S\$101,669 in total revenue from Starlight. Project based revenue from the implementation of Starlight energy management system increased by 17.4% or S\$105,733. Rental subscription from Starlight SaaS model have increased by 35.8% during the Reporting Period. Rental subscription from SaaS model has been gaining popularity among building owners and energy retailers.

During the Reporting Period, revenue from SpaceMonster increased significantly by 2,128.0% as demand for venue sharing services increased.

COST OF SALES

During the Reporting Period, cost of sales for the Group increased by 50.0%. Third party contractors' costs for certain Simplicity and Starlight projects was the primary factor followed by staff costs and amortization. The increase in amortisation was due to the commercialisation of our new revenue generating business unit, myBill.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's overall gross profit margin increased by 11.0% from S\$1,581,746 to S\$1,756,496 during the Reporting Period.

Simplicity's gross profit margin decreased from 63.2% to 54.3% due to a high profile government smart office project which selected Anacle's Simplicity out of a large competitive field of leading international technology firms. The healthy revenue growth partially offset the gross margin decrease and Simplicity's overall gross profit still had an increase of 12.9%

myBill, our new utilities revenue assurance platform is currently in its initial trial run and efforts were still being made to fine-tune the platform which resulted in a gross loss of S\$125,492 (31 August 2017: S\$Nil).

Starlight's gross profit increased by S\$110,557 or 42.3% during the Reporting Period due to more profitable projects during the Reporting Period.

SpaceMonster has finally turned profitable with a healthy gross profit margin of 77.7%.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 9.6% or S\$75,848 during the Reporting Period. Higher staff costs and compliance costs contributed to the overall increase all of which was partially offset by a decrease in the business' general administrative expenses.

MARKETING AND OTHER OPERATING EXPENSES

Sales, marketing and distribution expenses have increased slightly by 5.1% due to continuous participation in trade fairs and on-going overseas sales activities to expand the Group's business geographically, especially to the PRC region.

RESEARCH AND DEVELOPMENT COSTS

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

NET PROFIT BEFORE TAX

The Group's net profit before tax was S\$442,314 for the Reporting Period which was a 43.2% increase from that of the previous period. The increase in the net profit before tax was due to an increase in revenue although it was partially offset by higher cost of sales, staff cost, compliance cost and research and development cost as discussed above.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

Long Positions in the Shares and the Underlying Shares

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

Notes:

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

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

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

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

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

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

Notes:

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

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

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

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

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

Notes:

- (1) Ms. Ng Yen Yen is Mr. Lau's wife and is deemed to be interested in the shareholding interests of Mr. Lau in the Company pursuant to the disclosure requirements of the SFO.
- (2) Anna Lau Wu You is Mr. Lau's daughter under the age of 18 and is deemed to be interested in the shareholding interests of Mr. Lau in the Company pursuant to the disclosure requirements of the SFO.
- (3) Sara Lau Xiao Yu is Mr. Lau's daughter under the age of 18 and is deemed to be interested in the shareholding interests of Mr. Lau in the Company pursuant to the disclosure requirements of the SFO.
- (4) Alex Lau Xuan Ye is Mr. Lau's son under the age of 18 and is deemed to be interested in the shareholding interests of Mr. Lau in the Company pursuant to the disclosure requirements of the SFO.
- (5) Ms. Lim Lay Hong is Mr. Ong's wife and is deemed to be interested in the shareholding interests of Mr. Ong in the Company pursuant to the disclosure requirements of the SFO.
- (6) BAF Spectrum Pte. Ltd. is beneficially owned by Prof Wong Poh Kam, Shah Sanjeev Kumar, Chow Yen Lu Yale, Tan Hong Huat, Helmut Schutte, William Klippgen, Chua Seng Kiat and five other second-tier investors.

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

- (7) *iGlobe Platinum Fund Limited is beneficially owned by Asia Core Properties Inc. Pte. Ltd., Lee Hau Hian, Frank H. Levinson Revocable Living Trust, Gotthard Haug, Harry Harmain Diah, iGlobe Sapphire Pte. Ltd., iGlobe Partners (II) Pte. Ltd., Kepventure Pte. Ltd., Khattar Holdings Private Limited, Liu Lynn Ya-Lin, Melody Investment Holdings Pte. Ltd., Priya-Roshni Private Ltd., Quek Soo Hoon, Tay Thiam Song and Wong Mee Chun. iGlobe Platinum Fund Limited is owned as to approximately 21.1% by iGlobe Sapphire Pte. Ltd., which is in turn beneficially owned by Jean Philippe Sarraut, Hu Xiao Bao, Lee Suan Hiang, Quek Soo Hoon, Quek Soo Boon, Annie Koh, Yong Woon Sui, Koh Hiang Chin Melanie, Philip Yeo Liat Kok, Prof. Wong Poh Kam, Ng Kah Joo and Kitade Koichiro.*
- (8) *Majuven Fund 1 Ltd. is beneficially owned by Singapore Warehouse Company (Private) Ltd., Poems Pte. Ltd., Koh Boon Hwee, Lui Pao Chuen, Chua Sock Koong, Phuay Yong Hen, Lee Hsien Yang, Lim Ho Kee, Lee Ching Yen Stephen, Chow Helen, Chan Wing To, Low Teck Seng, Yoh Chie Lu, Chaly Mah Chee Kheong, Loo Yen Lay Madeleine, Sri Widati Erbawan Putri and Majuven Fund 1 LP.*
- (9) *OWW Investments III Limited is beneficially owned by Wang Zaian, Li Mingding, Zhao Yang, Li Wenli, Pan Chengjie, He Li, Tao Feng, Ying Jiong, Su Jinhua, Zang Yi, Yu Hai, Pang Hongmei, Li Shengfa, Li Weiwei, Xian Youwei, Li Ting, Hong Liping, Chen Guilin, Gao Junsong, Zhang Aijun, Wu Jinxiang, Shen Jinlong, Xiao Bin, Yu Rong, Wang Ruihong, Wei Dong, Shi Yuanfeng, Tan Bien Chuan, Kai Wan Chung, Ye Yongqing, Xu Yongrui, Yang Qi, Liang Chengan, Qin Lei, Gu Weiping, Jia Bin, Chen Kunsheng, Huang Haidi, Sun Yuxing, Wan Shilong, Huang Renzhu, Anil Kanayalal Thawani, Xu Jiantang, Deng Bingxin, Mao Shizhang, Qian Jun, Yu Zhong, Liu Yang, Wu Wei, Zong Haixiao, Deng Kunlai, Sun Jian, Zhao Shangyang, Wu Xiaoxia and Li Xiaorong.*
- (10) *M1 Limited wholly owns M1 TeliNet Pte. Ltd. and is deemed to be interested in the Shares held by M1 TeliNet Pte. Ltd. pursuant to the disclosure requirements of the SFO.*
- (11) *The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 August 2018 (i.e. 399,158,496 Shares).*

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

SHARE OPTION SCHEMES

Pre-IPO Share Option Schemes

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

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

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

As at 31 August 2018 and the date of this report, share options comprising 31,179,876 underlying Shares have been granted to 11 grantees under the terms of the Pre-IPO Share Option Schemes. These grantees comprised two Directors, four members of our senior management, and five current/former employees of the Group.

All the above Pre-IPO share options have not been exercised as at 31 August 2018 and as at the date of this report.

Post-IPO Share Option Scheme

The Company has conditionally adopted the Post-IPO Share Option Scheme which was approved by written resolutions passed by the Shareholders on 24 November 2016. Since the adoption of the Post-IPO Share Option Scheme, no share option has been granted, exercised or cancelled by the Company under the Post-IPO Share Option Scheme and there were no outstanding share options under the Post-IPO Share Option Scheme as at 31 August 2018 and as at the date of this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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

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

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

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, KGI Capital Asia Limited (the "Compliance Adviser"), as at 31 August 2018 and as the date of this report, save for the compliance adviser agreement dated 15 August 2016 entered into between the Company and the Compliance Adviser, none of the Compliance Adviser nor its directors, employees or close associates had any interests in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICES

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

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

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

DIVIDEND

The Board has resolved not to declare the payment of a dividend for the three months ended 31 August 2018 (31 August 2017: S\$Nil).

AUDIT COMMITTEE

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

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

Singapore, 8 October 2018

