MINDTELL TECHNOLOGY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8611)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 NOVEMBER 2020

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Mindtell Technology Limited (the "Company") collectively and individually accept full responsibility, 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. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

ANNUAL RESULTS

The board of Directors (the "Board") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 November 2020, together with the comparative figures for the year ended 30 November 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 November 2020

	Notes	**2020** *RM'000*	2019 *RM'000*
Revenue	*4*	**10,011**	19,428
Cost of services and materials sold		**(8,524)**	(13,556)
Gross profit		**1,487**	5,872
Other income	*5*	**216**	390
Administrative expenses		**(9,825)**	(4,576)
Finance costs	*6*	**(83)**	(65)
Impairment loss on intangible assets	*10*	**(2,226)**	—
Impairment loss on trade receivables		**(761)**	(238)
(Loss) Profit before income tax	*6*	**(11,192)**	1,383
Income tax expenses	*7*	**—**	(71)
(Loss) Profit for the year		**(11,192)**	1,312
Other comprehensive income (expenses)			
Item that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign subsidiaries		**36**	(354)
Total comprehensive (expenses) income for the year		**(11,156)**	958
(Loss) Earnings per share, basic and diluted (RM cents)	*8*	**(2.87)**	0.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 November 2020

	Notes	**2020** **RM'000**	2019 RM'000
Non-current assets			
Property, plant and equipment		**2,185**	3,245
Right-of-use assets		**838**	—
Intangible assets	*10*	**2,977**	3,448
		6,000	6,693
Current assets			
Trade and other receivables	*11*	**7,524**	9,658
Contract assets	*12*	**166**	9,400
Restricted bank balances		**309**	708
Bank balances and cash		**18,876**	16,262
		26,875	36,028
Current liabilities			
Trade and other payables	*13*	**5,800**	6,388
Contract liabilities	*12*	**2,144**	150
Income tax payables		**1,026**	1,235
Interest-bearing borrowings		**853**	857
Obligations under finance leases		**—**	136
Lease liabilities		**223**	—
		10,046	8,766
Net current assets		**16,829**	27,262
Total assets less current liabilities		**22,829**	33,955

	Notes	**2020**	2019
		RM'000	*RM'000*
Non-current liabilities			
Deferred tax liabilities		**12**	12
Obligations under finance leases		**—**	713
Lease liabilities		**743**	—
		755	725
NET ASSETS		**22,074**	33,230
Capital and reserves			
Share capital	*14*	**2,067**	2,067
Reserves		**20,007**	31,163
TOTAL EQUITY		**22,074**	33,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 November 2020

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Mindtell Technology Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 27 February 2018. The Company's shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 22 October 2018. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Unit 1802, 18/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. The Group's headquarter is situated at B-7-7, Sky Park @ One City, Jalan USJ 25/1, 47650 Subang Jaya, Selangor, Malaysia.

The principal activity of the Company is an investment holding company. The Company together with its subsidiaries (the "Group") are principally engaged in the provision of system integration and development services, IT outsourcing services and maintenance and consultancy services.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

The consolidated financial statements are presented in Malaysian Ringgit ("RM") and all amounts have been rounded to the nearest thousand ("RM'000"), unless otherwise indicated.

These consolidated financial statements have been prepared on the basis consistent with accounting policies adopted in 2019 consolidated financial statements except for the adoption of the new/revised IFRSs that are relevant to the Group and effective from the current year or the Group elected to early adopt in the current year.

Adoption of new/revised IFRSs

The Group has applied, for the first time, the following new/revised IFRSs:

Annual Improvements to IFRSs	2015–2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Employee Benefits
Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRS 16	Leases
Amendments to IFRS 16	COVID-19 – Related Rent Concessions

Annual Improvements to IFRSs – 2015–2017 Cycle

IAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

IFRIC 23: Uncertainty over Income Tax Treatments

IFRIC 23 supports the requirements in IAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of IFRIC 23 does not have any significant impact on the consolidated financial statements.

Amendments to IAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Amendments to IFRS 9 clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income ("FVOCI") instead of at fair value through profit or loss ("FVPL") if specified conditions are met.

The adoption of the amendments to IFRS 9 does not have any significant impact on the consolidated financial statements.

IFRS 16: Leases

IFRS 16 replaces IAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual model under IAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For 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. IFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied IFRS 16 for the first time at 1 December 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying IFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied IFRS 16 only to contracts that were previously identified as leases applying IAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying IFRS 16.

As lessee

Before the adoption of IFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of IFRS 16, the Group accounted for the leases in accordance with the transition provisions of IFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis:

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying IAS 37, as an alternative to performing an impairment review at the DIA.

(c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either:

(a) their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rates applied to the lease liabilities at the DIA is 4.8% per annum.

Reconciliation of operating lease commitments disclosed applying IAS 17 at 30 November 2019 and lease liabilities recognised at the DIA is as follows:

	RM'000
Operating lease commitments at 30 November 2019	104
Add: Liabilities for termination option previously not reflected in operating lease commitments	74
Liabilities for leases previously classified as finance lease	849
Less: Future finance charges	(10)
Lease liabilities at 1 December 2019	1,017

As lessee – leases previously classified as finance leases

The Group measures the carrying amount of the right-of-use assets and lease liabilities at the DIA at the carrying amount of the lease assets and lease liabilities immediately before that date measured applying IAS 17. The Group accounts for those leases applying IFRS 16 from the DIA.

As lessee

At the DIA, lease liabilities including those previously presented under "obligations under finance leases" were shown separately as "lease liabilities" on the consolidated statement of financial position.

As a result, adjustments were made at the DIA to reflect the changes in presentation:

	Carrying amounts under IAS 17 on 30 November 2019	**Adjustments**	**Carrying amounts under IFRS 16 on 1 December 2019**
	RM'000	*RM'000*	*RM'000*
Non-current assets			
Property, plant and equipment	3,245	(778)	2,467
Right-of-use assets	–	946	946
Current liabilities			
Lease liabilities	–	269	269
Obligations under finance leases	136	(136)	–
Non-current liabilities			
Lease liabilities	–	748	748
Obligations under finance leases	713	(713)	–

Amendments to IFRS 16: COVID-19-Related Rent Concessions

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group has elected to early adopt the amendments in the current year. In accordance with the transition provisions therein, the amendments have been applied retrospectively by the Group recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of accumulated losses and therefore the comparative information has not been restated.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, incomes and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the 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 determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Future changes in IFRSs

At the date of approving these consolidated financial statements, the IASB has issued the following new/revised IFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to IASs 1 and 8	*Definition of Material* [1]
Amendments to IAS 39, IFRSs 7 and 9	*Interest Rate Benchmark Reform – Phase 1* [1]
Amendments to IFRS 3	*Definition of a Business* [2]
Amendments to IAS 39, IFRSs 4, 7, 9 and 16	*Interest Rate Benchmark Reform – Phase 2* [3]
Amendments to IAS 16	*Proceeds before Intended Use* [4]
Amendments to IAS 37	*Cost of Fulfilling a Contract* [4]
Amendments to IFRS 3	*Reference to the Conceptual Framework* [4]
Annual Improvements to IFRSs	*2018-2020 Cycle* [4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [5]
Amendments to IAS 1	*Disclosures of Accounting Policies* [5]
Amendments to IAS 8	*Definition of Accounting Estimates* [5]
IFRS 17	*Insurance Contracts* [5]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [6]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 Effective for annual periods beginning on or after 1 January 2022

5 Effective for annual periods beginning on or after 1 January 2023

6 The effective date to be determined

The Directors do not anticipate that the adoption of these new/revised IFRSs in future periods will have any material impact on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are:

(i) system integration and development services;

(ii) IT outsourcing services; and

(iii) maintenance and consultancy services.

Segment revenue and results

The accounting policies of the operating segments are the same as the Group's accounting policies.

Segment revenue represents revenue derived from the system integration and development services, IT outsourcing services and maintenance and consultancy services.

Segment results represent the gross profit reported by each segment without allocation of other income, administrative expenses, finance costs, impairment loss on intangible assets and trade receivables and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

No analysis of the Group's assets and liabilities by operating segments is presented as it is not regularly provided to the CODM for review.

In addition, the Group's place of domicile is Malaysia, where the central management and control is located.

The segment information provided to the CODM for the reportable segments for the years ended 30 November 2020 and 2019 is as follows:

	System integration and development services *RM'000*	**IT outsourcing services** *RM'000*	**Maintenance and consultancy services** *RM'000*	**Total** *RM'000*
Year ended 30 November 2020				
Revenue from external customers and reportable segment revenue	**8,084**	**1,086**	**841**	**10,011**
Reportable segment results	**133**	**538**	**816**	**1,487**
Other information:				
Amortisation	**1,930**	**–**	**–**	**1,930**
Addition of intangible assets	**3,685**	**–**	**–**	**3,685**
Impairment loss on intangible assets	**2,226**	**–**	**–**	**2,226**
Impairment loss on trade receivables	**811**	**–**	**(50)**	**761**
Year ended 30 November 2019				
Revenue from external customers and reportable segment revenue	17,864	771	793	19,428
Reportable segment results	5,193	396	283	5,872
Other information:				
Amortisation	350	–	–	350
Addition of intangible assets	3,669	–	–	3,669
Research and development expenses	152	–	–	152
Impairment loss on trade receivables	188	–	50	238

Reconciliation of reportable segment results

	2020	2019
	RM'000	*RM'000*
Reportable segment results	**1,487**	5,872
Unallocated income and expenses:		
Other income	**216**	390
Administrative expenses	**(9,825)**	(4,576)
Finance costs	**(83)**	(65)
Impairment loss on intangible assets	**(2,226)**	–
Impairment loss on trade receivables	**(761)**	(238)
(Loss) Profit before income tax	**(11,192)**	1,383
Income tax expenses	**–**	(71)
(Loss) Profit for the year	**(11,192)**	1,312

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, right-of-use assets and intangible assets (the "Specified Non-current Assets"). The geographical location of revenue is based on the location of external customers. The geographical location of the Specified Non-current Assets is based on the physical location of the assets (in the case of property, plant and equipment and right-of-use assets, the location of operation to which they are located, in the case of intangible assets, the location of operations).

(a) Revenue from external customers

	2020	2019
	RM'000	*RM'000*
Malaysia	**10,011**	19,379
Singapore	**–**	49
	10,011	19,428

(b) Specified Non-current Assets

At 30 November 2020 and 2019, all the Specified Non-current Assets are located in Malaysia.

Information about major customers

Revenue from customers individually contributing 10% or more of the total revenue of the Group for the years ended 30 November 2020 and 2019 is as follows:

	2020	2019
	RM'000	*RM'000*
Customer A	**5,066**	8,102
Customer B	**1,277**	*(Note)*
Customer C	**1,252**	3,890
Customer D	***(Note)***	3,150

Note: The customer individually did not contribute 10% or more of the total revenue of the Group for the relevant year.

4. REVENUE

	2020	2019
	RM'000	*RM'000*
Revenue from contract with customers within IFRS 15		
System integration and development services		
Services provided	**6,952**	16,593
Sales of externally acquired/purchased hardware and software	**1,132**	1,271
	8,084	17,864
IT outsourcing services	**1,086**	771
Maintenance and consultancy services	**841**	793
	10,011	19,428
Timing of revenue recognition:		
At a point in time	**1,132**	1,271
Over time	**8,879**	18,157
	10,011	19,428

5. OTHER INCOME

	2020	2019
	RM'000	*RM'000*
Exchange gain, net	**–**	31
Government grant	**52**	–
Interest income	**156**	332
Others	**8**	27
	216	390

6. (LOSS) PROFIT BEFORE INCOME TAX

This is stated after charging:

	2020	2019
	RM'000	*RM'000*
Finance costs		
Interest expenses on interest-bearing borrowings	**34**	42
Finance charges on obligations under finance leases	**–**	23
Finance charges on lease liabilities	**49**	–
	83	65
Staff costs and related expenses (including directors' remuneration)		
Salaries, allowances and other benefits in kind	**7,077**	7,383
Contributions to defined contribution plans	**602**	570
	7,679	7,953
Represented by:		
Staff costs for administrative and sales staff	**1,912**	1,553
Staff costs for IT staff included in administrative expenses	**1,930**	–
Staff costs for research and development expenses	**–**	152
Staff costs allocated to "Cost of services"	**3,741**	4,116
Staff costs charged to profit or loss	**7,583**	5,821
Staff costs capitalised as "Intangible assets"	**96**	2,132
	7,679	7,953
Other items		
Amortisation of intangible assets, included in administrative expenses	**1,930**	350
Auditors' remuneration	**515**	478
Cost of materials sold	**912**	1,065
Depreciation of property, plant and equipment	**321**	306
Depreciation of right-of-use assets	**302**	–
Exchange loss, net	**38**	–
Operating lease expense	**–**	128
Research and development expenses	**–**	152

7. INCOME TAX EXPENSES

	2020	2019
	RM'000	*RM'000*
Current tax		
Malaysia corporate income tax ("Malaysia CIT")	**–**	68
Deferred tax	**–**	3
Total income tax expenses for the year	**–**	71

The group entities established in the Cayman Islands and the British Virgin Islands (the "BVI") are exempted from income tax. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong.

Malaysia CIT has not been provided as the Group incurred a loss for taxation purpose for the year ended 30 November 2020. Malaysia CIT is calculated at 24% of the estimated assessable profits for the year ended 30 November 2019. Malaysia incorporated entities with paid-up capital of RM2.5 million or less enjoy tax rate of 17% on the first RM500,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the year ended 30 November 2019.

Mixsol Sdn. Bhd. ("Mixsol") and Tandem Advisory Sdn. Bhd. ("Tandem") have obtained the pioneer status effective from 23 September 2011 and 7 December 2012, respectively. A pioneer status company is eligible for exemption from income tax on eligible activities and products for five years and subject to submitting a formal request to the Malaysia Investment Development Authority on or prior to expiration date and upon the Ministry of International Trade and Industry confirming that Mixsol and Tandem have been complying with all the applicable conditions as imposed, the tax relief period shall be extended for a further five years after each five-year tax relief period ends.

The pioneer status for Mixsol has been renewed during the year ended 30 November 2016 and subject to next renewal on or prior to 22 September 2021. The renewal of the pioneer status for Tandem has been submitted and was rejected on 27 August 2019 due to change in government policy on the pioneer status. As a result, the Inland Revenue Board of Malaysia requested supplementary income tax payment from Tandem during the year ended 30 November 2019. Upon the rejection, Tandem is subject to Malaysia CIT in the absence of approval for the extension of pioneer status since the year ended 30 November 2019.

Reconciliation of income tax expenses

	2020	2019
	RM'000	*RM'000*
(Loss) Profit before income tax	**(11,192)**	1,383
Income tax at applicable tax rate	**(2,288)**	490
Non-deductible expenses	**1,922**	527
Tax incentives on the pioneer status	**–**	(1,025)
Unrecognised tax losses	**426**	–
Others	**(60)**	79
Income tax expenses	**–**	71

The applicable tax rate is the weighted average of rates prevailing in the territories in which the Group's entities operate against profit or loss before tax. The change in applicable tax rate is caused by changes in the taxable results of the Group's subsidiaries in the respective countries in which the Group operates.

8. (LOSS) EARNINGS PER SHARE

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

	2020	2019
	RM'000	*RM'000*
(Loss) Profit for the year attributable to the owners of the Company, used in basic and diluted (loss) earnings per share calculation	**(11,192)**	1,312
	Number of shares	
Weighted average number of ordinary shares for basic and diluted (loss) earnings per share calculation	**390,000,000**	390,000,000

Diluted (loss) earnings per share are same as the basic (loss) earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 30 November 2020 and 2019.

9. DIVIDENDS

The directors of the Group did not recommend the payment of final dividend for the year ended 30 November 2020 (*2019: Nil*).

10. INTANGIBLE ASSETS

	Internally developed technologies
	RM'000
Reconciliation of carrying amount – Year ended 30 November 2019	
At 1 December 2018	129
Additions	3,669
Amortisation	(350)
At 30 November 2019	3,448
Reconciliation of carrying amount – Year ended 30 November 2020	
At 1 December 2019	**3,448**
Additions	**3,685**
Amortisation	**(1,930)**
Impairment loss	**(2,226)**
At 30 November 2020	**2,977**
At 30 November 2019	
Cost	4,697
Accumulated amortisation	(1,249)
	3,448
At 30 November 2020	
Cost	**8,382**
Accumulated amortisation and impairment loss	**(5,405)**
	2,977

Development costs represented costs incurred at the development phase of certain new technologies, which are capitalised and amortised (if applicable) in accordance with the Group's accounting policies.

At 30 November 2020, all the intangible assets are available for use. The carrying amounts of intangible assets yet to be available for use at 30 November 2019 were approximately RM2,754,000.

The Group carried out annual impairment test for intangible assets where an indicator of impairment appears by comparing their recoverable amounts to their carrying amounts at the end of the reporting period.

The Group, through its subsidiaries in Malaysia, is engaged in the provision of system integration and development services and maintenance services (the "System Integration CGU"). In view of the deteriorating economy and the outbreak of COVID-19 pandemic during the year ended 30 November 2020, the management considered that there is impairment indicator under the System Integration CGU.

The management assessed that certain technology developed in previous years may not be easy to meet the customers' increasing expectations and requirements for their IT needs in the future market development, in particular, after the outbreak of COVID-19 pandemic. According, the recoverable amount of these technologies under the System Integration CGU which its fair value less costs of disposal was zero. Impairment loss on these technologies of approximately RM2,226,000 was recognised for the year ended 30 November 2020.

At 30 November 2020, the Group further assessed the recoverable amount of the System Integration CGU based on the value-in-use calculation using pre-tax cash flow projections covering a 3-year period which is provided by the management. The estimated revenue and costs for each individual intangible asset were based on management expectation. As the recoverable amount of the System Integration CGU was approximately RM4,791,000, no further impairment loss should be recognised for the remaining non-current assets allocated to the System Integration CGU at 30 November 2020.

Key assumptions and inputs used for value-in-use calculation are as follows:

	2020
Average gross profit margin	**28%**
Average growth rate	**21%**
Discount rate	**9%**

The management considered that any reasonable possible change in the key assumptions used in the value-in-use calculation on the System Integration CGU would not cause a further impairment loss.

At 30 November 2019, the management is of the view that (i) there is no impairment indication for the intangible assets already in use and (ii) the intangible assets yet to be available for use were not impaired as their recoverable amounts exceed their carrying amounts.

11. TRADE AND OTHER RECEIVABLES

	Notes	2020 RM'000	2019 RM'000
Trade receivables from third parties		**7,393**	7,258
Less: Loss allowance		**(999)**	(238)
	11(a)	**6,394**	7,020
Other receivables			
Deposits, prepayments and other receivables	*11(b)*	**1,130**	2,638
		7,524	9,658

(a) Trade receivables from third parties

The Group normally grants credit periods of up to 30 days, from the date of issuance of invoices, to its customers as approved by the management on a case by case basis.

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

	2020 RM'000	2019 RM'000
Within 30 days	**1,672**	614
31 to 60 days	**–**	70
61 to 90 days	**–**	398
91 to 180 days	**151**	1,030
181 to 365 days	**913**	4,705
Over 365 days	**3,658**	203
	6,394	7,020

At the end of the reporting period, the ageing analysis of the trade receivables (net of loss allowance) by due date is as follows:

	2020	2019
	RM'000	*RM'000*
Not yet due	**1,672**	614
Past due:		
Within 30 days	**90**	70
31 to 60 days	**–**	398
61 to 90 days	**29**	–
91 to 180 days	**112**	1,190
181 to 365 days	**833**	4,545
Over 365 days	**3,658**	203
	4,722	6,406
	6,394	7,020

(b) Deposits, prepayments and other receivables

Included in deposits, prepayments and other receivables at 30 November 2020 were Goods and Services Tax receivables and prepayment to a company which provides IT outsourcing services to the Group of approximately RM649,000 *(2019: approximately RM1,762,000)* and approximately RM11,000 *(2019: approximately RM761,000)*, respectively.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2020	2019
	RM'000	*RM'000*
Contracts in progress		
Contract costs incurred plus recognised profits less recognised losses to date	**60,473**	76,393
Less: progress billings received and receivable	**(62,451)**	(67,143)
	(1,978)	9,250

Analysed for the reporting purpose:

	Notes	2020 RM'000	2019 RM'000
Contract assets	*12(a)*	**166**	9,400
Contract liabilities	*12(b)*	**(2,144)**	(150)
		(1,978)	9,250

There was no retention held by customers on services contracts at 30 November 2020 and 2019.

At 30 November 2020 and 2019, the contract assets and liabilities are expected to be received or settled within 12 months.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets and contract liabilities with customers within IFRS 15 during the year ended 30 November 2020 are as follows:

(a) Contract assets

	2020 RM'000	2019 RM'000
At the beginning of the reporting period	**9,400**	4,658
Recognition of revenue	**–**	9,217
Transferred to trade receivables	**(9,234)**	(4,475)
At the end of the reporting period	**166**	9,400

(b) Contract liabilities

	2020 RM'000	2019 RM'000
At the beginning of the reporting period	**150**	57
Receipt in advance	**2,144**	150
Recognition of revenue	**(150)**	(57)
At the end of the reporting period	**2,144**	150

At 30 November 2020, the aggregate amount of transaction price allocated to unsatisfied performance obligations is approximately RM13.0 million *(2019: approximately RM17.7 million)*. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue within one year or less.

13. TRADE AND OTHER PAYABLES

	Note	2020	2019
		RM'000	*RM'000*
Trade payables from third parties	*13(a)*	**2,763**	1,045
Other payables			
Accruals and other payables		**3,037**	2,644
Accrued listing expenses		**–**	2,699
		3,037	5,343
		5,800	6,388

(a) Trade payables from third parties

At the end of the reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2020	2019
	RM'000	*RM'000*
Within 30 days	**2,666**	–
31 to 60 days	**34**	40
61 to 90 days	**–**	400
91 to 180 days	**–**	570
181 to 365 days	**–**	–
Over 365 days	**63**	35
	2,763	1,045

The credit term on trade payables is up to 90 days.

14. SHARE CAPITAL

	Number of shares	HK$	Equivalent to RM
Ordinary share of HK$0.01 each			
Authorised:			
At 1 December 2018, 30 November 2019 and **30 November 2020**	**2,000,000,000**	**20,000,000**	**10,596,200**
Issued and fully paid:			
At 1 December 2018, 30 November 2019 and **30 November 2020**	**390,000,000**	**3,900,000**	**2,067,000**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an IT service provider based in Malaysia and principally engaged in the design, procurement, installation and maintenance of customised systems application for corporate customers. Our services mainly include (i) system integration and development services, (ii) IT outsourcing services and (iii) maintenance and consultancy services.

The successful listing of the Company's shares (the "Shares") on GEM of the Stock Exchange on 22 October 2018 was an important milestone for the Group, enhancing our capital strength and reinforcing the Group's resources for future development.

FINANCIAL REVIEW

Revenue

The Group's revenue was derived from three principal sources, namely, system integration and development services, IT outsourcing services and maintenance and consultancy services which are analysed in Note 4 to the consolidated financial statements.

For the year ended 30 November 2020, the Group recorded a decrease in total revenue by approximately 48.5% to approximately RM10.0 million (2019: approximately RM19.4 million). The decrease in revenue was mainly due to significant decrease in revenue from the system integration and development services.

Details of changes in the revenue derived from system integration and development services, IT outsourcing services, and maintenances and consultancy services are analysed as below.

System integration and development services

For system integration and development services, the revenue decreased by approximately 54.7% from approximately RM17.9 million for the year ended 30 November 2019 to approximately RM8.1 million for the year ended 30 November 2020.

The significant decrease in revenue was mainly due to (i) the outbreak of COVID-19 pandemic in early 2020 and the implementation of the MCO by the Malaysian Government effective from 18 March 2020 which have seriously hindered the seeking out of potential customers and negotiation and securing of new projects, and caused the delay of completion of existing projects as customers slowed down the project progress; and (ii) the completion of several substantial projects as well as the intense competition in securing new projects.

IT outsourcing services

For IT outsourcing services, the revenue increased by approximately 40.9% from approximately RM0.8 million for the year ended 30 November 2019 to approximately RM1.1 million for the year ended 30 November 2020. The increase in revenue was mainly due to increase in outsourcing service time rendered.

Maintenance and consultancy services

For maintenance and consultancy services, the revenue remained stable at approximately RM0.8 million for the years ended 30 November 2020 and 2019.

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin for the years indicated:

	Year ended 30 November	
	2020	2019
	RM'000	*RM'000*
Revenue	**10,011**	19,428
Cost of services and materials sold	**(8,524)**	(13,556)
Gross profit	**1,487**	5,872
Gross profit margin	**14.9%**	30.2%

The gross profit decreased by approximately 74.7%, from approximately RM5.9 million for the year ended 30 November 2019 to approximately RM1.5 million for the year ended 30 November 2020.

The gross profit margin decreased from approximately 30.2% for the year ended 30 November 2019 to approximately 14.9% for the year ended 30 November 2020. The decrease was due to completion of several substantial projects of system integration and development services and additional costs incurred from the delay of project progress caused by COVID-19 pandemic for the year ended 30 November 2020.

Administrative expenses

Administrative expenses increased by approximately 114.7% from approximately RM4.6 million for the year ended 30 November 2019 to approximately RM9.8 million for the year ended 30 November 2020. The increase was due to the combined effect of (i) the increase in staff costs since significant portion of staff costs for IT staff previously allocated to "cost of services" and "development costs of intangible assets" were included in administrative expenses during the year ended 30 November 2020 as most of the substantial projects were completed and they were re-allocated to focus on tendering new projects, and staff costs for directors and administrative staff increased generally after listing; and (ii) the increase in amortisation of intangible assets.

Impairment loss on trade receivables

The Group assessed the measurement of expected credit losses for trade receivables using a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For the year ended 30 November 2020, impairment losses on trade receivables of approximately RM761,000 (2019: approximately RM238,000) was recognised. Due to the ongoing impact of the COVID-19 pandemic, most business activities and the payment chain in Malaysia was significantly affected which caused the extension of debt collection periods and increase in loss allowance on trade receivables.

At the date of this announcement, approximately 42% of the trade receivables at 30 November 2020 have been settled. The Group believed that the impairment losses recognised had reflected the Group's exposure to credit risk.

Impairment loss on non-current assets

In view of the deteriorating economy and significant disruption in the operations of the Group arising from the COVID-19 pandemic and the MCO in Malaysia throughout the year ended 30 November 2020, the Group assessed if any impairment loss should be recognised for the non-current assets of the Group including property, plant and equipment, right-of-use assets and intangible assets.

The Group considered that certain technologies developed in previous years may not be easily meet customers' increasing expectations and requirements for their IT needs in the future market developments, in particular, after the outbreak of COVID-19 pandemic. Therefore, impairment loss of approximately RM2.2 million (2019: nil) was recognised for these technologies during the year ended 30 November 2020.

At 30 November 2020, the Group further assessed the recoverable amounts of the remaining intangible assets, property, plant and equipment and right-of-use assets based on a 3-year period value-in-use calculation and considered that no further impairment loss should be recognised.

Finance costs

The finance costs increased by approximately 27.7% from approximately RM65,000 for the year ended 30 November 2019 to approximately RM83,000 for the year ended 30 November 2020. The increase was primarily due to increase in the number of motor vehicles leased under finance leases.

Income tax expenses

As the Group recorded a loss for the year ended 30 November 2020, no provision for income tax has been made (2019: income tax expenses of approximately RM71,000).

(Loss) Profit for the year

The Group recorded a loss of approximately RM11.2 million for the year ended 30 November 2020, as compared to a profit of approximately RM1.3 million for the year ended 30 November 2019. The loss was mainly attributable to the decrease in revenue and gross profit, and increase in administrative expenses, impairment loss on trade receivables and impairment loss on intangible assets as analysed above.

RESPONSE TO OUTBREAK OF COVID-19 PANDEMIC

Since early 2020, COVID-19 pandemic spread worldwide. A series of precautionary and control measures have been undertaken by governments around the world, including Hong Kong and Malaysia.

The Malaysian Government announced the implementation of Movement Control Order ("MCO") effective from 18 March 2020. On 4 May 2020, the Malaysian Government had eased lockdown restrictions and announced the Conditional Movement Control Order, which allowed certain business sectors to resume operations. On 10 June 2020, the Malaysian Government implemented the Recovery Movement Control Order ("RMCO"). Under RMCO, most of the economic sectors were allowed to resume operations in stages, while in full compliance with Standard Operating Procedures ("SOP"). However, the situation of COVID-19 pandemic in Malaysia worsened again in early 2021 and the Government of Malaysia implemented the MCO again on 11 January 2021 and extended the MCO until 4 March 2021. Further, the head of state of Malaysia has issued a Proclamation of Emergency for the period from 11 January 2021 to 1 August 2021. The effect of the proclamation is yet to be seen.

During the year of 2020, the Group has experienced significant disruption in its operations arising from the COVID-19 pandemic and the MCO in Malaysia, including but not limited to (i) temporary closure of offices where most of the staff has worked from home since March 2020, (ii) interruption of operations where SOP was required to be implemented, (iii) only 50% attendance were maintained by all customers' office and closure of the headquarters of all banks. Our customers slowed down the progress of their projects to complete certain deployment during the MCO and therefore various projects have been delayed for almost 10 months. Further, all meetings were limited to online meetings which seriously hindered the securing of new business. These caused the drop in revenue by 50-60% and the additional cost incurred for the year ended 30 November 2020.

To cope with the ongoing situation of the COVID-19 pandemic, the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all its employees in different regions. At the same time, the Group has implemented various flexible working arrangements for its staff. The Group has used, and will continue to use, its best endeavors to mitigate the adverse impact of the COVID-19 pandemic on the Group.

The Group is closely monitoring the development of the COVID-19 pandemic to ensure the safety of employees and stable operations. As and when appropriate, the Group will adjust its measures and plans for pandemic prevention, operations and business development accordingly.

LIQUIDITY AND CAPITAL RESOURCES

At 30 November 2020, the total borrowings of the Group amounted to approximately RM1.8 million which comprised interest-bearing borrowings and lease liabilities (2019: approximately RM1.7 million which comprised interest-bearing borrowings and obligations under finance leases).

At 30 November 2020, the gearing ratio of the Group was 8.2% (2019: 5.1%). Gearing ratio is calculated based on total borrowings divided by total equity at the end of the financial year.

At 30 November 2020, the Group's net current assets amounted to approximately RM16.8 million (2019: approximately RM27.3 million). The current ratio of the Group was approximately 2.7 times (2019: approximately 4.1 times). Current ratio is calculated based on total current assets divided by total current liabilities at the end of the financial year.

The Group's operations are financed principally by revenue generated from its business operation, available bank balances and cash as well as interest-bearing borrowings. The Board will continue to follow a prudent treasury policy in managing its bank balances and cash and maintain a strong and healthy liquidity position to ensure that the Group is well positioned to achieve its business objectives and strategies.

CONTINGENT LIABILITIES

At 30 November 2020, the Group did not have any significant contingent liabilities (2019: nil).

CAPITAL COMMITMENTS

At 30 November 2020, the Group did not have significant capital commitments contracted but not provided for (2019: nil).

SIGNIFICANT INVESTMENTS HELD

At 30 November 2020, the Group did not have any significant investments (2019: nil).

PLEDGE OF ASSETS

At 30 November 2020, the Group had obtained banking facilities on issuance of bank guarantees granted by certain creditworthy banks, which were guaranteed by the restricted bank balances of approximately RM309,000 (2019: approximately RM708,000).

At 30 November 2020, the interest-bearing borrowings were secured by properties owned by the Group with aggregate net carrying amount of approximately RM1.2 million (2019: approximately RM1.3 million).

FUTURE BUSINESS AND DEVELOPMENT PLAN

Following the Listing, the Group consistently and actively pursues the following business strategies: (i) to be a major IT solution provider to the development of digitalisation in Malaysia; (ii) to capture new growth opportunities through our successful product, Square Intelligence; (iii) leveraging on the business networks of the pre-IPO investors of the Company to introduce IT products in the PRC into Malaysia, and diversifying our service offerings to our customers.

Details of the Group's future business and development plans are set out below:

(i) To be a major IT solution provider to the development of digitalisation in Malaysia

Since the Listing, the Group has already recruited 12 additional IT specialists and outsourced partial development and upgrading works to technology vendors in providing IT solutions in Digital Free Trade Zone in Malaysia. However, the Digital Free Trade Zone has been affected by change of government and scrapped by the new government. On 19 February 2021, the Malaysian Government has unveiled the country's Digital Economy Blueprint in a bid to catch up in the digitalisation race and introduced 10-year road map which aims to transform Malaysia into a digital-driven, high income nation and a regional leader in the digital economy. Development efforts on the building of digital infrastructure will be jointly undertaken by the Malaysian Government and the private sector. The Malaysian Government will invest RM15 billion within a period of 10 years for the implementation of 5G in Malaysia. The Malaysian Government also targets to migrate 80% of the public data to hybrid cloud systems by the end of 2022. The Group is preparing to bid for tender opportunity to be revealed by the Malaysian government and conducting studies on potential new products which can capture the business opportunities resulting from the said government initiatives.

Besides, the Group is still in the process of developing and rolling out the advanced version of our mobile payment application (i.e. Blackbutton) in order to localize the mobile payment product into Malaysia and integrating the payment operator with the banking infrastructure.

Affected by the outbreak of COVID-19 pandemic and its economic impact on the global market, it is expected that it gives rise to an uncertain economic environment to the Malaysian market. In the coming years, the business in the information technology industry in Malaysia is expected to remain challenging and competitive. Looking forward, the Group will remain cautious and continue to pay close attention and focus on providing IT solutions by integrating the existing resources and optimising the business performance.

The Group is also currently evaluating the potential acquisitions or development of 4 new major intellectual properties to increase the product features and enhance the compatibility of Square Intelligence (i.e. NS3) and the customer relationship management system (i.e. CUSTPRO).

These functions include scalable mobility technology, statistical modeling of business performance, API technology, as well as building a digital banking feature on top of NS3 and CUSTPRO.

In order to enable the Group to secure contracts from government authorities and agencies, the Group is accelerating its pace in the acquisition of service providers that possess government's service provider license (Taraf Bumiputra MOF) in early 2021. Only companies possessing this license can provide services, goods and sales to the governmental authorities and agencies.

With reference to the use of the proceeds, the Group still considers that the development of the cloud services and the provision of services is feasible and prosperous in the long run because the target customers of cloud services can be diverse, including but not limited to customers in the secrecy information sector or e-commerce sector etc..

(ii) To capture new growth opportunities through our successful product, Square Intelligence

Our Product, Square Intelligence (i.e. NS3), has been successful since its introduction to the Malaysian market. The Group has successfully secured a contract from Bursa Malaysia, the stock exchange of Malaysia, pursuant to which Bursa Malaysia agreed to use our products as a foundation to develop CDS e-Services solution platform.

The outbreak of COVID-19 pandemic in early 2020 around the world has certain impacts on the business operation and overall global economy. Due to suspension of operation in Malaysia and global travel restriction, it directly and indirectly affects the seeking out of potential customers and negotiation and securing of new projects of the Group. However, the management will actively formulate more alternative business plans and perform a series of sales and marketing efforts in order to expand its existing market share. The Board expects that the expansion of our products will continuously generate a sustainable cash inflow to the Group through the aforesaid measures and means.

The Group is also currently evaluating new data science API plug-in to the Square Intelligence to enrich the business dashboard reporting with natural language processing (NLP) and text mining capabilities.

(iii) Leveraging on the business networks of the Pre-IPO Investors to introduce IT products in the PRC into Malaysia; and diversifying our service offerings to our customers

Various in-roads have been made to discuss with potential PRC partners regarding their interests in launching their services/products in Malaysia. However, with the change in Malaysian Government in May 2018, these potential partners decided to take a wait-and-see approach on their expansion plan. These potential partners are concerned about the likelihood of changes in government policy towards foreign investors, especially from the PRC. The discussions were resumed in late 2019 as the Malaysian Government settled in and showed their openness to PRC investors.

In early 2020, we also negotiated for a potential cooperation project on co-working space with an operator in Hong Kong with an aim to further cooperate on data centre and cloud services in both Hong Kong and Malaysia and a non-legally binding memorandum of understanding (the "MOU") has been entered into in January 2020. However, the possible cooperation project has been interrupted due to the outbreak of COVID-19 pandemic and the change of the Malaysian Government in February 2020. Despite further negotiation and discussion, no legally binding agreement has been entered into and the MOU has lapsed and ceased to have any effect. Details of the MOU and lapse of MOU are set out in the announcements of the Company dated 24 January 2020 and 26 May 2020.

The Group will continue our discussion and negotiation with potential partner, and actively explore valuable IT products for the purpose of diversifying our products and services offering to our customers.

As at the date of this announcement, the Board confirms that there are no substantial changes in the Group's future business and development plans as disclosed in the prospectus of the Company dated 29 September 2018 (the "Prospectus"). All plans on technology enhancement, acquisition of intellectual property, as well as investment in research and development are to further enhance the competitive edge of our technical competence. Nevertheless, due to the sudden change of the Malaysian Government and the ongoing impact of COVID-19 pandemic, the Board considers that it is necessary to further prudently evaluate the situation while the overall direction of the Group's principal business remained the same in all material respects since the Listing. Further announcement will be made should there be any material change on the Group's future business and development plans.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 30 November 2020, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group identified various principal risk factors and uncertainties that may affect our operating results and business prospects, including but not limited to the following:

Risk factors and uncertainties	**Risk Response**
Most of the contracts are project-based which create uncertainty and sustainability of our future revenue steams	To secure new contracts, the Group continuously enhances its product and services offerings, introduces various marketing and promotional activities, and provides customised solutions to the customers.
Dependent on major customers for a significant portion of our business and any decrease in revenue generated from major customers could materially and adversely affect our business, results of operations and financial condition	The Group maintains good and long-term relationships with the existing customers. At the same time, the Group introduces various marketing and promotional activities to attract potential customers and to increase market awareness. The Group is also exploring new markets by developing cloud services and seeking other cooperation opportunities with potential partners.
Cost overruns or delays in our system integration and development projects may materially and adversely affect our business, financial position and results of operation	The COVID-19 pandemic had resulted in the cost overruns and delays in projects in 2020. Nevertheless, the Group continues to manage the cost carefully and optimise the resources utilisation.

Risk factors and uncertainties	Risk Response
Failure to anticipate and keep pace with our customer's business and industry	The Group closely monitors the changes in technologies and review the customers' needs to mitigate the risks. The Group also develops advanced versions of its existing products and is establishing new products and services (e.g. cloud storage and cloud computing services) from time to time to meet the customers' demands.
Significant delays in collecting trade receivables from our customers	The Group trades with recognised and creditworthy customers and generally does not provide a long credit period to new customers unless they are sizable enterprises with good reputation. The trade receivable balances are monitored on an ongoing basis by the management. To collect overdue trade receivables, the Group closely monitors overdue payments and performs credit search on our customers to ensure their recoverability.

For a more comprehensive list of risk factors, please also refer to the section headed "Risk Factors" in the Prospectus which are still applicable to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group has minimal exposure to foreign currency risk as most of the business transactions, assets and liabilities are principally denominated in Malaysian Ringgit and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management monitors our foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

USE OF PROCEEDS

The net proceeds raised by the Company from the placing and public offer of the Company were approximately RM30.5 million (equivalent to approximately HK$58.6 million) (based on the final Offer Price (as defined in the Prospectus) of HK$0.62 per offer share adjusted by the Downward Offer Price Adjustment (as defined in the Prospectus)). The Company intends to apply the net proceeds on a pro-rata basis for the purposes as disclosed in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" of the Prospectus and the price reduction announcement dated 16 October 2018, which are as follows:

– approximately RM3.05 million (equivalent to approximately HK$5.86 million), representing approximately 10% of the net proceeds, for strengthening our technical team by recruiting more IT specialists

– approximately RM18.3 million (equivalent to approximately HK$35.2 million), representing approximately 60% of the net proceeds, for purchase of hardware and equipment for establishment of IT infrastructure for the provision of cloud storage and cloud computing services

– approximately RM6.1 million (equivalent to approximately HK$11.7 million), representing approximately 20% of the net proceeds, for research and development of advanced and adapted versions of our Group's existing IT products

– approximately RM3.05 million (equivalent to approximately HK$5.86 million), representing approximately 10% of the net proceeds, as general working capital

As at the date of this announcement, there were no significant changes of the business plans from those disclosed in the Prospectus. However, the Board is in the process of evaluating the business plans taking into account the uncertainties on the duration and impacts of the COVID-19 pandemic.

The table below sets out the proposed applications of the net proceeds up to 30 November 2020:

	Planned use of proceeds up to 30 November 2020 *RM million*	**Actual use of proceeds up to 30 November 2020** *RM million*	**Total unutilised use of proceeds from the Listing Date to 30 November 2020** *RM million*
Strengthening our technical team by recruiting more IT specialists	3.05	3.05	–
Purchase of hardware and equipment for establishment of IT infrastructure for the provision of cloud storage and cloud computing services	18.30	1.02	17.28
Research and development of advanced and adapted versions of our Group's existing IT products	6.10	6.10	–
General working capital	3.05	3.05	–
Total	30.50	13.22	17.28

Expected completion timeline for utilising the remaining net proceeds

For the unutilised net proceeds up to 30 November 2020, the Company intends to utilise them in the manner as described below. The expected completion timeline for utilising the remaining unused net proceeds is set out below:

Uses of proceeds	Details of uses of proceeds	Original plans for utilising the net proceeds as set out in the Prospectus	Expected timeline for utilising the remaining unused net proceeds *(Note 1)*
Purchase of hardware and equipment for establishment of IT infrastructure for the provision of cloud storage and cloud computing services	Establish a data centre in Cyberjaya with a total storage capacity of approximately 75 million MB	From 1 June 2019 to 31 May 2020	From 1 December 2019 to 31 May 2022 *(Note 2)*

Notes:

(1) The expected timeline for utilising the remaining unused proceeds is based on the best estimation of the present and future market conditions in Malaysia as assessed by the Board.

(2) Reference is made to announcement of the Company dated 29 April 2020. The expected time for utilising the remaining unused net proceeds was previously extended to 31 May 2021. In view of the uncertainties on the duration and impacts of the COVID-19 pandemic, the Group estimated that the expected time for utilising the remaining unused net proceeds will be further extended for one year from 31 May 2021 to 31 May 2022.

The delay in utilisation of the net proceeds are mainly due to the following reasons:

(i) The sudden change of the Malaysian Government

The Board has observed that the new Malaysian Government formed in May 2018 had put a pause on many major infrastructure projects implemented by the previous government during its handover. The Board was of the view that the progress of the implementation of the infrastructure projects, to a large extent, depends on the decision of the new Malaysian Government. Furthermore, following the handover of the Malaysian Government, there were various changes in the leadership of the Malaysian Government and the policies affecting the industry where the Group belongs. These various policy changes included the reforms of the Malaysian tax (e.g. replacing the Goods and Services Tax with the Sales and Services Tax) and the changes of the existing benefits (e.g. tax incentives) of the status of Malaysian Digital Economy Corporation (MDEC). The impacts of those policies on the Group started to appear in mid-2019. At that time, under those policies, many IT projects and cooperations with potential customers of the Group had been put on hold or the customers of the Group decided to delay their investments in technology as they considered the policy changes were unfavorable to them. This had inevitably caused the Board to postpone its decision on the utilisation of the net proceeds until a more favourable market condition emerges. The Board was also alert to the potential impact on the sudden change of the Malaysian Government in February 2020, causing even more uncertainties. The Group continuously and regularly monitors any changes in government policies in relation to IT industry which may seriously affect the establishment of IT infrastructure for the provision of cloud storage and cloud computing services. The Group also evaluated its decisions and strategies on the size, extent and timing of the infrastructure of the cloud storage and cloud computing services to be built by the Group. After several internal discussions, it was decided to take a more conservative and prudent approach and minimise the utilisation of the net proceeds at the material time. Accordingly, it caused a delay in the utilisation of the net proceeds.

(ii) The unexpected postponement of alignment of its software systems

Due to the incompatibility among some of the existing hardware and software, the IT specialists and the technicians of the Group had to review the alignment of its software systems with the configurations of hardware equipment and perform further testing which had caused the unexpected delay before undertaking an upgrade to its hardware equipment for the provision of cloud storage and cloud computing services. Moreover, the progress was affected by the COVID-19 pandemic. Accordingly, it caused a further delay in the utilisation of the net proceeds.

(iii) Adverse effect of the outbreak of COVID-19 pandemic and the implementation of MCO in Malaysia

During the year of 2020, the Group has experienced significant disruption in its operations arising from the COVID-19 pandemic and the MCO in Malaysia, including but not limited to temporary closure of offices and interruption of operations where SOP was required to be implemented. It caused a delay in the utilisation of the net proceeds.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 November 2020, the Group had a total of 61 employees (2019: 63) in Hong Kong and Malaysia. For the year ended 30 November 2020, total staff costs and related expenses of the Group (including the Directors' remuneration) were approximately RM7.7 million (2019: approximately RM8.0 million).

Employees' remuneration is determined with reference to market terms and the performance, qualifications and experience of employees. Apart from the statutory retirement benefits and medical benefits, the Group also provides trainings to employees to enhance their knowledge and maintain the quality of our services.

RETIREMENT BENEFITS SCHEME

The Group joins a mandatory provident fund ("MPF") Scheme in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the scheme vest immediately. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The subsidiaries of the Group in Malaysia also operate Employees Provident Fund for their employees in accordance with the statutory requirements prescribed by the relevant Malaysian laws and regulations. The Group is required to contribute certain percentage (6%–13%) of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

For the year ended 30 November 2020, the total amount contributed by the Group to the schemes was approximately RM602,000 (2019: approximately RM570,000).

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash or shares. Any distribution of dividends shall be in accordance with the Articles of the Company and the distribution shall achieve continuity, stability and sustainability.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's earnings per share, the reasonable return on investment of the investors and the shareholders in order to provide incentive to them to continue to support the Group in their long-term development, the financial conditions and business plan of the Group, and the market sentiment and circumstances.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

The Board does not recommend the payment of final dividend for the year ended 30 November 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 November 2020.

EVENTS AFTER THE REPORTING PERIOD

As from 30 November 2020 to the date of this announcement, the Board is not aware of any significant events that have occurred which require disclosure herein.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 30 November 2020, the Company had complied with the CG Code, except for the derivation as stated below:

Code Provision A.2.1

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Chong Yee Ping is currently the Chairman of the Board and the Chief Executive Officer of the Company, and is responsible for formulating the overall business development strategy and planning of the Group. In view that Mr. Chong has been responsible for the overall management of the Group since its inception, the Board believes that it is in the best interest of the Group to continue to have Mr. Chong taking up both roles for effective management and business development. The Board considers that the balance of power and authority, accountability and independent decision-making under our present arrangement will not be impaired because of the diverse background and experience of the other executive Director, non-executive Directors and independent non-executive Directors. Further, the Audit Committee has free and direct access to the Company's external auditors and independent professional advisers when it considers necessary. Therefore, the Directors consider that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance.

In order to maintain good corporate governance and to fully comply with code provision A.2.1 of the CG Code, the Board comprises six other experienced and high-calibre individuals including one other executive Director, two non-executive Directors and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Company will consult the relevant Board committees and senior management. Considering the present size and the scope of business of the Group, the Board considers that it is not in the best interest of the Company and the shareholders as a whole to separate the roles of the chairman and the chief executive officer, because the separation would render the decision-making process of the Company less efficient than the current structure. Therefore, the Board considers that the present arrangement is beneficial to and in the interest of the Company and the shareholders as a whole.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules and the CG Code. The Audit Committee comprises all independent non-executive Directors.

The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed with the management the accounting standards and practices adopted by the Group, and discussing auditing, internal control, risk management and financial reporting matters including the review of annual results and financial statements for the year ended 30 November 2020.

By Order of the Board
Mindtell Technology Limited
Chong Yee Ping
Chairman

Hong Kong, 25 February 2021

As at the date of this announcement, the executive Directors are Mr. Chong Yee Ping and Mr. Liu Yan Chee James; the non-executive Directors are Mr. Siah Jiin Shyang and Mr. Lam Pang; and the independent non-executive Directors are Mr. Chan San Ping, Ms. Ho Suet Man Stella and Mr. Su Chi Wen.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least seven days after the date of publication and on the Company's website at www.mindtelltech.com.