MINDTELL TECHNOLOGY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8611)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 NOVEMBER 2019

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.

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This announcement, for which the 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 2019, together with the comparative figures for the year ended 30 November 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 November 2019

	Notes	**2019** ***RM'000***	2018 *RM'000*
Revenue	*4*	**19,428**	47,581
Cost of services and materials sold		**(13,556)**	(23,430)
Gross profit		**5,872**	24,151
Other income	*5*	**390**	324
Administrative expenses		**(4,576)**	(4,352)
Finance costs	*6*	**(65)**	(52)
Impairment loss on trade receivables		**(238)**	–
Listing expenses		**–**	(9,805)
Profit before income tax	*6*	**1,383**	10,266
Income tax expenses	*7*	**(71)**	(2,414)
Profit for the year		**1,312**	7,852
Other comprehensive expenses			
Item that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign subsidiaries		**(354)**	–
Total comprehensive income for the year		**958**	7,852
Earnings per share, basic and diluted (RM cents)	*8*	**0.34**	2.75

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 November 2019

	Notes	2019 RM'000	2018 RM'000
Non-current assets			
Property, plant and equipment		**3,245**	1,578
Intangible assets		**3,448**	129
		6,693	1,707
Current assets			
Trade and other receivables	*10*	**9,658**	5,065
Contract assets	*11*	**9,400**	–
Gross amounts due from contract customers	*12*	**–**	4,658
Restricted bank balances		**708**	525
Bank balances and cash		**16,262**	33,784
		36,028	44,032
Current liabilities			
Trade and other payables	*13*	**6,388**	10,339
Contract liabilities	*11*	**150**	–
Gross amounts due to contract customers	*12*	**–**	57
Income tax payables		**1,235**	2,038
Interest-bearing borrowings		**857**	894
Obligations under finance leases		**136**	24
		8,766	13,352
Net current assets		**27,262**	30,680
Total assets less current liabilities		**33,955**	32,387
Non-current liabilities			
Deferred tax liabilities		**12**	9
Obligations under finance leases		**713**	106
		725	115
NET ASSETS		**33,230**	32,272
Capital and reserves			
Share capital	*14*	**2,067**	2,067
Reserves		**31,163**	30,205
TOTAL EQUITY		**33,230**	32,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 November 2019

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 "Listing"). 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 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.

Pursuant to a group reorganisation (the "Reorganisation") carried out by the Group in preparation for the listing of shares of the Company on GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 13 September 2018. Details of the Reorganisation are as set out in the paragraph headed "Reorganisation" of the section headed "History, Development and Reorganisation" to the prospectus issued by the Company dated 29 September 2018 (the "Prospectus").

The Reorganisation involved the combination of a number of entities under common control before and after the Reorganisation. The Group is therefore regarded as a continuing entity resulting from the Reorganisation, as there has been a continuation of the risks and benefits to the ultimate controlling parties (i.e. Mr. Chong Yee Ping and Mr. Siah Jiin Shyang) that existed immediately prior to and after the Reorganisation. Accordingly, the consolidated financial statements for the year ended 30 November 2018 have been prepared using the principles of the merger accounting.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 30 November 2019 have been prepared on the basis as if the current group structure has been in existence throughout the relevant year, or since their respective dates of incorporation or establishment, where there is a shorter period.

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 2018 consolidated financial statements except for the adoption of the new/revised IFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised IFRSs

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

IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

IFRIC – Int 22: Foreign Currency Transactions and Advance Consideration

IFRIC – Int 22 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of IFRIC – Int 22 does not have any significant impact on the consolidated financial statements.

IFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss
- FVOCI: fair value through other comprehensive income
- Designated FVOCI: equity instruments measured at FVOCI
- Mandatory FVOCI: debt instruments measured at FVOCI

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in IFRS 9, comparative information has not been restated and the Group has applied IFRS 9 retrospectively to financial instruments that existed at 1 December 2018 (i.e. the date of initial application), except as described below (if applicable):

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

  (i) the determination of the business model within which a financial asset is held;

  (ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

  (iii) the de-designation of financial assets or financial liabilities at FVPL.

The above resulting classification shall be applied retrospectively.

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under IAS 39, the instruments are measured at fair value at the date of initial application.

Classification and measurement of financial assets and financial liabilities

Except for the reclassification of financial assets under the measurement category of "Loans and receivables" under IAS 39 into "Amortised costs" under IFRS 9 which the accountings treatment would have no material difference, the adoption of IFRS 9 has no significant effect on the classification and measurement of the Group's financial assets and liabilities.

Expected credit loss ("ECL")

The ECL model under IFRS 9 requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Impairment based on ECL model on these financial assets upon the adoption of IFRS 9 has no significant financial impact to the consolidated financial statements.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 replaces, among others, IAS 18 and IAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. IFRS 15 establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 December 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of IFRS 15.

In addition, the Group has applied IFRS 15 retrospectively only to contracts that were not completed at 1 December 2018 in accordance with the transitional provisions therein.

The following tables show how the amounts at 30 November 2019 reported under IFRS 15 would be affected if IFRS 15 were not adopted:

	Amounts reported if IFRS 15 were not adopted	**Adjustments**	**Amounts reported under IFRS 15**
	RM'000	***RM'000***	***RM'000***
At 30 November 2019			
Contract assets	**–**	**9,400**	**9,400**
Gross amounts due from contract customers	**9,400**	**(9,400)**	**–**
Contract liabilities	**–**	**(150)**	**(150)**
Gross amounts due to contract customers	**(150)**	**150**	**–**

Within the context of IFRS 15, a receivable is an entity's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due. If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional, before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

In relation to construction contracts previously accounted under IAS 11, the Group continues to apply input method in estimating the performance obligations satisfied upon the application of IFRS 15. Approximately RM9,400,000 of gross amounts due from contract customers and approximately RM150,000 of gross amounts due to contract customers were reclassified to contract assets and contract liabilities, respectively.

Timing of revenue recognition

System integration and development services — Services provided

Before the adoption of IFRS 15, the Group recognised such revenue by reference to the stage of completion. Under IFRS 15, the revenue remains to be recognised over time because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

System integration and development services — Sales of externally acquired/purchased hardware and software

Before the adoption of IFRS 15, the Group recognised such revenue on transfer of risks and rewards of ownership, which generally coincides with the time when goods were delivered to customers and the title was passed. Under IFRS 15, the Group remains to recognise the revenue on these sales at a point in time.

IT outsourcing services/Maintenance and consultancy services

Before the adoption of IFRS 15, the Group recognised revenue arising from IT outsourcing services when services are rendered and maintenance services over time on a straight-line basis over the life of the related agreements. Under IFRS 15, the revenue remains to be recognised over time because Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Other than the above reclassification, the adoption of the IFRS 15 does not have any significant impact on the consolidated financial statements.

Basis of measurement

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

Basis of consolidation/combinations

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. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

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.

The results of subsidiaries are consolidated/combined from the date on which the Group obtains control and continue to be consolidated/combined until the date that such control ceases.

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.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the ultimate controlling parties.

The net assets of the combining entities or businesses are combined using the existing carrying values from the ultimate controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the ultimate controlling parties' interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recorded have been recognised directly in equity as part of the capital reserve. The consolidated financial statements includes the results of each of the combining entities or businesses from the date of incorporation/ establishment or, if later, since the date when the combining entities or businesses first came under the common control, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previous separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

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.

Annual Improvements to IFRSs	*2015-2017 Cycle* [1]
IFRS 16	*Leases* [1]
IFRIC – Int 23	*Uncertainty over Income Tax Treatments* [1]
Amendments to IAS 19	*Employee Benefits* [1]
Amendments to IAS 28	*Investments in Associates and Joint Ventures* [1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation* [1]
Amendments to IASs 1 and 8	*Definition of Material* [2]
Amendments to IAS 39, IFRSs 7 and 9	*Interest Rate Benchmark Reform* [2]
Amendments to References	*Conceptual Framework in IFRS Standards* [2]
Amendments to IFRS 3	*Definition of a Business* [3]
IFRS 17	*Insurance Contracts* [4]
Amendments to IAS 1	*Classification of liabilities as current or non-current* [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 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 Effective for annual periods beginning on or after 1 January 2022
6 The effective date to be determined

Except for IFRS 16 as set out below, the management of the Group does not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's consolidated financial statements.

IFRS 16: Leases

IFRS 16 significantly changes the lessee accounting by replacing the dual model under IAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors. Based on the preliminary assessment, the management is of the opinion that upon leasing any properties, machinery or equipment that are currently classified as operating leases under IAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with IFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for the reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under IAS 17. Apart from the effects as outlined above, it is not expected that IFRS 16 will have a material impact on the future financial position, financial performance and cash flows of the Group upon adoption.

At 30 November 2019, the total future minimum lease payment under non-cancellable operating leases of the Group in respect of premises amounted to approximately RM104,000. The management of the Company does not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statement of cash flows.

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 trade receivables, listing expenses 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 2019 and 2018 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 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**
Year ended 30 November 2018				
Revenue from external customers and reportable segment revenue	44,468	1,495	1,618	47,581
Reportable segment results	22,475	851	825	24,151
Other information:				
Amortisation	262	–	–	262
Research and development expenses	1,313	–	–	1,313

Reconciliation of reportable segment results

	2019	2018
	RM'000	*RM'000*
Reportable segment results	**5,872**	24,151
Unallocated income and expenses:		
Other income	**390**	324
Administrative expenses	**(4,576)**	(4,352)
Finance costs	**(65)**	(52)
Impairment loss on trade receivables	**(238)**	–
Listing expenses	**–**	(9,805)
Profit before income tax	**1,383**	10,266
Income tax expenses	**(71)**	(2,414)
Profit for the year	**1,312**	7,852

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 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, the location of operation to which they are located, in the case of intangible assets, the location of operations).

(a) Revenue from external customers

	2019	2018
	RM'000	*RM'000*
Indonesia	**–**	256
Malaysia	**19,379**	46,867
Singapore	**49**	188
United Kingdom	**–**	270
	19,428	47,581

(b) Specified Non-current Assets

At 30 November 2019 and 2018, 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 2019 and 2018 is as follows:

	2019	2018
	RM'000	*RM'000*
Customer A	**8,102**	30,160
Customer B	**3,890**	7,750
Customer C	**3,150**	*(Note)*

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

4. REVENUE

	2019	2018
	RM'000	*RM'000*
Revenue from contract with customers within IFRS 15		
System integration and development services:		
Services provided	**16,593**	42,840
Sales of externally acquired/purchased hardware and software	**1,271**	1,628
	17,864	44,468
IT outsourcing services	**771**	1,495
Maintenance and consultancy services	**793**	1,618
	19,428	47,581
Timing of revenue recognition:		
At a point in time	**1,271**	1,628
Over time	**18,157**	45,953
	19,428	47,581

5. OTHER INCOME

	2019	2018
	RM'000	*RM'000*
Exchange gain, net	**31**	31
Interest income	**332**	251
Others	**27**	42
	390	324

6. PROFIT BEFORE INCOME TAX

This is stated after charging:

	2019	2018
	RM'000	*RM'000*
Finance costs		
Interest expenses on interest-bearing borrowings	**42**	44
Finance charges on obligations under finance leases	**23**	8
	65	52

	2019	2018
	RM'000	*RM'000*
Staff costs and related expenses (including directors' remuneration)		
Salaries, allowances and other benefits in kind	**7,383**	6,389
Contributions to defined contribution plans	**570**	562
	7,953	6,951
Represented by:		
Staff costs for administrative and sales staff	**1,553**	520
Staff costs for research and development expenses	**152**	1,313
Staff costs allocated to "Cost of services"	**4,116**	5,118
Staff costs charged to profit or loss	**5,821**	6,951
Staff costs capitalised as "Intangible assets"	**2,132**	–
	7,953	6,951
Other items		
Amortisation of intangible assets, included in administrative expenses	**350**	262
Auditors' remuneration	**478**	460
Cost of materials sold	**1,065**	1,446
Depreciation of property, plant and equipment	**306**	158
Operating lease expense	**128**	82
Research and development expenses	**152**	1,313

7. INCOME TAX EXPENSES

	2019	2018
	RM'000	*RM'000*
Current tax		
Malaysia corporate income tax ("Malaysia CIT")	**68**	2,412
Deferred tax	**3**	2
Total income tax expenses for the year	**71**	2,414

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 is calculated at 24% *(2018: 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% *(2018: 18%)* on the first RM500,000 and remaining balance of the estimated assessable profits at tax rate of 24% *(2018: 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 for the year ended 30 November 2019.

Reconciliation of income tax expenses

	2019	2018
	RM'000	*RM'000*
Profit before income tax	**1,383**	10,266
Income tax at applicable tax rate	**490**	3,167
Non-deductible expenses	**527**	1,848
Tax incentives on the pioneer status	**(1,025)**	(2,632)
Others	**79**	31
Income tax expenses	**71**	2,414

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. EARNINGS PER SHARE

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

	2019	2018
	RM'000	*RM'000*
Profit for the year attributable to the owners of the Company, used in basic and diluted earnings per share calculation	**1,312**	7,852

	Number of shares	
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	**390,000,000**	285,821,918

The calculation of the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the year ended 30 November 2018 has been determined based on the assumption that the issue of shares at incorporation of the Company, the Reorganisation and the Capitalisation Issue (as defined in Note 14(v) to the consolidated financial statements) to the shareholders had occurred on 1 December 2017.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 30 November 2019 and 2018.

9. DIVIDENDS

	2019	2018
	RM'000	*RM'000*
Dividends declared by the entities now comprising the Group and paid to the then equity holders of the entities	**–**	14,000

On 14 September 2018, a special dividend of approximately RM14.0 million was declared and payable to the then equity holders of the entities now comprising the Group. The dividend was paid on 26 September 2018.

10. TRADE AND OTHER RECEIVABLES

	Notes	2019 RM'000	2018 RM'000
Trade receivables from third parties		**7,258**	3,418
Less: Loss allowance		**(238)**	–
	10(a)	**7,020**	3,418
Other receivables			
Deposits, prepayments and other receivables	*10(b)*	**2,638**	1,647
		9,658	5,065

(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:

	2019 RM'000	2018 RM'000
Within 30 days	**614**	470
31 to 60 days	**70**	98
61 to 90 days	**398**	1,355
91 to 180 days	**1,030**	1,436
181 to 365 days	**4,705**	–
Over 365 days	**203**	59
	7,020	3,418

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

	2019	2018
	RM'000	*RM'000*
Not yet due	**614**	470
Past due:		
Within 30 days	**70**	98
31 to 60 days	**398**	1,355
61 to 90 days	**–**	1,273
91 to 180 days	**1,190**	163
181 to 365 days	**4,545**	–
Over 365 days	**203**	59
	6,406	2,948
	7,020	3,418

(b) Deposits, prepayments and other receivables

Included in deposits, prepayments and other receivables at 30 November 2019 were Goods and Services Tax receivables and prepayment to a company which provides IT outsourcing services to the Group of approximately RM1,762,000 *(2018: Nil)* and approximately RM761,000 *(2018: approximately RM1,500,000)*, respectively.

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

Analysed for the reporting purpose:

		2019
	Notes	***RM'000***
Contract assets	*11(a)*	**9,400**
Contract liabilities	*11(b)*	**(150)**
		9,250

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

At 30 November 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 2019 are as follows:

(a) Contract assets

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

(b) Contract liabilities

	2019
	RM'000
At the beginning of the reporting period	**57**
Receipt in advanced	**150**
Recognition of revenue	**(57)**
At the end of the reporting period	**150**

The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue within one year or less.

12. GROSS AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

	2018
	RM'000
Contracts in progress	
Contract costs incurred plus recognised profits less recognised losses to date	67,327
Less: progress billings received and receivable	(62,726)
	4,601

	2018
	RM'000
Analysed for reporting purposes as:	
Amounts due from customers for service contracts	4,658
Amounts due to customers for service contracts	(57)
	4,601

At 30 November 2018, no retention was held by customers on service contracts. All the gross amounts due from/to customers for service contracts were expected to be recovered/settled within one year.

13. TRADE AND OTHER PAYABLES

		2019	2018
	Note	***RM'000***	*RM'000*
Trade payables from third parties	*13(a)*	**1,045**	1,936
Other payables			
Accruals and other payables		**2,644**	2,735
Accrued listing expenses		**2,699**	5,668
		5,343	8,403
		6,388	10,339

(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:

	2019	2018
	RM'000	*RM'000*
Within 30 days	–	–
31 to 60 days	40	–
61 to 90 days	400	–
91 to 180 days	570	1,576
181 to 365 days	–	360
Over 365 days	35	–
	1,045	1,936

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

14. SHARE CAPITAL

	Notes	Number of shares	HK$	Equivalent to RM
Ordinary share of HK$0.01 each				
Authorised:				
At 27 February 2018 (date of incorporation)		38,000,000	380,000	197,600
Increase	*(iv)*	1,962,000,000	19,620,000	10,398,600
At 30 November 2018 and 30 November 2019		2,000,000,000	20,000,000	10,596,200
Issued and fully paid:				
At 27 February 2018 (date of incorporation)	*(i)*	2	0.02	–*
Issuance of shares under the Reorganisation	*(iii)*	9,998	99.98	53
Capitalisation Issue	*(v)*	272,990,000	2,729,900.00	1,446,847
Issuance of shares by ways of placing and public offer	*(vi)*	117,000,000	1,170,000.00	620,100
At 30 November 2018 and 30 November 2019		390,000,000	3,900,000.00	2,067,000

* Represent amount less than RM1.

Notes:

(i) Upon incorporation, 2 ordinary shares were allotted and issued to Mr. Chong Yee Ping and Mr. Siah Jiin Shyang at par value.

(ii) On 12 September 2018, Mr. Chong Yee Ping transferred the one nil-paid share to Delicate Edge Limited ("Delicate Edge") and Mr. Siah Jiin Shyang transferred the one nil-paid share to King Nordic Limited ("King Nordic"), both at nil consideration.

(iii) On 13 September 2018, a sale and purchase agreement was entered into between (i) Mr. Chong Yee Ping; (ii) Mr. Siah Jiin Shyang; (iii) Mr. Liu Yan Chee James and Mr. Lam Pang (collectively referred to as the "Pre-IPO Investors"); and (iv) the Company, pursuant to which the Company acquired the 5,000, 5,000 and 3,890 shares of Excel Elite that were legally and beneficially owned by Mr. Chong Yee Ping, Mr. Siah Jiin Shyang, and the Pre-IPO Investors respectively (being the entire issued share capital of Excel Elite), at a consideration of US$13,890 to be satisfied in full by the Company crediting two nil-paid shares of the Company held by Delicate Edge and King Nordic as fully paid up and issuing and allotting 3,599, 3,599, 1,400 and 1,400 shares of the Company to Delicate Edge (as directed by Mr. Chong Yee Ping), King Nordic (as directed by Mr. Siah Jiin Shyang), Mr. Liu Yan Chee James and Mr. Lam Pang, respectively. Due to the fact that the issuance of share is only a step of the Reorganisation, the shares of the Company as issued were recorded at par value.

(iv) On 19 September 2018, the authorised share capital of the Company was increased by HK$19,620,000 by the creation of an additional of 1,962,000,000 shares of HK$0.01 each.

(v) On 22 October 2018, 272,990,000 shares of HK$0.01 each were issued and allotted to the then shareholders of the Company in proportion to their shareholdings in the Company, credited as fully paid at par by way of capitalisation of the sum of HK$2,729,900 standing to be credit of the share premium account of the Company (the "Capitalisation Issue").

(vi) On 22 October 2018, the Company issued and allotted a total of 117,000,000 shares by ways of placing and public offer for 105,300,000 shares and 11,700,000 shares, respectively, of HK$0.01 each at the offer price of HK$0.62 per share by ways of placing and share offer.

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 system integration and development services, IT outsourcing services and 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 2019, the Group recorded a decrease in total revenue by approximately 59.2% to approximately RM19.4 million (2018: approximately RM47.6 million). The decrease in revenue was mainly attributable to the implementation phase of the existing large-scale IT projects of the Group, including Project W (as defined in the Prospectus), which have been substantially completed, and thus the revenue contribution by these projects decreased.

The Group is currently going through its business cycle of bidding for new projects. During the year ended 30 November 2019, its resources were focused on completing existing engagements on hand and tender bidding processes in order to secure future revenue streams.

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 59.8% from approximately RM44.5 million for the year ended 30 November 2018 to approximately RM17.9 million for the year ended 30 November 2019.

The decrease in revenue was mainly attributable to the decrease in revenue recognised by Project W attributable to the Group's largest customer, Customer A as set out in Note 3 to the consolidated financial statements.

The Group serves as a subcontractor of Customer A to implement a system providing portal services that allow members of a social security organisation in Malaysia to perform application, contribution, claim and other related activities. Project W was commenced in December 2016. For the year ended 30 November 2019, the Group recognised revenue of approximately RM8.1 million (2018: approximately RM30.2 million) from Project W. At 30 November 2019, over 85% of Project W has been completed and has accounted for aggregate revenue of approximately RM64.8 million and the whole project is expected to be completed in or around July 2020.

IT outsourcing services

For IT outsourcing services, the revenue decreased by approximately 48.4% from approximately RM1.5 million for the year ended 30 November 2018 to approximately RM0.8 million for the year ended 30 November 2019. The decrease in revenue was mainly due to the decrease in the number of IT outsourcing projects.

Maintenance and consultancy services

For maintenance and consultancy services, the revenue decreased by approximately 51.0% from approximately RM1.6 million for the year ended 30 November 2018 to approximately RM0.8 million for the year ended 30 November 2019. The decrease in revenue was mainly attributable to scale down of projects by customers.

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	
	2019	2018
	RM'000	*RM'000*
Revenue	**19,428**	47,581
Cost of services and materials sold	**(13,556)**	(23,430)
Gross profit	**5,872**	24,151
Gross profit margin	**30.2%**	50.8%

The gross profit decreased by approximately 75.7%, from approximately RM24.2 million for the year ended 30 November 2018 to approximately RM5.9 million for the year ended 30 November 2019. The decrease in gross profit was consistent with the decrease in revenue as set out above.

The gross profit margin decreased from approximately 50.8% for the year ended 30 November 2018 to approximately 30.2% for the year ended 30 November 2019. Such decrease was because the decrease in revenue outran the decrease in cost of services and materials sold resulting from the increasing purchase costs and staff costs of IT specialists for the year ended 30 November 2019.

Administrative expenses

Administrative expenses increased by approximately 5.1% from approximately RM4.4 million for the year ended 30 November 2018 to approximately RM4.6 million for the year ended 30 November 2019. The increase was primarily due to additional administrative expenses including directors' emolument and legal and professional fees after the Listing.

Finance costs

The finance costs increased by approximately 25.0% from approximately RM52,000 for the year ended 30 November 2018 to approximately RM65,000 for the year ended 30 November 2019. The increase was primarily due to increase in the number of motor vehicles leased under finance leases.

Income tax expenses

The income tax expenses decreased from approximately RM2.4 million for the year ended 30 November 2018 to approximately RM71,000 for the year ended 30 November 2019. The decrease was mainly due to the decrease in profit of subsidiaries for the year ended 30 November 2019, the profit of which is subject to Malaysia corporate income tax.

Profit for the year

The profit for the year decreased by approximately 83.3% from approximately RM7.9 million for the year ended 30 November 2018 to approximately RM1.3 million for the year ended 30 November 2019.

Excluding non-recurring listing expenses, the profit for the year decreased by approximately 92.6% from approximately RM17.7 million for the year ended 30 November 2018 to approximately RM1.3 million for the year ended 30 November 2019, as analysed below:

	Year ended 30 November	
	2019	2018
	RM'000	*RM'000*
Profit for the year	**1,312**	7,852
Add: Listing expenses	**–**	9,805
	1,312	17,657

The decrease in the profit was mainly attributable to the decrease in revenue and gross profit as analysed above.

LIQUIDITY AND CAPITAL RESOURCES

At 30 November 2019, the total borrowings of the Group amounted to approximately RM1.7 million (2018: approximately RM1.0 million) which comprised interest-bearing borrowings and obligations under finance leases.

At 30 November 2019, the gearing ratio of the Group was 5.1% (2018: 3.2%). Gearing ratio is calculated based on total borrowings divided by total equity as at the end of the financial year.

At 30 November 2019, the Group's net current assets amounted to approximately RM27.3 million (2018: approximately RM30.7 million). The current ratio of the Group was approximately 4.1 times (2018: approximately 3.3 times).

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 2019, the Group did not have any significant contingent liabilities (2018: nil).

CAPITAL COMMITMENTS

At 30 November 2019, the Group did not have significant capital commitments contracted but not provided for (2018: nil).

SIGNIFICANT INVESTMENTS HELD

At 30 November 2019, the Group did not have any significant investments (2018: nil).

PLEDGE OF ASSETS

At 30 November 2019, the Group had obtained banking facilities on issuance of bank guarantees granted by certain banks, which were guaranteed by the restricted bank balances of approximately RM708,000 (2018: approximately RM525,000).

At 30 November 2019 and 2018, the interest-bearing borrowings were secured by properties owned by the Group with aggregate net carrying amount of approximately RM1.3 million.

PROSPECTS

The Group is confident about its future prospects and believes that the Listing would enhance the Group's brand awareness and publicity on an international level and help to attract potential local and international customers. To enhance the quality of services and expand its business, the Group actively pursues the following business strategies: (i) to be a major IT solution provider to the Digital Free Trade Zone in Malaysia; (ii) to capture new growth opportunities through its successful product, Square Intelligence; (iii) leveraging on the business networks of the Pre-IPO Investors (as defined in note 14(iii) to the consolidated financial statements) to introduce IT products in the PRC into Malaysia, and diversifying its service offerings to its customers.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 30 November 2019, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board believes that all the major risk factors relevant to the Group have already been disclosed in the section headed "Risk factors" of the Prospectus. Please refer thereto for more information.

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 changes of the business plans from those disclosed in the Prospectus.

As at 30 November 2019, the net proceeds had been utilised as follows:

	Net proceeds *RM million*	Amount utilised *RM million*	Amount unutilised *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	4.34	1.76
General working capital	3.05	3.05	–
	30.50	11.46	19.04

EMPLOYEE AND REMUNERATION POLICIES

As at 30 November 2019, the Group had a total of 63 employees (2018: 78) in Hong Kong and Malaysia. For the year ended 30 November 2019, total staff costs and related expenses of the Group (including the Directors' remuneration) were approximately RM8.0 million (2018: approximately RM7.0 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.

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 Association 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 2019.

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 2019.

EVENTS AFTER THE REPORTING DATE

On 24 January 2020, the Group entered into a non-legally binding memorandum of understanding (the "MOU") with a seller (the "Seller"). Pursuant to the MOU, the Group intended to purchase from the Seller 10,000 existing ordinary shares representing 1.0% of the issued shares of Sky Regal Holdings Limited (the "JV Partner"), a company incorporated in Hong Kong with limited liability (the "Potential Acquisition"). The consideration for the Potential Acquisition shall be US$1 million, which the Group will settle the consideration from its internal financial resources.

Upon the completion of the Potential Acquisition, the Seller and the Group will procure that a joint venture company be incorporated in Malaysia (the "JV Company") by the Group and the JV Partner. The JV Company shall be owned as to 60% by the Group and 40% by the JV Partner. The estimated total investment in the JV Company will be RM5 million. The transactions are not yet completed at the date of this announcement.

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 2019, the Company had complied with the CG Code, except for the deviation as stated below:

Code Provision A.1.8

Under code provision A.1.8 in CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. Before 19 February 2019, the Company has not reached an agreement with an insurer and the insurance cover in respect of legal action against the Directors has not been in place. Since 19 February 2019, the Company has entered into a relevant insurance policy.

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, 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 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, the reason being 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 appropriate Board committees and senior management. Considering the present size and the scope of business of the Group, we consider 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 2019.

SCOPE OF WORK OF JOINT AUDITORS

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 November 2019 as set out in this announcement have been agreed by the Company's joint auditors, Mazars CPA Limited and Mazars LLP, to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by the joint auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the joint auditors on this announcement.

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

Hong Kong, 27 February 2020

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.