MINDTELL TECHNOLOGY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8611)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 MAY 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.

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated results of Mindtell Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 31 May 2020, together with the comparative unaudited figures for the corresponding periods in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 May 2020

		(Unaudited) For the three months ended 31 May		**(Unaudited) For the six months ended 31 May**	
		2020	2019	**2020**	2019
	Notes	***RM'000***	*RM'000*	***RM'000***	*RM'000*
Revenue	*4*	**1,411**	4,640	**3,681**	10,437
Cost of services and materials sold		**(1,334)**	(3,450)	**(3,056)**	(6,622)
Gross profit		**77**	1,190	**625**	3,815
Other income	*5*	**87**	145	**106**	155
Administrative expenses		**(2,972)**	(2,001)	**(5,069)**	(2,591)
Finance costs	*6*	**(15)**	(21)	**(35)**	(36)
(Loss) Profit before income tax	*6*	**(2,823)**	(687)	**(4,373)**	1,343
Income tax credit (expenses)	*7*	**–**	46	**–**	(68)
(Loss) Profit for the period		**(2,823)**	(641)	**(4,373)**	1,275
Other comprehensive income		**–**	–	**–**	–
Total comprehensive (loss) income for the period		**(2,823)**	(641)	**(4,373)**	1,275
(Loss) Earnings per share, basic and diluted (RM cents)	*8*	**(0.72)**	(0.16)	**(1.12)**	0.33

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 May 2020

	Notes	(Unaudited) 31 May 2020 RM'000	(Audited) 30 November 2019 RM'000
Non-current assets			
Property, plant and equipment		**2,430**	3,245
Intangible assets		**4,428**	3,448
Right-of-use assets		**796**	–
		7,654	6,693
Current assets			
Trade and other receivables	*10*	**10,784**	9,658
Contract assets	*11*	**606**	9,400
Restricted bank balances	*12*	**320**	708
Bank balances and cash		**17,867**	16,262
		29,577	36,028
Current liabilities			
Trade and other payables	*13*	**3,420**	6,388
Contract liabilities	*11*	**2,087**	150
Lease liabilities		**245**	–
Income tax payables		**1,104**	1,235
Interest-bearing borrowings	*14*	**852**	857
Obligations under finance leases		**–**	136
		7,708	8,766
Net current assets		**21,869**	27,262
Total assets less current liabilities		**29,523**	33,955
Non-current liabilities			
Deferred tax liabilities		**12**	12
Lease liabilities		**654**	–
Obligations under finance leases		**–**	713
		666	725
NET ASSETS		**28,857**	33,230
Capital and reserves			
Share capital	*15*	**2,067**	2,067
Reserves		**26,790**	31,163
TOTAL EQUITY		**28,857**	33,230

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended 31 May 2020

1. CORPORATE INFORMATION

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 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 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 Group is principally engaged in the provision of system integration and development services, IT outsourcing services and maintenance and consultancy services.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 May 2020 (the "Interim Financial Statements") are prepared in accordance with International Accounting Standards ("IASs") 34 "Interim Financial Reporting" issued by the International Accounting Standard Board (the "IASB") and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The preparation of the Interim Financial Statements in conformity with IAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since 30 November 2019, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the IASB, which collective term includes all applicable individual IFRSs, IASs and Interpretations issued by the IASB. They shall be read in conjunction with the audited financial statements of the Group for the year ended 30 November 2019 (the "2019 Financial Statements").

The Interim Financial Statements have been prepared on the historical costs basis.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the 2019 Financial Statements except for the adoption of the new/revised IFRSs further described in the "Adoption of new/revised IFRSs" section which are relevant to the Group and effective for the Group's financial year beginning on 1 December 2019.

Adoption of new/revised IFRSs

Except for IFRS 16, the adoption of other new/revised IFRSs that are relevant to the Group and effective from the current period had no material impacts on the Group's consolidated financial statements for the current and prior periods.

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/losses 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, except for those that were previously or will be accounted for as investment property using the fair value model, 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 rate applied to the lease liabilities at the DIA is 4.8%.

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.

Upon adoption of IFRS 16, right-of-use assets of approximately RM946,000 were recognised at cost, and to be depreciated over the lease period on a straight-line basis. Lease liabilities of approximately RM1,017,000 were recognised upon initial measurement. The interest expense in respect of lease liabilities and depreciation of right-of-use assets charged to profit or loss during the six months ended 31 May 2020 was approximately RM14,000 and RM102,000, respectively.

Future changes in IFRSs

At the date of authorisation of the Interim Financial Statements, the Group has not early adopted the new/revised IFRSs that have been issued but are not yet effective. The Directors do 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.

3. SEGMENT INFORMATION

Segment revenue and results

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 or services delivered or 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 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 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 six months ended 31 May 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*
For the six months ended 31 May 2020 (Unaudited)				
Revenue from external customers and reportable segment revenue	**2,903**	**402**	**376**	**3,681**
Reportable segment results	**56**	**207**	**362**	**625**
Other information:				
Amortisation	**784**	**–**	**–**	**784**
Addition of intangible assets	**1,764**	**–**	**–**	**1,764**

	System integration and development services *RM'000*	IT outsourcing services *RM'000*	Maintenance and consultancy services *RM'000*	Total *RM'000*
For the six months ended 31 May 2019 (Unaudited)				
Revenue from external customers and reportable segment revenue	9,776	422	239	10,437
Reportable segment results	3,534	171	110	3,815
Other information:				
Amortisation	132	–	–	132
Addition of intangible assets	1,830	–	–	1,830

Reconciliation of reportable segment results

	(Unaudited) For the six months ended 31 May	
	2020	2019
	RM'000	*RM'000*
Reportable segment results	**625**	3,815
Unallocated income and expenses:		
Other income	**106**	155
Administrative expenses	**(5,069)**	(2,591)
Finance costs	**(35)**	(36)
(Loss) Profit before income tax	**(4,373)**	1,343
Income tax expenses	**–**	(68)
(Loss) Profit for the period	**(4,373)**	1,275

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, intangible assets and right-of-use assets ("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

	(Unaudited) For the six months ended 31 May	
	2020	2019
	RM'000	*RM'000*
Malaysia	**3,681**	10,424
Singapore	**–**	13
	3,681	10,437

(b) Specific Non-current Assets

At 31 May 2020 and 30 November 2019, all Specified Non-current Assets are located in Malaysia.

4. REVENUE

	(Unaudited) For the three months ended 31 May		(Unaudited) For the six months ended 31 May	
	2020	2019	**2020**	2019
	RM'000	*RM'000*	***RM'000***	*RM'000*
System integration and development services:				
Services provided	**941**	4,091	**2,872**	9,012
Sales of externally acquired/purchased hardware and software	**31**	207	**31**	764
	972	4,298	**2,903**	9,776
IT outsourcing services	**213**	210	**402**	422
Maintenance and consultancy services	**226**	132	**376**	239
	1,411	4,640	**3,681**	10,437

5. OTHER INCOME

	(Unaudited) For the three months ended 31 May		(Unaudited) For the six months ended 31 May	
	2020	2019	**2020**	2019
	RM'000	*RM'000*	***RM'000***	*RM'000*
Interest income	**80**	141	**98**	150
Others	**7**	4	**8**	5
	87	145	**106**	155

6. (LOSS) PROFIT BEFORE INCOME TAX

This is stated after charging:

	(Unaudited) For the three months ended 31 May		(Unaudited) For the six months ended 31 May	
	2020	2019	**2020**	2019
	RM'000	*RM'000*	***RM'000***	*RM'000*
Finance costs				
Interest expenses on interest-bearing borrowings	**11**	11	**21**	22
Finance charges on obligations under finance leases	**–**	10	**–**	14
Finance charges on lease liabilities	**4**	–	**14**	–
	15	21	**35**	36

	(Unaudited) For the three months ended 31 May		(Unaudited) For the six months ended 31 May	
	2020	2019	**2020**	2019
	RM'000	*RM'000*	***RM'000***	*RM'000*
Other items				
Amortisation of intangible assets, included in administrative expenses	**392**	74	**784**	132
Auditors' remuneration	**–**	–	**13**	14
Cost of materials sold	**28**	2	**28**	502
Depreciation of property, plant and equipment and right-of-use assets	**98**	101	**200**	211
Impairment loss on trade receivables	**338**	–	**338**	–
Operating lease expenses	**–**	36	**–**	79

7. INCOME TAX CREDIT (EXPENSES)

	(Unaudited) For the three months ended 31 May		(Unaudited) For the six months ended 31 May	
	2020	2019	**2020**	2019
	RM'000	*RM'000*	***RM'000***	*RM'000*
Current tax				
Malaysia corporate income tax ("Malaysia CIT")	**–**	46	**–**	(68)
Total income tax credit (expenses) for the period	**–**	46	**–**	(68)

The group entities established in the Cayman Islands and the British Virgin Islands 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% *(2019: 24%)* of the estimated assessable profits for the six months ended 31 May 2020. Malaysia incorporated entities with paid-up capital of RM2.5 million or less enjoy tax rate of 17% *(2019: 17%)* on the first RM600,000 *(2019: RM500,000)* and remaining balance of the estimated assessable profits at tax rate of 24% *(2019: 24%)* for the six months ended 31 May 2020.

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 pioneers status. Upon the rejection, Tandem is subject to Malaysia CIT in the absence of approval for the extension of pioneer status for the six months ended 31 May 2020.

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:

	(Unaudited) For the three months ended 31 May		(Unaudited) For the six months ended 31 May	
	2020	2019	**2020**	2019
	RM'000	*RM'000*	***RM'000***	*RM'000*
(Loss) Profit for the period attributable to the owners of the Company, used in basic and diluted (loss) earnings per share calculation	**(2,823)**	(641)	**(4,373)**	1,275

	Number of shares			
	For the three months ended 31 May		For the six months ended 31 May	
	2020	2019	**2020**	2019
Weighted average number of ordinary shares for basic and diluted (loss) earnings per share calculation	**390,000,000**	390,000,000	**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 six months ended 31 May 2020 and 2019.

9. DIVIDENDS

The Directors did not recommend a payment of an interim dividend for the six months ended 31 May 2020 *(2019: nil)*.

10. TRADE AND OTHER RECEIVABLES

	Notes	**(Unaudited)** **31 May 2020** ***RM'000***	(Audited) 30 November 2019 *RM'000*
Trade receivables from third parties		**8,970**	7,258
Less: Loss allowance		**(576)**	(238)
	10(a)	**8,394**	7,020
Other receivables			
Deposits, prepayments and other receivables	*10(b)*	**2,390**	2,638
		10,784	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:

	(Unaudited) **31 May 2020** ***RM'000***	(Audited) 30 November 2019 *RM'000*
Within 30 days	**1,126**	614
31 to 60 days	**85**	70
61 to 90 days	**472**	398
91 to 180 days	**865**	1,030
181 to 365 days	**30**	4,705
Over 365 days	**5,816**	203
	8,394	7,020

(b) Deposits, prepayments and other receivables

Included in deposits, prepayments and other receivables at 31 May 2020 was Goods and Services Tax receivables of approximately RM1,762,000 *(30 November 2019: approximately RM1,762,000)*. There was no prepayment to a company which provides IT outsourcing services to the Group *(30 November 2019: approximately RM761,000)*.

11. CONTRACT ASSETS (LIABILITIES)

	(Unaudited) **31 May 2020** ***RM'000***	(Audited) 30 November 2019 *RM'000*
Contracts costs incurred plus recognised profits less recognised losses to date	**61,441**	76,393
Less: progress billings received and receivable	**(62,922)**	(67,143)
	(1,481)	9,250
Represented by:		
Contract assets	**606**	9,400
Contract liabilities	**(2,087)**	(150)
	(1,481)	9,250

At 31 May 2020 and 30 November 2019, no retention was held by customers on service contracts.

12. RESTRICTED BANK BALANCES

The Group had obtained banking facilities on issuance of bank guarantees granted by certain creditworthy banks. Such facilities were guaranteed by the restricted bank balances. At 31 May 2020, the Group had utilised approximately RM320,000 *(30 November 2019: approximately RM708,000)* under such facilities for issuing bank guarantees to customers in respect of the Group's fulfilment of related contracts.

13. TRADE AND OTHER PAYABLES

	(Unaudited)	(Audited)
	31 May 2020	30 November 2019
	RM'000	*RM'000*
Trade payables from third parties	**861**	1,045
Other payables		
Accruals and other payables	**2,559**	2,644
Accrued listing expenses	**–**	2,699
	2,559	5,343
	3,420	6,388

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

	(Unaudited)	(Audited)
	31 May 2020	30 November 2019
	RM'000	*RM'000*
Within 30 days	**730**	–
31 to 60 days	**18**	40
61 to 90 days	**16**	400
91 to 180 days	**32**	570
181 to 365 days	**40**	–
Over 365 days	**25**	35
	861	1,045

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

14. INTEREST-BEARING BORROWINGS

	(Unaudited) 31 May 2020 *RM'000*	(Audited) 30 November 2019 *RM'000*
Interest-bearing borrowings (secured)	**852**	857
Carrying amounts of interest-bearing borrowings that are repayable *(Note)*		
Within one year	**38**	38
One to two years	**40**	39
Two to five years	**133**	131
Over five years	**641**	649
	852	857

Note: The interest-bearing borrowings, with a clause in their terms that gives the lender an overriding right to demand repayment at their sole discretion, are classified as current liabilities even though the management does not expect that the lender would exercise its rights to demand repayment. The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

The interest-bearing borrowings represent amounts due to a bank in Malaysia with a maturity period of 15.5 years at 31 May 2020.

At 31 May 2020 and 30 November 2019, the interest-bearing borrowings bore a floating interest rate at the bank's Base Lending Rate minus 2.1% per annum. The effective interest rate on interest-bearing borrowings at 31 May 2020 is 4.8% *(30 November 2019: 4.8%)* per annum.

The interest-bearing borrowings are drawn under a banking facility. The interest-bearing borrowings are secured and guaranteed by:

(i) properties owned by the Group with aggregate net carrying amount of approximately RM1,237,000 at 31 May 2020 *(30 November 2019: approximately RM1,251,000)*; and

(ii) guarantees provided by the ultimate controlling parties.

The Group is in the process of releasing the above guarantees provided by the ultimate controlling parties by replacement of corporate guarantees provided by the Company in favour of the bank or repaying the interest-bearing borrowings.

15. SHARE CAPITAL

	Number of shares	*HK$*	Equivalent to RM
Ordinary shares of HK$0.01 each			
Authorised:			
At 30 November 2019 (Audited) and			
31 May 2020 (Unaudited)	**2,000,000,000**	**20,000,000**	**10,596,200**
Issued and fully paid:			
At 30 November 2019 (Audited) and			
31 May 2020 (Unaudited)	**390,000,000**	**3,900,000**	**2,067,000**

16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 10 July 2020.

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 on GEM of the Stock Exchange on 22 October 2018 (the "Listing Date") 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 Interim Financial Statements.

For the six months ended 31 May 2020, the Group recorded a decrease in total revenue by approximately 64.7% to approximately RM3.7 million (six months ended 31 May 2019: approximately RM10.4 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 70.3% from approximately RM9.8 million for the six months ended 31 May 2019 to approximately RM2.9 million for the six months ended 31 May 2020.

The significant decrease in revenue was mainly due to (i) the outbreak of COVID-19 pandemic in early 2020 and the enforcement of the Movement Control Order by the Government of Malaysia effective from 18 March 2020 seriously hindered the seeking out of potential customers and negotiation and securing of new projects, and adversely affected the progress of existing projects; (ii) the completion of several substantial projects and the intense competition in securing new projects; and (iii) delay of new projects as further consideration have to be made by those customers in secrecy information sector in light of the release of the Risk management in technology (RMiT) measures by the Central Bank of Malaysia.

IT outsourcing services

The revenue from IT outsourcing services remained stable at approximately RM402,000 for the six months ended 31 May 2020 (six months ended 31 May 2019: RM422,000).

Maintenance and consultancy services

For maintenance and consultancy services, the revenue increased by approximately 57.3% from approximately RM239,000 for the six months ended 31 May 2019 to approximately RM376,000 for the six months ended 31 May 2020. The increase in revenue was mainly due to increase in the number of maintenance projects.

Gross profit and gross profit margin

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

	(Unaudited) For the six months ended 31 May	
	2020	2019
	RM'000	RM'000
Revenue	**3,681**	10,437
Cost of services and materials sold	**(3,056)**	(6,622)
Gross profit	**625**	3,815
Gross profit margin	**17.0%**	36.6%

The gross profit decreased from approximately RM3.8 million for the six months ended 31 May 2019 to approximately RM625,000 for the six months ended 31 May 2020. The gross profit margin decreased from approximately 36.6% for the six months ended 31 May 2019 to approximately 17.0% for the six months ended 31 May 2020. Such decrease was due to the decrease in revenue and the increase in the cost of services and materials sold resulting from the increase in staff costs of IT specialists for the six months ended 31 May 2020.

Administrative expenses

Administrative expenses increased by approximately 95.6% from approximately RM2.6 million for the six months ended 31 May 2019 to approximately RM5.1 million for the six months ended 31 May 2020. The increase is 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" are included in administrative expenses during the six months ended 31 May 2020 as most of the substantial projects were completed and they are re-allocated to focus on tendering new projects, and staff costs for directors and administrative staff increased generally after listing; (ii) the increase in sales and marketing expenses as the Group has engaged in more marketing and promotional activities during the six months ended 31 May 2020 for the purpose of identifying and securing potential customers, negotiating for new projects and bidding new tenders; and (iii) the increase in amortisation of intangible assets.

Finance costs

The finance costs remained stable at approximately RM35,000 for the six months ended 31 May 2020 (six months ended 31 May 2019: approximately RM36,000).

Income tax expenses

As the Group recorded a loss for the six months ended 31 May 2020, no provision for income tax has been made (six months ended 31 May 2019: income tax expenses of approximately RM68,000).

(Loss) Profit for the period

The Group recorded a loss of approximately RM4.4 million for the six months ended 31 May 2020, as compared to a profit of approximately RM1.3 million for the six months ended 31 May 2019. The loss was mainly attributable to the decrease in revenue and gross profit and increase in administrative expenses as analysed above.

LIQUIDITY AND CAPITAL RESOURCES

At 31 May 2020, the total borrowings of the Group amounted to approximately RM1.8 million which represented interest-bearing borrowings and lease liabilities (30 November 2019: approximately RM1.7 million which represented interest-bearing borrowings and obligations under finance leases).

At 31 May 2020, the gearing ratio of the Group was 6.1% (30 November 2019: 5.1%). Gearing ratio is calculated based on total borrowings divided by total equity at the end of the relevant period.

At 31 May 2020, the Group's net current assets amounted to approximately RM21.9 million (30 November 2019: approximately RM27.3 million). The current ratio of the Group was approximately 3.8 times (30 November 2019: approximately 4.1 times). Current ratio is calculated based on total current assets divided by total current liabilities at the end of the relevant period.

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

CAPITAL COMMITMENTS

At 31 May 2020, the Group did not have significant capital commitments contracted but not provided for (30 November 2019: nil).

SIGNIFICANT INVESTMENTS HELD

At 31 May 2020, the Group did not have any significant investments (30 November 2019: nil).

PLEDGE OF ASSETS

At 31 May 2020, 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 RM320,000 (30 November 2019: approximately RM708,000) as set out in Note 12 to the unaudited condensed consolidated financial statements.

At 31 May 2020, the interest-bearing borrowings were secured by properties owned by the Group with aggregate net carrying amount of approximately RM1.2 million (30 November 2019: approximately RM1.3 million) as set out in Note 14(i) to the unaudited condensed consolidated financial statements.

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 Digital Free Trade Zone 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 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 Digital Free Trade Zone in Malaysia

The Group has been recruiting IT specialist and outsourced to technology vendors in providing IT solution to the Digital Free Trade Zone in Malaysia. Since the Listing, the Group has already recruited 12 additional staff and outsourced partial development and upgrading works to technology vendors in providing IT solutions in Digital Free Trade Zone in Malaysia. 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 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.

The Company is also exploring new markets by acquisition of service providers that possess government's service provider license (Taraf Bumiputra MOF). Only companies possessing this license can provide services, goods and sales to the governmental authorities and agencies. Given that the majority shareholders of the applicant must be Bumiputera in order to obtain the full license of Taraf Bumiputra MOF, the Company can lawfully be a minority shareholder of the company that possess this license.

With reference to the use of the proceeds, the Company 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-commercial 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 the Bursa Malaysia, the stock exchange of the Malaysia, pursuant to which the Bursa Malaysia agreed to use our products as a foundation to develop CDS e-Services solution platform.

The outbreak of COVID-19 in early 2020 throughout 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 Board 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 worried on 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 shown their openness to PRC investors. In early 2020, we also negotiated 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 executed before Chinese New Year in 2020. However, the possible cooperation project has been interrupted due to the outbreak of COVID-19 and change of the Malaysian Government again 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.

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 consideration of technology enhancement, acquisition of intellectual property, as well as research and development investment are to further enhance the competitive edge of our technical competence. Nevertheless, due to the sudden change of the Malaysian Government and the impact of COVID-19, the Directors consider that it is necessary to further 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 six months ended 31 May 2020, 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 share 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

The table below sets out the proposed applications of the net proceeds up to 31 May 2020:

	Planned use of proceeds up to 31 May 2020	**Actual use of proceeds up to 31 May 2020**	**Total unutilised use of proceeds from the Listing Date to 31 May 2020**
	RM million	*RM million*	*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 31 May 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)*
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 2021

Note:

The expected timeline for utilising the remaining unused proceeds is based on the best estimation of the present and future business market conditions in Malaysia made by the Board.

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 hugely 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 is based. 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 the 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 technological investments 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 resolved 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 extension of time of reviewing services providers by our potential customers

As the actual number of the service providers was nearly two times greater than the number that the Group originally expected, the Group observed that substantially more time has been used by the Group's customers to thoroughly review the other service providers and us to acquire the hardware and the equipment for the establishment of IT infrastructure for the provision of cloud storage and cloud computing services. Since an infrastructure project will last for years, the Group's customers have to take a vigilant and prudent approach to identify the most appropriate service provider. As the Group's customers are still in the progress of reviewing the competitive strengths and weakness of each of the services providers, the utilisation of the net proceeds has been delayed.

(iii) 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. Accordingly, it caused a delay in the utilisation of the net proceeds.

(iv) The acceptance of customers in the secrecy information sector

The customers of the Group in the secrecy information sector (such as central banks, stock exchange, employee provident fund, taxation authority, as well as banks and insurance companies in general) are the major target cloud storage and cloud computing customers. With the release of Risk management in technology (RMiT) by Central Bank of Malaysia on 18 July 2019 clarifying the use and adoption of cloud services, the potential options of cloud storage for these customers may be broadened. These customers would not be prohibited from any use of public cloud after consulting Bank Negara Malaysia except for certain critical technology functions and confidential information. As a result, the customers in the secrecy information sector have the option to use renowned international public infrastructure i.e. "public cloud" (Google, Amazon AWS, Microsoft Azure, etc.). There was no clear directions or guidelines on adopting the private or public cloud before the release of RMiT. This has created an intense competition for local cloud service providers, and it may jeopardize our investment into private cloud storage and cloud computing. Some of the customers in secrecy information sector also fall back to reconsider, on-premise IT infrastructure options. As the Group is reassessing the level of our customers' demand and the required scopes of our customers' expectations on using private infrastructure for the provision of cloud storage and cloud computing services, the utilisation of the net proceeds has been delayed.

Up to 31 May 2020, it is expected that there will be no impairment of the amount invested by the Group in the private cloud storage and cloud computing made as a result of RMiT. In order to protect the Group's investment in the private cloud storage and cloud computing, the Group is currently enhancing its competitive strength in private data protection and other unique features and services so as to distinguish itself from the public cloud services providers.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 May 2020 (six months ended 31 May 2019: nil).

OTHER INFORMATION

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 six months ended 31 May 2020, the Company had complied with the CG Code, except for the deviation 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 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the "Standard of Dealings"), as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the Standard of Dealings from the date on which the shares of the Company are first listed on the Stock Exchange and up to the date of this announcement.

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 six months ended 31 May 2020.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 19 September 2018. The purpose of the Share Option Scheme is to grant an option to subscribe for shares of the Company (the "Option") to eligible persons as defined in the Share Option Scheme (including inter alia, directors, employees, suppliers, customers and consultants of the Group) as incentives or rewards for their contribution to the Group.

Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption on 19 September 2018. During the six months ended 31 May 2020, no Option has been granted by the Company. As of the date of this announcement, the Company had 39,000,000 shares available for issue under the Share Option Scheme (representing 10% of the existing issued share capital of the Company as at the date of this announcement). An option may be accepted within 21 days from the date of offer. A sum of HK$1.00 shall be payable on acceptance. Unless determined by the Directors otherwise, there is no minimum holding period before it can be exercised. The maximum entitlement of each participant and the exercise price shall be in accordance with the GEM Listing Rules. Details of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" of the section headed "Statutory and General Information" of the Prospectus.

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

At 31 May 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in the shares or underlying shares of the Company:

Name of Directors	Capacity and nature of interest	Number of shares interested *(Note 2)*	Percentage of the Company's issued share capital
Mr. Chong Yee Ping *(Note 1)*	Interests of controlled corporation and person acting in concert	196,560,000 (L)	50.4%
Mr. Siah Jiin Shyang *(Note 1)*	Interests of controlled corporation and person acting in concert	196,560,000 (L)	50.4%
Mr. Liu Yan Chee James	Beneficial owner	57,720,000 (L)	14.8%
Mr. Lam Pang	Beneficial owner	38,220,000 (L)	9.8%

Notes:

(1) Delicate Edge Limited is wholly and beneficially owned by Mr. Chong Yee Ping whereas King Nordic Limited is wholly and beneficially owned by Mr. Siah Jiin Shyang. Each of Delicate Edge Limited and King Nordic Limited holds 98,280,000 shares representing 25.2% of the total issued share capital of the Company.

Mr. Chong Yee Ping and Mr. Siah Jiin Shyang are parties acting in concert (having the meaning ascribed to it under the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code")) as confirmed by them in writing. As such, each of Mr. Chong Yee Ping, Mr. Siah Jiin Shyang, Delicate Edge Limited and King Nordic Limited is deemed to be interested in 196,560,000 shares held by Delicate Edge Limited and King Nordic Limited in aggregate under the SFO.

(2) The Letter "L" denotes as long positions in the shares of the Company.

Save as disclosed above, at 31 May 2020, none of the Directors and chief executives of the Company and/or any of their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" and "Share Option Scheme" above, at no time during the six months ended 31 May 2020 was the Company, its holding company, or any of its subsidiaries or associated corporations, a party to any arrangement that would enable the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, at 31 May 2020, the following persons have or are deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long position in the shares or underlying shares of the Company:

Name of substantial shareholders	Capacity and nature of interest	Number of shares interested *(Note 2)*	Percentage of the Company's issued share capital
Delicate Edge Limited *(Note 1)*	Beneficial owner and person acting in concert	196,560,000 (L)	50.4%
King Nordic Limited *(Note 1)*	Beneficial owner and person acting in concert	196,560,000 (L)	50.4%
Mr. Liu Yan Chee James	Beneficial owner	57,720,000 (L)	14.8%
Mr. Lam Pang	Beneficial owner	38,220,000 (L)	9.8%

Notes:

(1) Delicate Edge Limited is wholly and beneficially owned by Mr. Chong Yee Ping whereas King Nordic Limited is wholly and beneficially owned by Mr. Siah Jiin Shyang. Each of Delicate Edge Limited and King Nordic Limited holds 98,280,000 shares representing 25.2% of the total issued share capital of the Company.

Mr. Chong Yee Ping and Mr. Siah Jiin Shyang are parties acting in concert (having the meaning ascribed to it under the Takeovers Code) as confirmed by them in writing. As such, each of Mr. Chong Yee Ping, Mr. Siah Jiin Shyang, Delicate Edge Limited and King Nordic Limited is deemed to be interested in 196,560,000 shares held by Delicate Edge Limited and King Nordic Limited in aggregate under the SFO.

(2) The Letter "L" denotes as long positions in the shares of the Company.

Save as disclosed above, at 31 May 2020, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

None of the Directors and controlling shareholders of the Company nor their respective associates (as defined under the GEM Listing Rules) had any interest in any other companies at 31 May 2020 which may, directly or indirectly compete with the Group's business.

DEED OF NON-COMPETITION

Mr. Chong Yee Ping, Mr. Siah Jiin Shyang, Delicate Edge Limited and King Nordic Limited, being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, have entered into a deed of non-competition dated 19 September 2018 in favour of the Company (the "Deed of Non-Competition"). Details of the Deed of Non-Competition was set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by Mr. Chong Yee Ping, Mr. Siah Jiin Shyang, Delicate Edge Limited and King Nordic Limited up to the date of this announcement.

INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed VBG Capital Limited ("VBG") to be its compliance adviser. At 31 May 2020, save as the compliance adviser agreement entered into between the Company and VBG, neither VBG nor its directors, employees or close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CHANGE OF PARTICULARS OF DIRECTORS

Mr. Liu Yan Chee James, an executive Director, has resigned as the chief executive officer of Future Bright Mining Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2212) with effect from 16 June 2020.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the paragraph C.3 of CG Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules.

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. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Ms. Ho Suet Man Stella (chairman of the Audit Committee), Mr. Chan San Ping and Mr. Su Chi Wen.

The Audit Committee has reviewed with the management the accounting standards and practices adopted by the Group, and discussed financial reporting matters including the review of unaudited condensed consolidated financial statements for the six months ended 31 May 2020 and is of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosures have been made in respect thereof.

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

Hong Kong, 10 July 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 website of the Company at www.mindtelltech.com.