MINDTELL TECHNOLOGY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8611)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 NOVEMBER 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

ANNUAL RESULTS

The board of Directors (the "Board") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 November 2022, together with the comparative figures for the year ended 30 November 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 November 2022

	Notes	**2022** **RM'000**	2021 RM'000
Revenue	*4*	**12,467**	17,177
Cost of services and materials sold		**(9,088)**	(14,472)
Gross profit		**3,379**	2,705
Other income	*5*	**101**	252
Reversal of impairment loss on the trade receivables		**926**	–
Administrative expenses		**(10,900)**	(9,104)
Finance costs	*6*	**(98)**	(72)
Loss before income tax	*6*	**(6,592)**	(6,219)
Income tax expenses	*7*	**(144)**	(48)
Loss for the year		**(6,736)**	(6,267)
Other comprehensive income (expenses)			
Item that will not be reclassified to profit or loss			
Exchange difference on translation of the Company's financial statements to presentation currency		**1,056**	–
Item that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign subsidiaries		**(814)**	(22)
Other comprehensive income (expenses) for the year		**242**	(22)
Total comprehensive expenses for the year		**(6,494)**	(6,289)
Loss per share, basic and diluted (RM cents)	*8*	**(1.73)**	(1.61)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 November 2022

	Notes	2022 RM'000	2021 RM'000
Non-current assets			
Property, plant and equipment		**1,580**	1,851
Right-of-use assets		**593**	974
Intangible assets	*10*	**2,045**	3,060
		4,218	5,885
Current assets			
Trade and other receivables	*11*	**3,105**	9,590
Contract assets	*12*	**1,051**	287
Restricted bank balances		**649**	466
Bank balances and cash		**6,644**	15,089
		11,449	25,432
Current liabilities			
Trade and other payables	*13*	**2,874**	11,631
Contract liabilities	*12*	**771**	828
Income tax payables		**904**	978
Interest-bearing borrowings		**829**	853
Lease liabilities		**204**	237
		5,582	14,527
Net current assets		**5,867**	10,905
Total assets less current liabilities		**10,085**	16,790

	Notes	**2022**	2021
		RM'000	*RM'000*
Non-current liabilities			
Deferred tax liabilities		**23**	31
Lease liabilities		**771**	974
		794	1,005
NET ASSETS		**9,291**	15,785
Capital and reserves			
Share capital	*14*	**2,067**	2,067
Reserves		**7,224**	13,718
TOTAL EQUITY		**9,291**	15,785

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

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

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

These consolidated financial statements have been prepared on the basis consistent with accounting policies adopted in 2021 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:

Amendments to IAS 39, IFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in September 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and

- disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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

Change in accounting estimates

The estimated useful lives of intangible assets are affected by the continuing evolution of technology and the appearance of a large number of new technologies and services. During the year, the Group reviewed the current condition of existing intangible assets and assessed the impact of the continuous technology development and determined to revise the estimated useful lives of certain intangible assets from 3 years to 1.5 years. The change in accounting estimate is accounted for prospectively from 1 January 2022. Effect of change in useful lives is estimated to have increased amortisation by approximately RM612,000 for the current year.

A summary of the principal accounting policies adopted by the Group is set out below.

Basis of measurement

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

Basis of consolidation

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

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

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

Allocation of total comprehensive income

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

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non- controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Future changes in IFRSs

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

Amendments to IAS 16	*Proceeds before Intended Use* [1]
Amendments to IAS 37	*Cost of Fulfilling a Contract* [1]
Amendments to IFRS 3	*Reference to the Conceptual Framework* [1]
Annual Improvements to IFRSs	*2018-2020 Cycle* [1]
Amendments to IAS 1	*Disclosure of Accounting Policies* [2]
Amendments to IAS 8	*Definition of Accounting Estimates* [2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* [2]
IFRS 17	*Insurance Contracts* [2]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information* [2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [3]
Amendments to IAS 1	*Non-current Liabilities with Covenants* [3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback* [3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] Effective for annual periods beginning on or after 1 January 2024
[4] The effective date to be determined

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

3. SEGMENT INFORMATION

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

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

(i) system integration and development services;

(ii) IT outsourcing services; and

(iii) maintenance and consultancy services.

Segment revenue and results

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

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

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

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

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

The segment information provided to the CODM for the reportable segments for the years ended 30 November 2022 and 2021 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 2022				
Revenue from external customers and reportable segment revenue	**10,171**	**1,249**	**1,047**	**12,467**
Reportable segment results	**1,853**	**566**	**960**	**3,379**
Other information:				
Amortisation	**4,282**	**–**	**–**	**4,282**
Addition of intangible assets	**3,267**	**–**	**–**	**3,267**
Year ended 30 November 2021				
Revenue from external customers and reportable segment revenue	13,518	2,866	793	17,177
Reportable segment results	972	1,156	577	2,705
Other information:				
Amortisation	2,782	–	–	2,782
Addition of intangible assets	2,865	–	–	2,865

Geographical information

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

(a) Revenue from external customers

	2022	2021
	RM'000	*RM'000*
Indonesia	**–**	158
Malaysia	**12,467**	17,004
Singapore	**–**	15
	12,467	17,177

(b) Specified Non-current Assets

At 30 November 2022 and 2021, 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 2022 and 2021 is as follows:

	2022	2021
	RM'000	*RM'000*
Customer A	**7,756**	*(Note)*
Customer B	**–**	6,000
Customer C	***(Note)***	4,834
Customer D	***(Note)***	2,929

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

4. REVENUE

	2022	2021
	RM'000	*RM'000*
Revenue from contracts with customers within IFRS 15		
System integration and development services:		
Services provided	**7,764**	9,627
Sales of externally acquired/purchased hardware and software	**2,407**	3,891
	10,171	13,518
IT outsourcing services	**1,249**	2,866
Maintenance and consultancy services	**1,047**	793
	12,467	17,177

	2022	2021
	RM'000	*RM'000*
Timing of revenue recognition:		
At a point in time	**2,407**	3,891
Over time	**10,060**	13,286
	12,467	17,177

5. OTHER INCOME

	2022	2021
	RM'000	*RM'000*
Government grant	**54**	55
Interest income	**42**	190
Others	**5**	7
	101	252

6. LOSS BEFORE INCOME TAX

This is stated after charging:

	2022	2021
	RM'000	*RM'000*
Finance costs		
Interest expenses on interest-bearing borrowings	**42**	20
Finance charges on lease liabilities	**56**	52
	98	72
Staff costs and related expenses (including directors' remuneration)		
Salaries, allowances and other benefits in kind	**8,354**	7,118
Contributions to defined contribution plans	**703**	629
	9,057	7,747
Represented by:		
Staff costs for administrative and sales staff	**2,640**	1,851
Staff costs for IT staff included in administrative expenses	**1,205**	1,868
Staff costs allocated to "Cost of services"	**4,405**	3,863
Staff costs charged to profit or loss	**8,250**	7,582
Staff costs capitalised as "Intangible assets"	**807**	165
	9,057	7,747
Other items		
Amortisation of intangible assets, included in administrative expenses	**4,282**	2,782
Auditors' remuneration	**518**	459
Cost of materials sold	**2,165**	3,467
Depreciation of property, plant and equipment	**457**	450
Depreciation of right-of-use assets	**381**	360
Exchange loss, net	**35**	1

7. INCOME TAX EXPENSES

	2022	2021
	RM'000	*RM'000*
Current tax		
Malaysia corporate income tax ("Malaysia CIT")	**152**	29
Deferred tax	**(8)**	19
Total income tax expenses for the year	**144**	48

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% *(2021: 24%)* of the estimated assessable profits for the year ended 30 November 2022. Malaysia incorporated entities with paid-up capital of RM2.5 million *(2021: RM2.5 million)* or less enjoy tax rate of 17% *(2021: 17%)* on the first RM600,000 *(2021: RM600,000)* and remaining balance of the estimated assessable profits at tax rate of 24% *(2021: 24%)* for the year ended 30 November 2022.

Mixsol Sdn. Bhd. ("Mixsol") has obtained the pioneer status effective from 23 September 2011. 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 has 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 was expired on 30 June 2021. Upon the expiration of pioneer status, Mixsol is subject to Malaysia CIT since 1 July 2021.

Reconciliation of income tax expenses

	2022	2021
	RM'000	*RM'000*
Loss before income tax	**(6,592)**	(6,219)
Income tax at applicable tax rate	**(1,082)**	(1,380)
Non-deductible expenses	**1,295**	1,205
Tax-exempt revenue	**(194)**	(4)
Unrecognised tax losses	**144**	231
Others	**(19)**	(4)
Income tax expenses	**144**	48

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 PER SHARE

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

	2022	2021
	RM'000	*RM'000*
Loss for the year attributable to the owners of the Company, used in basic and diluted loss per share calculation	**(6,736)**	(6,267)
	Number of shares	
Weighted average number of ordinary shares for basic and diluted loss per share calculation	**390,000,000**	390,000,000

Diluted loss per share are same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the years ended 30 November 2022 and 2021.

9. DIVIDENDS

The directors of the Group did not recommend the payment of final dividend for the year ended 30 November 2022 *(2021: Nil)*.

10. INTANGIBLE ASSETS

	Internally developed technologies *RM'000*
Reconciliation of carrying amount – Year ended 30 November 2021	
At 1 December 2020	2,977
Additions	2,865
Amortisation	(2,782)
At 30 November 2021	3,060
Reconciliation of carrying amount – Year ended 30 November 2022	
At 1 December 2021	**3,060**
Additions	**3,267**
Amortisation	**(4,282)**
At 30 November 2022	**2,045**
At 30 November 2021	
Cost	11,247
Accumulated amortisation and impairment loss	(8,187)
	3,060
At 30 November 2022	
Cost	**14,514**
Accumulated amortisation and impairment loss	**(12,469)**
	2,045

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

At 30 November 2022 and 2021, all the intangible assets are available for use.

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

The Group, through its subsidiaries in Malaysia, is engaged in the provision of system integration and development services and maintenance services (the "System Integration CGU"). In view of the deteriorating economy and the continuous situation of COVID-19 pandemic during the years ended 30 November 2022 and 2021, the management considered that there is impairment indicator under the System Integration CGU.

At 30 November 2022, the Group assessed the recoverable amount of the System Integration CGU based on the value-in-use calculation using pre-tax cash flow projections covering a 3-year period which is provided by the management. The estimated revenue and costs for each individual intangible asset were based on management expectation and best assessment based on currently available information. The estimated revenue in future periods is projected based on the ongoing projects and projects in tender. In view of reopening of market under COVID-19 pandemic, the management make estimates based on the projects and tenders currently in progress and assuming the performance of the Group maintaining at a steady level at an average growth rate of 2% *(2021: 1%)*. Accordingly, the recoverable amount of the System Integration CGU was approximately RM3,217,000 *(2021: approximately RM4,760,000)* and no impairment loss should be recognised *(2021: no impairment loss was recognised)* for the remaining non-current assets allocated to the System Integration CGU at 30 November 2022.

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

	2022	2021
Average gross profit margin	**30%**	28%
Average growth rate	**2%**	1%
Discount rate	**7%**	7%

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

The remaining amortisation period of Blackbutton and CUSTPRO at 30 November 2022 are up to 12 months *(2021: 15 months)* and 15 months *(2021: Nil)* with carrying amount of approximately RM1,127,000 *(2021: RM3,060,000)* and RM918,000 *(2021: Nil),* respectively.

CUSTPRO enables customers to use it for their customer relationship management while Blackbutton further enables customers to link their customer relationship management to the e-payment for their services provided to the customers.

11. TRADE AND OTHER RECEIVABLES

	Notes	2022 RM'000	2021 RM'000
Trade receivables from third parties		**2,915**	9,807
Less: Loss allowance		**(73)**	(999)
	11(a)	**2,842**	8,808
Other receivables			
Deposits, prepayments and other receivables	*11(b)*	**263**	782
		3,105	9,590

(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:

	2022 RM'000	2021 RM'000
Within 30 days	**1,289**	6,525
31 to 60 days	**738**	165
61 to 90 days	**76**	73
91 to 180 days	**53**	65
181 to 365 days	**516**	196
Over 365 days	**170**	1,784
	2,842	8,808

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

	2022	2021
	RM'000	*RM'000*
Not yet due	**1,352**	6,545
Past due:		
Within 30 days	**675**	159
31 to 60 days	**76**	61
61 to 90 days	**–**	2
91 to 180 days	**216**	62
181 to 365 days	**355**	693
Over 365 days	**168**	1,286
	1,490	2,263
	2,842	8,808

(b) Deposits, prepayments and other receivables

Included in deposits, prepayments and other receivables at 30 November 2021 were Goods and Services Tax receivables of approximately RM649,000. The amount was settled during the year ended 30 November 2022.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2022	2021
	RM'000	*RM'000*
Contracts in progress		
Contract costs incurred plus recognised profits less recognised losses to date	**69,336**	74,319
Less: progress billings received and receivable	**(69,056)**	(74,860)
	280	(541)

Analysed for the reporting purpose:

		2022	2021
	Notes	***RM'000***	*RM'000*
Contract assets	*12(a)*	**1,051**	287
Contract liabilities	*12(b)*	**(771)**	(828)
		280	(541)

There was no retention held by customers on services contracts at 30 November 2022 and 2021.

At 30 November 2022 and 2021, 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 2022 are as follows:

(a) Contract assets

	2022	2021
	RM'000	*RM'000*
At the beginning of the reporting period	**287**	166
Recognition of revenue	**1,002**	238
Transferred to trade receivables	**(238)**	(117)
At the end of the reporting period	**1,051**	287

There is an increase in the overall contract activities and customer base of the Group for the year ended 30 November 2022 and the ongoing contracts at the end of the reporting period, thereby increasing the amount arising from the recognition of revenue.

(b) Contract liabilities

	2022	2021
	RM'000	*RM'000*
At the beginning of the reporting period	**828**	2,144
Receipt in advance	**389**	231
Recognition of revenue	**(446)**	(1,547)
At the end of the reporting period	**771**	828

At 30 November 2022, the aggregate amount of transaction price allocated to unsatisfied performance obligations is approximately RM12.2 million *(2021: approximately RM9.3 million)*. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue within one year or less.

13. TRADE AND OTHER PAYABLES

	Note	2022 RM'000	2021 RM'000
Trade payables from third parties	*13(a)*	**110**	8,196
Other payables			
Accruals and other payables		**2,764**	3,435
		2,874	11,631

(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:

	2022 RM'000	2021 RM'000
Within 30 days	**64**	5,661
31 to 60 days	**–**	450
61 to 90 days	**–**	150
91 to 180 days	**11**	900
181 to 365 days	**–**	1,000
Over 365 days	**35**	35
	110	8,196

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

14. SHARE CAPITAL

	Number of shares	HK$	Equivalent to RM
Ordinary share of HK$0.01 each			
Authorised:			
At 1 December 2020, 30 November 2021 **and 30 November 2022**	**2,000,000,000**	**20,000,000**	**10,596,200**
Issued and fully paid:			
At 1 December 2020, 30 November 2021 **and 30 November 2022**	**390,000,000**	**3,900,000**	**2,067,000**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is an IT service provider based in Malaysia and principally engaged in the design, procurement, installation and maintenance of customised systems application for corporate customers. Our services mainly include:

(i) System integration and development – development and customisation of corporate IT system applications on project basis, either in the capacity as a main contractor or as a subcontractor;

(ii) IT outsourcing – performance of specific tasks for development and customisation of corporate IT system applications which are within our expertise under the supervision of customers; and

(iii) Maintenance and consultancy – maintenance and support of the developed IT system applications.

FINANCIAL REVIEW

Revenue

The Group's revenue was derived from three principal businesses, 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 2022, the Group recorded a decrease in total revenue by approximately 27.4% to approximately RM12.5 million (2021: approximately RM17.2 million). The decrease in revenue was mainly due to decrease in revenue generated from the system integration and development services and IT outsourcing services.

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

System integration and development services

For system integration and development services, the revenue decreased by approximately 24.8% to approximately RM10.2 million for the year ended 30 November 2022 (2021: approximately RM13.5 million). The decrease in revenue was mainly due to the combination of economic slowdown and a slowdown in securing new projects, along with the completion of large projects, all of which are contributing factors to the decline in revenue for the system integration and development services business.

IT outsourcing services

For IT outsourcing services, the revenue decreased by approximately 56.4% to approximately RM1.2 million for the year ended 30 November 2022 (2021: approximately RM2.9 million). The primary reason for the decline was a reduction in the amount of time devoted to outsourcing services, which was due to the allocation of the Company's staff to internal projects instead of provision of IT outsourcing services to external customers.

Maintenance and consultancy services

For maintenance and consultancy services, the revenue increased by approximately 32.0% to approximately RM1,047,000 for the year ended 30 November 2022 (2021: approximately RM793,000). The increase in revenue was mainly due to the addition of a new significant project that generated revenue of approximately RM0.45 million during the year.

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	
	2022	2021
	RM'000	*RM'000*
Revenue	**12,467**	17,177
Cost of services and materials sold	**(9,088)**	(14,472)
Gross profit	**3,379**	2,705
Gross profit margin	**27.1%**	15.7%

The gross profit increased from approximately RM2.7 million for the year ended 30 November 2021 to approximately RM3.4 million for the year ended 30 November 2022.

The gross profit margin increased from approximately 15.7% for the year ended 30 November 2021 to approximately 27.1% for the year ended 30 November 2022. The increase in gross profit margin was mainly due to the increase in gross profit margin from system integration and development services and maintenance services.

Administrative expenses

Administrative expenses increased by approximately 19.7% to approximately RM10.9 million for the year ended 30 November 2022 (2021: approximately RM9.1 million). The increase was mainly due to increase in amortisation of intangible assets of approximately RM1.5 million.

Finance costs

The finance costs increased by approximately 36.1% to approximately RM98,000 for the year ended 30 November 2022 (2021: approximately RM72,000). The increase in finance costs was mainly because the Malaysia banks granted interest-free deferral of repayment for interest-bearing borrowings in 2021, while no such deferral was granted in 2022.

Income tax expenses

Income tax expenses were approximately RM144,000 for the year ended 30 November 2022 (2021: approximately RM48,000). The income tax expenses mainly arose from profits generated by two Malaysia subsidiaries for the financial year.

Loss for the year

The Group recorded a loss of approximately RM6.7 million for the year ended 30 November 2022 (2021: approximately RM6.3 million). Although the gross profit increased and there was a reversal of impairment loss on trade receivables of approximately RM0.9 million, the increase in loss was mainly due to the increase in administrative expenses as analysed above.

RESPONSE TO OUTBREAK OF THE COVID-19 PANDEMIC

Since early 2020, the COVID-19 pandemic spread worldwide and posed significant threats to the global human health and economy. The COVID-19 pandemic has resulted in, among other things, ongoing travel restrictions, prolonged closures of workplaces, lockdowns in various countries and increased volatility in international capital market. To control the spread of the COVID-19 pandemic, the Malaysian Government implemented a series of precautionary measures such as lockdowns, quarantines, travel restrictions, business shutdowns and vaccination. The COVID-19 pandemic has lasted longer than we anticipated, with longer lockdown periods in those major countries where we operate in as compared to the previous year, and customers are mostly staying on the sidelines and delaying their key information technology purchasing decisions.

The year of 2022 was a still challenging year for the Group. The COVID-19 pandemic and the emergence of new variants thereof has continued to pose significant challenges on global economic activities and financial markets. The on-going armed conflict in Ukraine has triggered a global commodities price fluctuation. Together with the on-going COVID-19 pandemic, US-China-Taiwan tensions, extreme global climate change, rising interest rates and volatility of currency exchanges are likely to create further global security and economic uncertainties which affected the financial performance of the Group in 2022. The Group's financial performance of 2022 has not been evaded from the above negative impacts and concerns. The Group saw some revival of business activities during the period of the Recovery Movement Control Order. However, the market was dampened again by the third wave of the COVID-19 pandemic in Malaysia which directly impacted our Group's business activities as a result of the cautious slow resumption of the industry. As a result, these adversely affected our financial results.

The Malaysian economy has recovered strongly from the disruptions of the COVID-19 pandemic in the second half of 2022 due to high vaccination rate, continuing nationwide inoculation programme, and adequate healthcare capacity. Malaysia has progressively reopened its economy despite the resurgence of infections by the Omicron variant in 2022. Nevertheless, the full withdrawal of movement restrictions, the re-opened national borders for travellers and the reopening of the economy are expected to reposition Malaysia on a quicker recovery path. The Group can travel to more destinations with ease for business activities and continue to work on opportunities and explore the markets with the current and new technological offerings.

Despite the emergence of new variants of the COVID-19 pandemic which continued to pose significant challenges to many countries, the Group believes that the global economy is recovering gradually as more and more countries gradually adopt to live with the COVID-19 pandemic and as a result of high vaccination rate lessening the severity of illness and outbreaks. The Group will continue to focus on ensuring that all ongoing projects and services be secured and keeping close contact with our customers and business partners through online communication.

We will continue to work in partnership with our customers to provide them the recommendation to modernise their solutions they need to advance into the digital age. We foresee the industry has started to formulate budget and plan for an expansionary future, in a new norm with the COVID-19 virus being a part of the landscape in the foreseeable future. We observe that significant deals that were deferred in the past are now being brought to table for discussion and negotiation. We continue to focus on our customers'requirements, providing them the right solutions and continuing to promote digital adoption and transformation.

At the same time, the Group will monitor the development of the COVID-19 pandemic to ensure the safety of employees and stable operations and to mitigate the adverse impact of the COVID-19 pandemic. As and when appropriate, the Group will adjust its measures and plans for pandemic prevention, operations and business sustainability and development accordingly.

LIQUIDITY AND CAPITAL RESOURCES

At 30 November 2022, the total borrowings of the Group amounted to approximately RM1.8 million (2021: approximately RM2.1 million) which comprised interest-bearing borrowings and lease liabilities.

At 30 November 2022, the gearing ratio of the Group was 19.4% (2021: 13.1%). Gearing ratio is calculated based on total borrowings divided by total equity at the end of the financial year.

At 30 November 2022, the Group's net current assets amounted to approximately RM5.9 million (2021: approximately RM10.9 million). The current ratio of the Group was approximately 2.1 times (2021: approximately 1.8 times). Current ratio is calculated based on total current assets divided by total current liabilities at the end of the financial year.

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

CONTINGENT LIABILITIES

At 30 November 2022, the Group did not have any significant contingent liabilities (2021: nil).

CAPITAL COMMITMENTS

At 30 November 2022, the Group did not have significant capital commitments contracted but not provided for (2021: nil).

SIGNIFICANT INVESTMENTS HELD

At 30 November 2022, the Group did not have any significant investments (2021: nil).

PLEDGE OF ASSETS

At 30 November 2022, the Group had obtained banking facilities on issuance of bank guarantees granted by certain creditworthy banks, which were guaranteed by the restricted bank balances of approximately RM649,000 (2021: approximately RM466,000).

At 30 November 2022, the interest-bearing borrowings were secured by properties owned by the Group with aggregate net carrying amount of approximately RM1.2 million (2021: approximately RM1.2 million).

FUTURE BUSINESS AND DEVELOPMENT PLAN

The Group actively pursues the following business strategies:

(i) to be a major IT solution provider to the development of digital banking and digital public financial services;

(ii) to capture new growth opportunities on solution related to digitalisation of customer fronting needs; and

(iii) to leverage on the business networks of the pre-IPO investors of the Company to introduce IT products in the PRC into Malaysia, and diversify our service offerings to our customers.

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

(i) To be a major IT solution provider to the development of digital banking and digital public financial services

As the country just embark into the route of stabilising the economy and political conditions, Malaysia is setting foot to release two rounds of national budget. The first one was released on 24 February 2023. It is still unclear how the second budget will change the market outlook and it is challenging to anticipate which sector will benefit from technology investment.

Hence, more focus is diverted to the promising financial services industry as well as public financial services, such as social security, central banks, stock exchange, as well as pension fund organisation. These industries had steadily invested into fundamental demand especially in the compliance area. They have grown steadily amidst the pandemic and during economy downturn. We have been serving the market in both data engineering services, compliance, as well as digitalisation development.

We have also established ourselves in a prominent position of offering anti-money laundering solution since last year. It will be a highly demanded solution. We believe that we will be able to anchor the market with more adoption of our anti-money laundering solution.

Riding on our track record of active digitalisation in social security, stock exchange, as well as central bank, we will continue to focus on selling and marketing activities in this segment. This is also supported by our known reputation in the same area.

(ii) To capture new growth opportunities on solution related to digitalisation of customer fronting needs

The Group has developed the advanced version of our mobile payment and customer onboarding application – Blackbutton, in order to localise the mobile payment product into Malaysia and integrating the payment operator with the banking infrastructure. Blackbutton Version 2.0 has been completed and is ready for offering to market.

As the digital financial services ramped up in the market, new demand emphasising three areas of digital process seems increasing:

a. Digital customer onboarding
b. Digital Electronic Know Your Customer (eKYC)
c. Digital credit origination

The Group will enhance Blackbutton to expand its feature to fully support the three features above. The Group may also explore potential acquisition to accelerate the strengthening of products and features to meet the potential market demand in its NS3 and CUSTPRO products. The functions that include mobile technology and statistical modelling are still sought after in the intellectual property acquisition.

However, as the market is still in the transition to the actual post-pandemic status, acquisition of new intellectual property will be conducted cautiously and considered meticulously.

The digital banking solution is ready for offering to market. We will be conducting active marketing activities such as participation of regional banking technology events, close group forums with local bankers, etc.

The current market, after the outbreak of the COVID-19 pandemic and its economic impact on the global market, are also suffering from global economy slowdown due to the interest rate hikes. It is expected that it will persist to give rise to an uncertain economic environment to the Malaysian market. In the coming years, 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.

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

The Group has been discussing with various potential technology partners in the PRC regarding the launch of their services/products in Malaysia. Site visits were conducted to further discuss business collaboration for Malaysian market before the outbreak of the COVID-19 pandemic. However, these activities were put on hold or delayed due to the COVID-19 pandemic and restrictions on international travel.

As the international travel is substantially resumed, the Group will continue to discuss with potential business partners, and actively explore valuable IT products for the purpose of diversifying our products and services offering to our customers.

Barely out of the pandemic crisis, the Group is now monitoring the possible global recession with headline news on rising interest rates, the war in Ukraine and supply chain disruptions affecting business operations. The business environment will continue to remain challenging for the Group. Taking into consideration the challenges faced by the Group, the Group has actively negotiated and secured new projects and tenders to enhance its business performance and continued to develop advanced version of our existing IT products in order to further increase the competitive edge of our technical competence. The Group had taken steps to explore emerging markets such as Vietnam and Cambodia and to identify new business opportunities and appropriate investment opportunities to strengthen the core business of the Group. Nevertheless, the Group remains mindful and watchful of the global developments and is cautious on how they will impact our region. The Group will adjust and transform itself as the economic landscape evolves. Furthermore, the Group will focus on implementing its business strategies and utilise its competitive strengths. The Board will closely monitor the impact of the government policies of Malaysia on the Group's future business and development plans and make further adjustments to the plans if necessary.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 30 November 2022, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risk factors and uncertainties	**Risk Response**
Most of the contracts are project-based which create uncertainty in sustainability of our future revenue streams	To secure new contracts, the Group continuously enhances our future products and services offerings, introduces various marketing and promotional activities, and provides customised solutions to the customers.
Rely on major customers for a significant portion of our business and any decrease in revenue generated from major customers could materially and adversely affect our business, results of operations and financial condition	The Group maintains good and long-term relationships with the existing customers. At the same time, the Group introduces various marketing and promotional activities to attract potential customers and to increase market awareness. The Group will continue to identify opportunities and explore the market with the current and new technological offerings acquired through partnerships.
Cost overruns or delays in our system integration and development projects may materially and adversely affect our business, financial position and results of operation	The COVID-19 pandemic has resulted in cost overruns and delays in projects. Nevertheless, the Group continues to manage the costs carefully, rationalize cost structure and optimise the resources utilisation and efficiencies.

Risk factors and uncertainties	Risk Response
Failure to anticipate and keep pace with the development of our customer's business and industry	The Group closely monitors the changes in technologies and reviews the customers' needs to mitigate the risks. The Group also develops advanced versions of its existing products and evaluates the potential acquisitions of IT business from time to time to meet the customers' demands.
Significant delays in the settlement of trade receivables from our customers	The Group conducts businesses with recognised and creditworthy customers and generally does not provide a long credit period to new customers unless they are sizable enterprises with good reputation. The trade receivable balances are monitored on an ongoing basis by the management. To collect overdue trade receivables, the Group closely monitors overdue payments and performs credit search on our customers to ensure their recoverability. Although the COVID-19 pandemic has affected prompt and timely payment of many customers, credit and payment terms have been restructured to ensure these customers continue to settle their outstanding fees when due. The collection progress has been achieved constantly.

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 its 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.

CHANGE IN 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 adjusted the use of 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 were 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

On 19 March 2021, the Board resolved to change the use of the remaining balance of the unutilised net proceeds of approximately RM17.28 million to research and development of advanced and adapted versions of our Group’s existing IT products (RM3.28 million), the acquisition of IT business (RM3.00 million) and for the Group’s general working capital (RM11.00 million) (the “First Change in UOP”). Details of the First Change in UOP were set out in the announcement of the Company dated 23 March 2021.

On 28 February 2022, the Board resolved to re-allocate the unutilised net proceeds of approximately RM3.00 million for acquisition of IT business to research and development of advanced and adapted versions of our Group’s existing IT products (the “Second Change in UOP”). Details of the Second Change in UOP were set out in the announcement of the Company dated 28 February 2022.

The table below sets out the utilisation of the net proceeds up to 30 November 2022:

Use of proceeds	Original intended use of net proceeds from the Listing *RM million*	Adjusted net proceeds after the First Change in UOP *RM million*	Adjusted net proceeds after the Second Change in UOP *RM million*	Amount of utilised net proceeds up to 30 November 2022 *RM million*	Amount of unutilised net proceeds up to 30 November 2022 *RM million*
Strengthening our technical team by recruiting more IT specialists	3.05	3.05	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	1.02	(1.02)	–
Research and development of advanced and adapted versions of our Group's existing IT products *(Note 1)*	6.10	9.38	12.38	(12.38)	–
Acquisition of IT business *(Note 2)*	–	3.00	–	–	–
General working capital *(Note 3)*	3.05	14.05	14.05	(14.05)	–
Total	30.50	30.50	30.50	(30.50)	–

Notes:

1. The existing IT products of our Group include Square Intelligence, CUSTPRO and Blackbutton.

2. The acquisition target(s) include companies which possess the Taraf Bumiputera MOF. During the year, the management had endeavoured to negotiate for a potential acquisition of a company that possesses the licence of Taraf Bumiputra MOF, but the potential acquisition did not proceed due to unsatisfactory due diligence results.

3. At the date of the First Change in UOP, the unutilised net proceeds of approximately RM11 million were reallocated to general working capital comprising staff costs of approximately RM7.6 million, professional fees of approximately RM1.5 million, finance costs of approximately RM0.1 million and others of approximately RM1.8 million. At the date of the Second Change of UOP, there was no change in the use of the remaining unutilised amount of approximately RM2.84 million for general working capital. The expected timeline for utilisation was slightly extended from 31 March 2022 to 31 May 2022 based on the best estimation of the present and future business market conditions made by the Board.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 November 2022, the Group had a total of 70 employees (2021: 60) in Hong Kong and Malaysia. For the year ended 30 November 2022, total staff costs and related expenses of the Group (including the Directors' remuneration) were approximately RM9.1 million (2021: approximately RM7.7 million).

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

RETIREMENT BENEFITS SCHEME

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

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

For the years ended 30 November 2022 and 2021, there were no forfeited contributions which were available to reduce the Group's existing level of contributions to the MPF Scheme and the EPF.

For the year ended 30 November 2022, the total amount contributed by the Group to the schemes was approximately RM703,000 (2021: approximately RM629,000).

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash or shares. Any distribution of dividends shall be in accordance with the Articles 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 2022.

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 2022.

EVENTS AFTER THE REPORTING PERIOD

As from 30 November 2022 to the date of this announcement, the Board is not aware of any significant events that have occurred which require disclosure herein.

CORPORATE GOVERNANCE PRACTICES

Maintaining the high levels of corporate governance and business ethics is one of the Group's major objectives. The Group considers that conducting business in a reliable way will maximise its long term interests and those of its stakeholders.

The Company has adopted the principles and the code provisions in the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix 15 to the GEM Listing Rules.

During the year ended 30 November 2022, the Company had complied with the CG Code, except for the derivations as stated below:

Code Provision C.2.1

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

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the code provision D.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Ms. Ho Suet Man Stella, Mr. Chan San Ping and Mr. Su Chi Wen. Ms. Ho Suet Man Stella is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board in the assessment of auditors' independence, appointment, re-appointment, removal and remuneration, to provide 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 quarterly results, interim results and annual results and financial statements for the year ended 30 November 2022.

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

Hong Kong, 28 February 2023

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 website of the Stock Exchange at www.hkexnews.hk for at least seven days after the date of publication and on the Company's website at www.mindtelltech.com.