

MINDTELL TECHNOLOGY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8611)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 AUGUST 2022

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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.

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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.

UNAUDITED CONDENSED CONSOLIDATED RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31 August 2022, together with the comparative unaudited figures for the corresponding periods of 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 August 2022

| | Notes | (Unaudited) For the three months ended 31 August | | (Unaudited) For the nine months ended 31 August | |
|---|-------|--|----------------|---|----------------|
| | | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Revenue | 4 | 2,162 | 2,652 | 9,198 | 8,223 |
| Cost of services and materials sold | | <u>(1,287)</u> | <u>(1,481)</u> | <u>(7,104)</u> | <u>(5,299)</u> |
| Gross profit | | 875 | 1,171 | 2,094 | 2,924 |
| Other income | 5 | 72 | 30 | 78 | 69 |
| Administrative expenses | | (2,353) | (2,276) | (8,161) | (6,520) |
| Reversal of (Provision for) impairment loss on trade receivables | | 843 | (1,562) | 934 | (1,762) |
| Finance costs | 6 | <u>(21)</u> | <u>(14)</u> | <u>(74)</u> | <u>(52)</u> |
| Loss before income tax | 6 | (584) | (2,651) | (5,129) | (5,341) |
| Income tax expenses | 7 | <u>(39)</u> | <u>(138)</u> | <u>(39)</u> | <u>(138)</u> |
| Loss for the period | | (623) | (2,789) | (5,168) | (5,479) |
| Other comprehensive expenses | | <u>—</u> | <u>—</u> | <u>—</u> | <u>(19)</u> |
| Total comprehensive loss for the period | | <u>(623)</u> | <u>(2,789)</u> | <u>(5,168)</u> | <u>(5,498)</u> |
| Loss per share, basic and diluted (RM cents) | 8 | <u>(0.16)</u> | <u>(0.72)</u> | <u>(1.33)</u> | <u>(1.40)</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 August 2022

| | Reserves | | | | | Total <i>RM'000</i> |
|--|-----------------------------------|-----------------------------------|-------------------------------------|--------------------------------------|--|------------------------|
| | Share capital <i>RM'000</i> | Share premium <i>RM'000</i> | Capital reserve <i>RM'000</i> | Exchange reserve <i>RM'000</i> | Accumulated losses <i>RM'000</i> | |
| At 1 December 2021 (Audited) | <u>2,067</u> | <u>28,732</u> | <u>4,952</u> | <u>(340)</u> | <u>(19,626)</u> | <u>15,785</u> |
| Loss for the period and total comprehensive loss for the period | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,168)</u> | <u>(5,168)</u> |
| At 31 August 2022 (Unaudited) | <u><u>2,067</u></u> | <u><u>28,732</u></u> | <u><u>4,952</u></u> | <u><u>(340)</u></u> | <u><u>(24,794)</u></u> | <u><u>10,617</u></u> |
| At 1 December 2020 (Audited) | <u>2,067</u> | <u>28,732</u> | <u>4,952</u> | <u>(318)</u> | <u>(13,359)</u> | <u>22,074</u> |
| Loss for the period | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,479)</u> | <u>(5,479)</u> |
| Other comprehensive expenses | <u>-</u> | <u>-</u> | <u>-</u> | <u>(19)</u> | <u>-</u> | <u>(19)</u> |
| Total comprehensive loss for the period | <u>-</u> | <u>-</u> | <u>-</u> | <u>(19)</u> | <u>(5,479)</u> | <u>(5,498)</u> |
| At 31 August 2021 (Unaudited) | <u><u>2,067</u></u> | <u><u>28,732</u></u> | <u><u>4,952</u></u> | <u><u>(337)</u></u> | <u><u>(18,838)</u></u> | <u><u>16,576</u></u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 31 August 2022

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 investment holding. 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 nine months ended 31 August 2022 (the "Third Quarterly Financial Statements") are prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The preparation of the Third Quarterly Financial Statements 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 Third Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial performance of the Group since 30 November 2021, 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 International Accounting Standards Boards (the "IASB"), which collective term includes all applicable individual IFRSs, International Accounting Standards (the "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 2021 (the "2021 Financial Statements").

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

The accounting policies and methods of computation applied in the preparation of the Third Quarterly Financial Statements are consistent with those applied in the preparation of the 2021 Financial Statements. The adoption of the new/revised IFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

Future changes in IFRSs

At the date of authorisation of the Third Quarterly 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

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 and results

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 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 nine months ended 31 August 2022 and 2021 respectively 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 nine months ended 31 August 2022 (Unaudited) | | | | |
| Revenue from external customers and reportable segment revenue | <u>7,836</u> | <u>1,014</u> | <u>348</u> | <u>9,198</u> |
| Reportable segment results | <u>1,284</u> | <u>464</u> | <u>346</u> | <u>2,094</u> |
| Other information: | | | | |
| Amortisation | <u>3,410</u> | <u>-</u> | <u>-</u> | <u>3,410</u> |
| Addition of intangible assets | <u>2,805</u> | <u>-</u> | <u>-</u> | <u>2,805</u> |
| Reversal of impairment loss on trade receivables | <u>(934)</u> | <u>-</u> | <u>-</u> | <u>(934)</u> |
| | System integration and development services RM'000 | IT outsourcing services RM'000 | Maintenance and consultancy services RM'000 | Total RM'000 |
| For the nine months ended 31 August 2021 (Unaudited) | | | | |
| Revenue from external customers and reportable segment revenue | <u>5,196</u> | <u>2,408</u> | <u>619</u> | <u>8,223</u> |
| Reportable segment results | <u>969</u> | <u>1,516</u> | <u>439</u> | <u>2,924</u> |
| Other information: | | | | |
| Amortisation | <u>1,808</u> | <u>-</u> | <u>-</u> | <u>1,808</u> |
| Addition of intangible assets | <u>1,911</u> | <u>-</u> | <u>-</u> | <u>1,911</u> |
| Provision for impairment loss on trade receivables | <u>1,762</u> | <u>-</u> | <u>-</u> | <u>1,762</u> |

Geographical information – Revenue from external customers

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the location of external customers.

| | (Unaudited) | |
|-----------|--|---------------|
| | For the nine months ended 31 August | |
| | 2022 | 2021 |
| | <i>RM'000</i> | <i>RM'000</i> |
| Malaysia | 9,198 | 8,208 |
| Singapore | – | 15 |
| | <u>9,198</u> | <u>8,223</u> |

4. REVENUE

| | (Unaudited) | | (Unaudited) | |
|--|---|---------------|--|---------------|
| | For the three months ended 31 August | | For the nine months ended 31 August | |
| | 2022 | 2021 | 2022 | 2021 |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| System integration and development services: | | | | |
| Services provided | 1,821 | 858 | 5,698 | 4,505 |
| Sales of externally acquired/purchased hardware and software | – | 643 | 2,138 | 691 |
| | <u>1,821</u> | <u>1,501</u> | <u>7,836</u> | <u>5,196</u> |
| IT outsourcing services | 249 | 925 | 1,014 | 2,408 |
| Maintenance and consultancy services | 92 | 226 | 348 | 619 |
| | <u>2,162</u> | <u>2,652</u> | <u>9,198</u> | <u>8,223</u> |
| Timing of revenue recognition: | | | | |
| At a point in time | – | 643 | 2,138 | 691 |
| Over time | 2,162 | 2,009 | 7,060 | 7,532 |
| | <u>2,162</u> | <u>2,652</u> | <u>9,198</u> | <u>8,223</u> |

5. OTHER INCOME

| | (Unaudited) | | (Unaudited) | |
|--------------------|-----------------------------|---------------|----------------------------|---------------|
| | For the three months | | For the nine months | |
| | ended 31 August | | ended 31 August | |
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | – | – | 5 | 29 |
| Exchange gain, net | 69 | – | 69 | – |
| Others | 3 | 30 | 4 | 40 |
| | <u>72</u> | <u>30</u> | <u>78</u> | <u>69</u> |

6. LOSS BEFORE INCOME TAX

This is stated after charging (crediting):

| | (Unaudited) | | (Unaudited) | |
|--|-----------------------------|---------------|----------------------------|---------------|
| | For the three months | | For the nine months | |
| | ended 31 August | | ended 31 August | |
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance costs | | | | |
| Interest expenses on interest-bearing borrowings | 8 | 2 | 33 | 20 |
| Finance charges on lease liabilities | 13 | 12 | 41 | 32 |
| | <u>21</u> | <u>14</u> | <u>74</u> | <u>52</u> |

| | (Unaudited) | | (Unaudited) | |
|--|-----------------------------|---------------|----------------------------|---------------|
| | For the three months | | For the nine months | |
| | ended 31 August | | ended 31 August | |
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other items | | | | |
| Amortisation of intangible assets, included in administrative expenses | 1,042 | 656 | 3,410 | 1,808 |
| Auditors' remuneration | 13 | 2 | 13 | 6 |
| Cost of materials sold | – | 426 | 1,941 | 467 |
| Depreciation of property, plant and equipment | 115 | 106 | 329 | 332 |
| Depreciation of right-of-use assets | 72 | 96 | 237 | 265 |
| (Reversal of) Provision for impairment loss on trade receivables | (843) | 1,562 | (934) | 1,762 |
| | <u>(843)</u> | <u>1,562</u> | <u>(934)</u> | <u>1,762</u> |

7. INCOME TAX EXPENSES

| | (Unaudited) | | (Unaudited) | |
|---|---|-------------------|--|-------------------|
| | For the three months ended 31 August | | For the nine months ended 31 August | |
| | 2022 | 2021 | 2022 | 2021 |
| | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> | <i>RM'000</i> |
| Current tax | | | | |
| Malaysia corporate income tax ("Malaysia CIT") | <u>39</u> | <u>138</u> | <u>39</u> | <u>138</u> |
| Total income tax expenses for the period | <u><u>39</u></u> | <u><u>138</u></u> | <u><u>39</u></u> | <u><u>138</u></u> |

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% (2021: 24%) of the estimated assessable profits for the nine months ended 31 August 2022. Malaysia incorporated entities with paid-up capital of 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 nine months ended 31 August 2022. Meanwhile, for the nine months ended 31 August 2022, a special one-off tax was imposed on companies, except those enjoy the abovementioned 17% reduced tax rate, at tax rate of 24% on the first RM100 million and remaining balance of the estimated assessable profits at tax rate of 33%.

Mixsol Sdn. Bhd. ("Mixsol") 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 the submission of a formal request to the Malaysia Investment Development Authority on or prior to expiry date and upon the confirmation of the Ministry of International Trade and Industry 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 expired on 30 June 2021. Upon the expiration of pioneer status, Mixsol is subject to Malaysia CIT from 1 July 2021 onwards.

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:

| | (Unaudited) | | (Unaudited) | |
|---|-----------------------------|--------------------|----------------------------|--------------------|
| | For the three months | | For the nine months | |
| | ended 31 August | | ended 31 August | |
| | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loss for the period attributable to the owners of the Company, used in basic and diluted loss per share calculation | <u>(623)</u> | <u>(2,789)</u> | <u>(5,168)</u> | <u>(5,479)</u> |
| | Number of shares | | | |
| | For the three months | | For the nine months | |
| | ended 31 August | | ended 31 August | |
| | 2022 | 2021 | 2022 | 2021 |
| Weighted average number of ordinary shares for basic and diluted loss per share calculation | <u>390,000,000</u> | <u>390,000,000</u> | <u>390,000,000</u> | <u>390,000,000</u> |

Diluted loss per share are the same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the nine months ended 31 August 2022 and 2021.

9. DIVIDENDS

The Directors did not recommend a payment of an interim dividend for the nine months ended 31 August 2022 (2021: nil).

10. APPROVAL OF THE THIRD QUARTERLY FINANCIAL STATEMENTS

The Third Quarterly Financial Statements were approved and authorised for issue by the Board on 10 October 2022.

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 Third Quarterly Financial Statements.

For the nine months ended 31 August 2022, the Group recorded an increase in total revenue by approximately 11.9% to approximately RM9.2 million (2021: approximately RM8.2 million). The increase in revenue was mainly due to the increase in revenue from the system integration and development services, exceeding the decrease in revenue from IT outsourcing services and maintenance and consultancy 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 increased by approximately 50.8% to approximately RM7.8 million for the nine months ended 31 August 2022 (2021: approximately RM5.2 million).

The increase in revenue was mainly due to the commencement of a number of new projects, contributing revenue of approximately RM5.8 million during the nine months ended 31 August 2022.

IT outsourcing services

For IT outsourcing services, the revenue decreased by approximately 57.9% to approximately RM1.0 million for the nine months ended 31 August 2022 (2021: approximately RM2.4 million). The decrease in revenue was mainly due to the decrease in the time for outsourcing services rendered.

Maintenance and consultancy services

For maintenance and consultancy services, the revenue decreased by approximately 43.8% to approximately RM348,000 for the nine months ended 31 August 2022 (2021: approximately RM619,000). The decrease in revenue was mainly due to completion or scale down of several 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 nine months ended | |
| | 31 August | |
| | 2022 | 2021 |
| | RM'000 | RM'000 |
| Revenue | 9,198 | 8,223 |
| Cost of services and materials sold | (7,104) | (5,299) |
| Gross profit | <u>2,094</u> | <u>2,924</u> |
| Gross profit margin | <u>22.8%</u> | <u>35.6%</u> |

The gross profit decreased from approximately RM2.9 million for the nine months ended 31 August 2021 to approximately RM2.1 million for the nine months ended 31 August 2022. The gross profit margin decreased from approximately 35.6% for the nine months ended 31 August 2021 to approximately 22.8% for the nine months ended 31 August 2022. The decrease was mainly due to the decrease in gross profit margin from system integration and development services.

Administrative expenses

Administrative expenses increased by approximately 25.2% to approximately RM8.2 million for the nine months ended 31 August 2022 (2021: approximately RM6.5 million). The increase was mainly due to (i) increase in amortisation of intangible assets of approximately RM1.6 million, and (ii) withholding tax of approximately RM200,000 incurred in relation to software purchased from Singapore for a new project during the nine months ended 31 August 2022.

Finance costs

The finance costs increased by approximately 42.3% to approximately RM74,000 for the nine months ended 31 August 2022 (2021: approximately RM52,000). The increase in finance costs was mainly because the Malaysia banks granted interest-free deferral of repayment for interest-bearing borrowings during the nine months ended 31 August 2021, while no such deferral was granted during the nine months ended 31 August 2022.

Income tax expenses

The income tax expenses decreased to approximately RM39,000 for the nine months ended 31 August 2022 (2021: approximately RM138,000). The decrease was mainly due to decrease in profits generated by Malaysia subsidiaries of the Company for the nine months ended 31 August 2022.

Loss for the period

The Group recorded a loss of approximately RM5.2 million for the nine months ended 31 August 2022 (2021: approximately RM5.5 million). Although the gross profit decreased and amortisation expenses increased as mentioned above, the loss for the period decreased mainly because there was a reversal of impairment loss on trade receivables of approximately RM0.9 million for the nine months ended 31 August 2022, comparing with a provision for impairment loss on trade receivables of approximately RM1.8 million for the corresponding period of 2021.

RESPONSE TO OUTBREAK OF COVID-19 PANDEMIC

Since early 2020, the COVID-19 pandemic spread worldwide and caused 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 certain countries and increased volatility in the international capital market.

The prolonged COVID-19 pandemic has affected our business to certain extent. The COVID-19 pandemic has lasted longer than anticipated. Customers are mostly staying on the sidelines and delaying their purchase decisions of key information technology. These adversely affected our financial results.

The ongoing situation of the COVID-19 pandemic continued to affect our operations and business in Malaysia, including but not limited to (i) temporary closure of offices and work from home arrangement of most of the staff; (ii) delays of projects or slowdown of progress by the customers due to their closure of offices and change in their deployment; and (iii) challenges in the negotiation of new projects and securing of new business due to uncertainty in the development of the COVID-19 pandemic.

The challenges are expected to persist in the near future. Nevertheless, the overall economic and operating environment is expected to recover gradually due to the increase in vaccination rates and the reopening of the affected economic sectors. 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. Our priority has always been the strategies below:

- a. Focusing on enterprise banking and government agencies since their demand for system, application and data management services are consistent and their operations rely heavily on information communication technology.
- b. Providing pay-per-use or leasing commercial model to ease customer's financial burden and to secure long-term contracts.
- c. Establishing a unique and competitive information communication technology solution.

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 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 with 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.

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 digitalisation in Malaysia; (ii) to capture new growth opportunities through one of our successful product, Square Intelligence; (iii) to capture new market segment - Small and Medium Enterprises; and (iv) 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 digitalisation in Malaysia

Since the Listing, the Group has already recruited 12 additional IT specialists and outsourced part of the development and upgrading works to technology vendors in providing IT solutions in Digital Free Trade Zone in Malaysia. However, the Digital Free Trade Zone was subsequently cancelled due to the change of government. On 19 February 2021, the Malaysian Government has unveiled the country's Digital Economy Blueprint in an effort to catch up in the digitalisation race and introduced 10-year road map which aims to transform Malaysia into a digital-driven, high income nation and to become a regional leader in the digital economy. Development efforts on the building of digital infrastructure will be jointly undertaken by the Malaysian Government and the private sector. The Malaysian Government will invest RM15 billion within a period of 10 years for the implementation of 5G in Malaysia. The Malaysian Government also targets to migrate 80% of the public data to hybrid cloud systems by the end of 2022. The Group had secured a major system transformation contract of the Central Bank of Malaysia and the project is in the stage of system requirement gathering.

Besides, the Group has developed 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. Blackbutton Version 2.0 has been completed and ready for market.

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. Some proof of concept from intellectual property providers have been carried out but the solution was not satisfactory. We will continue to explore and source for strategic intellectual property.

Numerous proof of concept and presentation from intellectual property provider has been carried out. Several intellectual property providers are also identified. We are evaluating the acquisition and its potential return on investment, and the trend of market demand. As the market is slowing down due to the continuation of the pandemic, it affects business incentive and demand for information communication technology. At the date of this announcement, we have not yet placed any investment.

The Group has started to design the high level functional requirements and the overall technical architecture for the said digital banking platform. The design of the platform is based on the latest technology that allows the platform to run on both premise and cloud infrastructure in order to meet the demand for both. The solution is ready for market and the pre-sales activities have been going on.

In order to enable the Group to secure contracts from Malaysian government authorities and agencies and tender for larger government tenders, the Group has accelerated its pace in the acquisition of service providers that possess government's service provider license (i.e. Taraf Bumiputra MOF) since early 2021. In Malaysia, only companies possessing this license are eligible to provide services, goods and sales to the governmental authorities and agencies. Given that the majority shareholders of the applicants for government tenders and contracts must be Bumiputera in order to obtain the full licence of Taraf Bumiputera MOF, the Group is only eligible to be a minority shareholder of the company that possesses such licence. During the year ended 30 November 2021, the management had endeavoured to negotiate for a potential acquisition of a company that possesses the licence of Taraf Bumiputra MOF and performed certain due diligence works on the acquisition target. However, the results of due diligence were not satisfactory and therefore the negotiation was halted. Since the next general election of the Malaysian government is expected to be held in the last quarter of 2022, the acquisition of a company that possesses the license of Taraf Bumiputra MOF is temporarily put on hold. The Group will pay attention to the policies of the newly elected government to formulate the future plans.

Affected by the outbreak of COVID-19 pandemic and its economic impact on the global market, 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.

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

Our product, Square Intelligence (based on the technical know-how of NS3), has been successful since its introduction to the market in Malaysia. The Group is continuously developing the advanced version of Square Intelligence. New functions that incorporate machine learning capabilities have been developed to further enhance the features offered by Square Intelligence. The new functions are capable of performing data extraction from unstructured data source such as manual documentation, reports and forms. It is designed to convert these unstructured data into text-based information on Optical Character Recognition technology with AI, and with such organised and processed information, Square Intelligence shall be able to perform further analysis according to the business requirements. The advanced version of Square Intelligence has been completed and launched to the market in 2021.

Under COVID-19 pandemic, the suspension of operation in Malaysia and global travel restrictions directly and indirectly affected the seeking out of potential customers and negotiation and securing of new projects of the Group. However, the management will actively adjust its existing business plans, 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 enhancement of our products will continuously generate a sustainable cash inflow to the Group through the aforesaid measures and means.

(iii) To capture new market segment – Small and Medium Enterprises

The Group is currently studying the feasibility of the Group to expand into the Small and Medium Enterprises (“SMEs”) market by introducing digital solutions that are highly demanded especially in the retail industry. To our understanding, the retail industry is eagerly looking for a solution that helps to increase productivity in the current working environment under the pressure of reduced operating manpower and at the same time in full compliance with the restrictions of the COVID-19 Standard Operating Procedures. The first solution that the Group intends to develop is to enable businesses to operate a digital ordering process, and followed by the streamlined process to complete the order and confirmation process. Equipped with our mature relationship with the finance sector and our existing product line for payment operations, the Group is also looking at introducing a cashless payment feature into the said solution in order to enable the SMEs to operate on cashless basis, which helps to increase efficiency at all operational levels. The initial design and the prototype of the solution is completed. We are now planning to invite SME businesses to participate in the pilot testing for feedback.

(iv) To leverage on the business networks of the Pre-IPO Investors to introduce IT products in the PRC into Malaysia; and diversify 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 COVID-19 pandemic. However, these activities were put on hold or delayed due to the COVID-19 pandemic and restrictions on international travel.

Once 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 offerings to our customers.

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 nine months ended 31 August 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

Most of the contracts are project-based which create uncertainty and sustainability of our future revenue streams

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

Cost overruns or delays in our system integration and development projects may materially and adversely affect our business, financial position and results of operation

Failure to anticipate and keep pace with our customer's business and industry

Risk responses

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.

The Group maintains good and long-term relationships with the existing customers. At the same time, the Group carries out 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.

The COVID-19 pandemic has resulted in cost overruns and delays in projects. Nevertheless, the Group continues to manage the cost carefully, rationalize costs structure and optimise the resources utilisation and efficiencies

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.

Risk factors and uncertainties

Significant delays in collecting trade receivables from our customers

Risk responses

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 pandemic has affected prompt & timeliness of payment of many customers, credit and payment terms has 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 the Company dated 29 September 2018 (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 utilization of the net proceeds up to 31 August 2022:

| Use of proceeds | Original intended use of net proceeds from the Listing <i>RM million</i> | Adjusted net proceeds after the First Change in UOP <i>RM million</i> | Adjusted net proceeds after the Second Change in UOP <i>RM million</i> | Amount of utilised net proceeds up to 31 August 2022 <i>RM million</i> | Amount of unutilised net proceeds up to 31 August 2022 <i>RM million</i> |
|---|---|--|---|---|---|
| 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 (<i>Note 1</i>) | 6.10 | 9.38 | 12.38 | (12.38) | – |
| Acquisition of IT business (<i>Note 2</i>) | – | 3.00 | – | – | – |
| General working capital (<i>Note 3</i>) | 3.05 | 14.05 | 14.05 | (14.05) | – |
| Total | <u>30.50</u> | <u>30.50</u> | <u>30.50</u> | <u>(30.50)</u> | <u>–</u> |

Notes:

1. The existing IT products of our Group include Square Intelligence, CUSTPRO and Blackbutton.
2. At the date of the First Change in UOP, the unutilised net proceeds of approximately RM3.00 million were reallocated to acquisition of IT business. The acquisition target(s) include companies which possess the Taraf Bumiputera MOF. At the date of the Second Change in UOP, the unutilised net proceeds of approximately RM3.00 million were reallocated to research and development of advanced and adapted versions of our Group's existing IT products.
3. At the date of the First Change in UOP, the unutilised net proceeds of approximately RM11.00 million were reallocated to general working capital comprising staff costs of approximately RM7.60 million, professional fees of approximately RM1.50 million, finance costs of approximately RM0.10 million and others of approximately RM1.80 million. At the date of the Second Change of UOP, there was no change in the use of the unutilised amount for general working capital.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 31 August 2022 (2021: nil).

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 Part 2 of Appendix 15 to the GEM Listing Rules.

During the nine months ended 31 August 2022, the Company had complied with the CG Code, except for the deviation 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 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 C.2.1 of the CG Code is appropriate in such circumstance.

In order to maintain good corporate governance, 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 advices 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 nine months ended 31 August 2022.

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 the 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.

Subject to rules on grant of options to connected persons of the Company under the GEM Listing Rules, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being, and any further grant exceeding the said limit shall be subject to shareholders' approval at general meeting.

The exercise price per share under the Share Option Scheme will be a price determined by the Directors but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share of the Company.

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 which shall expire on 18 September 2028. Since the adoption of the Share Option Scheme and up to 31 August 2022, 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. Details of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" of the appendix 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 August 2022, 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) | Approximate 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 August 2022, 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 nine months ended 31 August 2022 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 August 2022, 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 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.

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) | Approximate 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 August 2022, 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 August 2022 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 executed 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 were 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 from the Listing up to the date of this announcement.

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 D.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 nine months ended 31 August 2022 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 and Chief Executive Officer

Hong Kong, 10 October 2022

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 website of the Company at www.mindtellttech.com.