MINDTELL TECHNOLOGY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8611)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 NOVEMBER 2021 AND CHANGE IN USE OF PROCEEDS

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

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

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

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This announcement, for which the 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 2021, together with the comparative figures for the year ended 30 November 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 November 2021

	Notes	2021 RM'000	2020 RM'000
Revenue	*4*	**17,177**	10,011
Cost of services and materials sold		**(14,472)**	(8,524)
Gross profit		**2,705**	1,487
Other income	*5*	**252**	216
Administrative expenses		**(9,104)**	(9,825)
Finance costs	*6*	**(72)**	(83)
Impairment loss on intangible assets		**–**	(2,226)
Impairment loss on trade receivables		**–**	(761)
Loss before income tax	*6*	**(6,219)**	(11,192)
Income tax expenses	*7*	**(48)**	–
Loss for the year		**(6,267)**	(11,192)
Other comprehensive (expenses) income			
Item that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign subsidiaries		**(22)**	36
Total comprehensive expenses for the year		**(6,289)**	(11,156)
Loss per share, basic and diluted (RM cents)	*8*	**(1.61)**	(2.87)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 November 2021

	Notes	2021 RM'000	2020 RM'000
Non-current assets			
Property, plant and equipment		**1,851**	2,185
Right-of-use assets		**974**	838
Intangible assets	*10*	**3,060**	2,977
		5,885	6,000
Current assets			
Trade and other receivables	*11*	**9,590**	7,524
Contract assets	*12*	**287**	166
Restricted bank balances		**466**	309
Bank balances and cash		**15,089**	18,876
		25,432	26,875
Current liabilities			
Trade and other payables	*13*	**11,631**	5,800
Contract liabilities	*12*	**828**	2,144
Income tax payables		**978**	1,026
Interest-bearing borrowings		**853**	853
Lease liabilities		**237**	223
		14,527	10,046
Net current assets		**10,905**	16,829
Total assets less current liabilities		**16,790**	22,829

	Notes	**2021**	2020
		RM'000	*RM'000*
Non-current liabilities			
Deferred tax liabilities		**31**	12
Lease liabilities		**974**	743
		1,005	755
NET ASSETS		**15,785**	22,074
Capital and reserves			
Share capital	*14*	**2,067**	2,067
Reserves		**13,718**	20,007
TOTAL EQUITY		**15,785**	22,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 November 2021

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 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 2020 consolidated financial statements except for the adoption of the new/revised IFRSs that are relevant to the Group and effective from the current year or the Group elected to early adopt in the current year.

Adoption of new/revised IFRSs

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

Amendments to IASs 1 and 8	Definition of Material
Amendments to IAS 39, IFRSs 7 and 9	Interest Rate Benchmark Reform – Phase 1
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 16	COVID-19-Related Rent Concessions Beyond 30 June 2021

Amendments to IASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across IFRSs.

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

Amendments to IAS 39, IFRSs 7 and 9: Interest Rate Benchmark Reform – Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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

Amendments to IFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

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

Amendments to IFRS 16: COVID-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 April 2021 with earlier application permitted. The Group has elected to early adopt the amendments in the current year. In accordance with the transition provisions therein, the amendments have been applied retrospectively by the Group recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of accumulated losses and therefore the comparative information has not been restated.

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

Basis of measurement

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

Basis of consolidation

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 39, IFRSs 4, 7, 9 and 16	*Interest Rate Benchmark Reform – Phase 2* [1]
Amendments to IAS 16	*Proceeds before Intended Use* [2]
Amendments to IAS 37	*Cost of Fulfilling a Contract* [2]
Amendments to IFRS 3	*Reference to the Conceptual Framework* [2]
Annual Improvements to IFRSs	*2018-2020 Cycle* [2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [3]
Amendments to IAS 1	*Disclosure of Accounting Policies* [3]
Amendments to IAS 8	*Definition of Accounting Estimates* [3]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* [3]
IFRS 17	*Insurance Contracts* [3]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information* [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 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
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 2021 and 2020 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 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**
Year ended 30 November 2020				
Revenue from external customers and reportable segment revenue	8,084	1,086	841	10,011
Reportable segment results	133	538	816	1,487
Other information:				
Amortisation	1,930	–	–	1,930
Addition of intangible assets	3,685	–	–	3,685
Impairment loss on intangible assets	2,226	–	–	2,226
Impairment loss on trade receivables	811	–	(50)	761

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

	2021	2020
	RM'000	*RM'000*
Indonesia	**158**	–
Malaysia	**17,004**	10,011
Singapore	**15**	–
	17,177	10,011

(b) Specified Non-current Assets

At 30 November 2021 and 2020, 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 2021 and 2020 is as follows:

	2021	2020
	RM'000	*RM'000*
Customer A	**6,000**	–
Customer B	**4,834**	5,006
Customer C	**2,929**	1,277
Customer D	***(Note)***	1,252

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

4. REVENUE

	2021	2020
	RM'000	*RM'000*
Revenue from contracts with customers within IFRS 15		
System integration and development services:		
Services provided	**9,627**	6,952
Sales of externally acquired/purchased hardware and software	**3,891**	1,132
	13,518	8,084
IT outsourcing services	**2,866**	1,086
Maintenance and consultancy services	**793**	841
	17,177	10,011
Timing of revenue recognition:		
At a point in time	**3,891**	1,132
Over time	**13,286**	8,879
	17,177	10,011

5. OTHER INCOME

	2021	2020
	RM'000	*RM'000*
Government grant	**55**	52
Interest income	**190**	156
Others	**7**	8
	252	216

6. LOSS BEFORE INCOME TAX

This is stated after charging:

	2021	2020
	RM'000	*RM'000*
Finance costs		
Interest expenses on interest-bearing borrowings	**20**	34
Finance charges on lease liabilities	**52**	49
	72	83
Staff costs and related expenses (including directors' remuneration)		
Salaries, allowances and other benefits in kind	**7,118**	7,077
Contributions to defined contribution plans	**629**	602
	7,747	7,679
Represented by:		
Staff costs for administrative and sales staff	**1,851**	1,912
Staff costs for IT staff included in administrative expenses	**1,868**	1,930
Staff costs allocated to "Cost of services"	**3,863**	3,741
Staff costs charged to profit or loss	**7,582**	7,583
Staff costs capitalised as "Intangible assets"	**165**	96
	7,747	7,679
Other items		
Amortisation of intangible assets, included in administrative expenses	**2,782**	1,930
Auditors' remuneration	**459**	515
Cost of materials sold	**3,467**	912
Depreciation of property, plant and equipment	**450**	321
Depreciation of right-of-use assets	**360**	302
Exchange loss, net	**1**	38

7. INCOME TAX EXPENSES

	2021	2020
	RM'000	*RM'000*
Current tax		
Malaysia corporate income tax ("Malaysia CIT")	**29**	–
Deferred tax	**19**	–
Total income tax expenses for the year	**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% of the estimated assessable profits for the year ended 30 November 2021. Malaysia incorporated entities with paid-up capital of RM2.5 million or less enjoy tax rate of 17% on the first RM600,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the year ended 30 November 2021. Malaysia CIT has not been provided as the Group incurred a loss for taxation purpose for the year ended 30 November 2020.

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

	2021	2020
	RM'000	*RM'000*
Loss before income tax	**(6,219)**	(11,192)
Income tax at applicable tax rate	**(1,380)**	(2,288)
Non-deductible expenses	**1,205**	1,922
Tax-exempt revenue	**(4)**	(12)
Unrecognised tax losses	**231**	426
Others	**(4)**	(48)
Income tax expenses	**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:

	2021	2020
	RM'000	*RM'000*
Loss for the year attributable to the owners of the Company, used in basic and diluted loss per share calculation	**(6,267)**	(11,192)
	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 2021 and 2020.

9. DIVIDENDS

The directors of the Group did not recommend the payment of final dividend for the year ended 30 November 2021 (2020: Nil).

10. INTANGIBLE ASSETS

	Internally developed technologies
	RM'000
Reconciliation of carrying amount – Year ended 30 November 2020	
At 1 December 2019	3,448
Additions	3,685
Amortisation	(1,930)
Impairment loss	(2,226)
At 30 November 2020	2,977
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**
At 30 November 2020	
Cost	8,382
Accumulated amortisation and impairment loss	(5,405)
	2,977
At 30 November 2021	
Cost	**11,247**
Accumulated amortisation and impairment loss	**(8,187)**
	3,060

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 2021 and 2020, 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 outbreak of COVID-19 pandemic during the years ended 30 November 2021 and 2020, the management considered that there is impairment indicator under the System Integration CGU.

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

At 30 November 2021, 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 the continuous but mitigated situation of COVID-19 pandemic, the management make prudent 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 1% *(2020: assuming the performance of the Group to be recovered after the COVID-19 pandemic mitigates with a growth rate of 21%)*. Accordingly, the recoverable amount of the System Integration CGU was approximately RM4,760,000 *(2020: approximately RM4,791,000)* and no impairment loss should be recognised *(2020: no further impairment loss was recognised)* for the remaining non-current assets allocated to the System Integration CGU at 30 November 2021.

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

	2021	2020
Average gross profit margin	**28%**	28%
Average growth rate	**1%**	21%
Discount rate	**7%**	9%

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

The remaining amortisation period of the internally developed technology, Blackbutton, at 30 November 2021 are up to 15 months *(2020: 18 months)* with carrying amount of approximately RM3,060,000 *(2020: RM2,977,000)*.

11. TRADE AND OTHER RECEIVABLES

	Notes	**2021** ***RM'000***	2020 *RM'000*
Trade receivables from third parties		**9,807**	7,393
Less: Loss allowance		**(999)**	(999)
	11(a)	**8,808**	6,394
Other receivables			
Deposits, prepayments and other receivables	*11(b)*	**782**	1,130
		9,590	7,524

(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:

	2021	2020
	RM'000	*RM'000*
Within 30 days	**6,525**	1,672
31 to 60 days	**165**	–
61 to 90 days	**73**	–
91 to 180 days	**65**	151
181 to 365 days	**196**	913
Over 365 days	**1,784**	3,658
	8,808	6,394

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

	2021	2020
	RM'000	*RM'000*
Not yet due	**6,545**	1,672
Past due:		
Within 30 days	**159**	90
31 to 60 days	**61**	–
61 to 90 days	**2**	29
91 to 180 days	**62**	112
181 to 365 days	**693**	833
Over 365 days	**1,286**	3,658
	2,263	4,722
	8,808	6,394

(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 *(2020: approximately RM649,000)*.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2021	2020
	RM'000	*RM'000*
Contracts in progress		
Contract costs incurred plus recognised profits less recognised losses to date	**74,319**	60,473
Less: progress billings received and receivable	**(74,860)**	(62,451)
	(541)	(1,978)

Analysed for the reporting purpose:

		2021	2020
	Notes	***RM'000***	*RM'000*
Contract assets	*12(a)*	**287**	166
Contract liabilities	*12(b)*	**(828)**	(2,144)
		(541)	(1,978)

There was no retention held by customers on services contracts at 30 November 2021 and 2020.

At 30 November 2021 and 2020, 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 2021 are as follows:

(a) Contract assets

	2021	2020
	RM'000	*RM'000*
At the beginning of the reporting period	**166**	9,400
Recognition of revenue	**238**	–
Transferred to trade receivables	**(117)**	(9,234)
At the end of the reporting period	**287**	166

(b) Contract liabilities

	2021	2020
	RM'000	*RM'000*
At the beginning of the reporting period	**2,144**	150
Receipt in advance	**231**	2,144
Recognition of revenue	**(1,547)**	(150)
At the end of the reporting period	**828**	2,144

At 30 November 2021, the aggregate amount of transaction price allocated to unsatisfied performance obligations is approximately RM9.3 million *(2020: approximately RM13.0 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	**2021** *RM'000*	2020 *RM'000*
Trade payables from third parties	*13(a)*	**8,196**	2,763
Other payables			
Accruals and other payables		**3,435**	3,037
		11,631	5,800

(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:

	2021 *RM'000*	2020 *RM'000*
Within 30 days	**5,661**	2,666
31 to 60 days	**450**	34
61 to 90 days	**150**	–
91 to 180 days	**900**	–
181 to 365 days	**1,000**	–
Over 365 days	**35**	63
	8,196	2,763

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 2019, 30 November 2020 and **30 November 2021**	**2,000,000,000**	**20,000,000**	**10,596,200**
Issued and fully paid:			
At 1 December 2019, 30 November 2020 and **30 November 2021**	**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 set out in Note 4 to the consolidated financial statements.

For the year ended 30 November 2021, the Group recorded an increase in total revenue by approximately 71.6% to approximately RM17.2 million (2020: approximately RM10.0 million). The increase in revenue was mainly due to increase 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 increased by approximately 67.2% to approximately RM13.5 million for the year ended 30 November 2021 (2020: approximately RM8.1 million).

The increase in revenue was mainly due to (i) the resumption of the work progress of existing projects; and (ii) the commencement of several significant new projects contributing revenue of over RM6.0 million during the year ended 30 November 2021.

IT outsourcing services

For IT outsourcing services, the revenue increased by approximately 163.9% to approximately RM2.9 million for the year ended 30 November 2021 (2020: approximately RM1.1 million). The increase in revenue was mainly due to increase in the time of outsourcing services rendered.

Maintenance and consultancy services

For maintenance and consultancy services, the revenue remained stable at approximately RM0.8 million for the years ended 30 November 2021 and 2020.

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	
	2021	2020
	RM'000	*RM'000*
Revenue	**17,177**	10,011
Cost of services and materials sold	**(14,472)**	(8,524)
Gross profit	**2,705**	1,487
Gross profit margin	**15.7%**	14.9%

The gross profit increased from approximately RM1.5 million for the year ended 30 November 2020 to approximately RM2.7 million for the year ended 30 November 2021.

The gross profit margin increased from approximately 14.9% for the year ended 30 November 2020 to approximately 15.7% for the year ended 30 November 2021. It remained stable.

Administrative expenses

Administrative expenses decreased by approximately 7.3% to approximately RM9.1 million for the year ended 30 November 2021 (2020: approximately RM9.8 million). The decrease was due to the decrease in sales and marketing expenses and professional fee, netting off the increase in amortisation of intangible assets.

Finance costs

The finance costs decreased by approximately 13.3% to approximately RM72,000 for the year ended 30 November 2021 (2020: approximately RM83,000). The decrease was primarily because the Malaysia banks granted a 6-month interest-free deferral of repayment for the interest-bearing loans.

Income tax expenses

Income tax expense was approximately RM48,000 for the year ended 30 November 2021 (2020: nil). 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 RM6.3 million for the year ended 30 November 2021 (2020: approximately RM11.2 million). The decrease in loss was mainly attributable to the net effect of the increase in revenue and gross profit and decrease in administrative expenses, impairment loss on intangible assets and impairment loss on trade receivables.

LIQUIDITY AND CAPITAL RESOURCES

At 30 November 2021, the total borrowings of the Group amounted to approximately RM2.1 million (2020: approximately RM1.8 million) which comprised interest-bearing borrowings and lease liabilities.

At 30 November 2021, the gearing ratio of the Group was 13.1% (2020: 8.2%). Gearing ratio is calculated based on total borrowings divided by total equity at the end of the financial year.

At 30 November 2021, the Group's net current assets amounted to approximately RM10.9 million (2020: approximately RM16.8 million). The current ratio of the Group was approximately 1.8 times (2020: approximately 2.7 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 2021, the Group did not have any significant contingent liabilities (2020: nil).

CAPITAL COMMITMENTS

At 30 November 2021, the Group did not have significant capital commitments contracted but not provided for (2020: nil).

SIGNIFICANT INVESTMENTS HELD

At 30 November 2021, the Group did not have any significant investments (2020: nil).

PLEDGE OF ASSETS

At 30 November 2021, 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 RM466,000 (2020: approximately RM309,000).

At 30 November 2021 and 2020, the interest-bearing borrowings were secured by properties owned by the Group with aggregate net carrying amount of approximately RM1.2 million.

RESPONSE TO OUTBREAK OF COVID-19 PANDEMIC

Since early 2020, the COVID-19 pandemic spread worldwide and caused significant threats to the global 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 international capital market.

To control the spread of the COVID-19 pandemic, the Malaysian Government has implemented and continues to implement a series of precautionary measures such as lockdowns, quarantines, travel restrictions, business shutdowns and vaccination.

During the year of 2021, the prolonged COVID-19 pandemic affected our business to certain extent. The COVID-19 pandemic has lasted longer than we anticipated, with longer lockdown periods in the 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. As a result, these adversely affected our ability to deliver better 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 most of the staff worked from home; (ii) delays of projects or slowdown of progress by the customers due to their closure of offices and change in their deployment; and (iii) facing challenges in the negotiation of new projects and securing new business due to uncertainty of 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 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 that 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 take them forward into the digital age. We foresee the industry has started to budget and plan for an expansionary future, in a new norm with the COVID-19 virus being a part of the landscape for the foreseeable future. We observe that significant deals that were deferred are now being brought to table for discussion and negotiation. We continue to focus on our customers' requirements, providing them the right solutions and staying on message 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 partial development and upgrading works to technology vendors in providing IT solutions in Digital Free Trade Zone in Malaysia. However, the Digital Free Trade Zone has been affected by change of government and cancelled by the new 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 has participated or planned to participate in several digital transformation tenders undertaken by the Malaysian Government or Government linked Companies (GLCs). Presales activities such as technology demonstrations, proofs of concept and value-added consultations are being carried out.

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.

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 continuous 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 Group targets to create a solution that is scalable to potential clients of all sizes with the system business process that is adaptable to the client's business operations. The solution is going through the final testing stage and is ready to be launched to the market soon.

In order to enable the Group to secure contracts from 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 Bumiputera MOF) since early 2021. 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 this 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 Bumiputera MOF and performed certain due diligence works on the acquisition target. However, the results were not satisfactory and therefore the negotiation was halted. As at the date of this announcement, no other definite acquisition target has been identified.

Affected by the outbreak of COVID-19 pandemic and its economic impact on the global market, it is expected that it persists 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 Malaysian market. 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 un-structured data source such as manual documentation, reports and forms. It is designed to convert these un-structured data into text based information on Optical Character Recognition technology with AI, and from there, 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 during the year.

Under COVID-19 pandemic, the suspension of operation in Malaysia and global travel restriction directly and indirectly affects the seeking out of potential customers and negotiation and securing of new projects of the Group. However, the management will actively 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 COVID-19 SOP restrictions. 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 on all operational levels. The blueprint of the solution is expected to be completed by the second quarter of 2022.

(iv) To leverage on the business networks of the Pre-IPO Investors 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 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 offering 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 year ended 30 November 2021, 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 and sustainability of our future revenue steams	To secure new contracts, the Group continuously enhances its product and services offerings, introduces various marketing and promotional activities, and provides customised solutions to the customers.
Dependent on major customers for a significant portion of our business and any decrease in revenue generated from major customers could materially and adversely affect our business, results of operations and financial condition	The Group maintains good and long-term relationships with the existing customers. At the same time, the Group introduces various marketing and promotional activities to attract potential customers and to increase market awareness. The Group will continue to work on 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 had resulted in the cost overruns and delays in projects. Nevertheless, the Group continues to manage the cost carefully, rationalize cost structure and optimise the resources utilisation and efficiencies.

Risk factors and uncertainties	Risk Response
Failure to anticipate and keep pace with our customer's business and industry	The Group closely monitors the changes in technologies and 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. We also developed a fully digital capability to continue in delivering consulting & technological services remotely such that all projects are able to be carried out even under Movement Control Order.
Significant delays in collecting trade receivables from our customers	The Group trades with recognised and creditworthy customers and generally does not provide a long credit period to new customers unless they are sizable enterprises with good reputation. The trade receivable balances are monitored on an ongoing basis by the management. To collect overdue trade receivables, the Group closely monitors overdue payments and performs credit search on our customers to ensure their recoverability. Although the pandemic has affected prompt & timeliness of payment of many customers, credit and payment terms has been restructured to ensure these customer continue to settle their outstanding fees when due. The collection progress has been achieved constantly.

For a more comprehensive description of risk factors, please also refer to the section headed "Risk Factors" in the prospectus of the Company dated 29 September 2018 (the "Prospectus") which are still applicable to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group has minimal exposure to foreign currency risk as most of the business transactions, assets and liabilities are principally denominated in Malaysian Ringgit and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy in respect of 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.

As at 31 January 2022, the Group had unutilised net proceeds of approximately RM3.00 million originally allocated for acquisition of IT business and approximately RM2.84 million for general working capital. On 28 February 2022, the Board has 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").

The table below sets out the utilization of the net proceeds up to 30 November 2021 and 31 January 2022, and the Second Change in UOP:

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*	Amount of utilised net proceeds up to 30 November 2021 *RM million*	Amount of unutilised net proceeds up to 30 November 2021 *RM million*	Amount of unutilised net proceeds as at 31 January 2022 *RM million*	New allocation of unutilised net proceeds after Second Change in UOP *RM million*	Expected timeline for utilising the unutilised net proceeds
Strengthening our technical team by recruiting more IT specialists	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)	–	–	–	
Research and development of advanced and adapted versions of our Group's existing IT products *(Note 1)*	6.10	9.38	(8.96)	0.42	–	3.00	30 November 2022
Acquisition of IT business *(Note 2)*	–	3.00	–	3.00	3.00	–	
General working capital *(Note 3)*	3.05	14.05	(9.35)	4.70	2.84	2.84	31 May 2022
Total	30.50	30.50	(22.38)	8.12	5.84	5.84	

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 Bumiputera 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.

Reasons for the Second Change in UOP

At the date of this announcement, the amount of net proceeds of approximately RM9.38 million allocated for the research and development of advanced and adapted versions of our Group's existing IT products after the First Change in UOP has been fully utilised by the Group.

The Group is currently studying the feasibility 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 COVID-19 SOP restrictions. 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 on all operational levels. In order to capture the SMEs market, the Group needs funds to continue to develop our existing IT products, namely Square Intelligence, CUSTPRO and Blackbutton. As such, given that it is unlikely that a suitable acquisition target could be identified in the foreseeable future, the Board has resolved that it would be in the best interest of the Company and its shareholders to reallocate RM3.00 million of the unutilised net proceeds which was originally assigned for acquisition of IT business after the First Change in UOP to the research and development of advanced and adapted versions of our Group's existing IT products.

The Board confirms that there is no material change in the business of the Group as set out in the Prospectus. The Board considered that the Second Change in UOP will enable the Group to deploy its financial resources more effectively and to facilitate its business development plan, and therefore such change is in the interest of the Group and the shareholders of the Company as a whole.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 November 2021, the Group had a total of 60 employees (2020: 61) in Hong Kong and Malaysia. For the year ended 30 November 2021, total staff costs and related expenses of the Group (including the Directors' remuneration) were approximately RM7.7 million (2020: 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 2021 and 2020, 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 2021, the total amount contributed by the Group to the schemes was approximately RM629,000 (2020: approximately RM602,000).

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 2021.

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 2021.

EVENTS AFTER THE REPORTING PERIOD

As from 30 November 2021 to the date of this announcement, save for the Second Change in UOP as disclosed above in the paragraph headed "CHANGE IN USE OF PROCEEDS", the Board is not aware of any significant events that have occurred which require disclosure herein.

CORPORATE GOVERNANCE PRACTICES

Preserving 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 effective on or before 31 December 2021 (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 30 November 2021, the Company had complied with the CG Code, except for the derivations as stated below:

Code Provision A.2.1

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

Mr. Chong Yee Ping is currently the Chairman of the Board and the Chief Executive Officer of the Company, and is responsible for formulating the overall business development strategy and planning of the Group. In view that Mr. Chong has been responsible for the overall management of the Group since its inception, the Board believes that it is in the best interest of the Group to continue to have Mr. Chong 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 A.2.1 of the CG Code is appropriate in such circumstance.

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

Code Provision A.2.7

Pursuant to code provision A.2.7 of the CG Code, the chairman should at least annually hold a meeting with the independent non-executive directors without the presence of other directors. Due to the outbreak of COVID-19 pandemic and travelling restrictions, the chairman of the Board was not able to hold such meeting face-to-face with the independent non-executive Directors. After the reporting period and as of the date of this announcement, the chairman had held such meeting with the independent no-executive Directors in compliance with code provision A.2.7. The Company will arrange video conference and ensure proper equipment are in place for such meetings in the future in order to provide more flexibility.

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 C.3 of the CG Code as set out in Appendix 15 of the GEM Listing Rules. 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, providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed with the management the accounting standards and practices adopted by the Group, and discussing auditing, internal control, risk management and financial reporting matters including the review of quarterly results, interim results and annual results and financial statements for the year ended 30 November 2021.

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

Hong Kong, 28 February 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 GEM website at www.hkgem.com for at least seven days after the date of publication and on the Company's website at www.mindtelltech.com.