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MINDTELL TECHNOLOGY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8611)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 NOVEMBER 2019

Reference is made to the annual report of Mindtell Technology Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 30 November 2019 (the “**2019 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meanings as those defined in the 2019 Annual Report.

USE OF PROCEEDS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide the following supplemental information under the sub-section headed “USE OF PROCEEDS” of the section headed “MANAGEMENT DISCUSSION AND ANALYSIS” on page 15 of the 2019 Annual Report regarding the net proceeds raised by the Company through the share offer of the Company on 22 October 2018 (the “**Listing Date**”), in relation to the description of the intended use of the proceeds and the expected timeline:

Use of proceeds

The table below sets out the proposed applications of the net proceeds up to 30 November 2019:

| | Planned use of proceeds up to 30 November 2019 <i>(RM in million)</i> | Actual use of proceeds up to 30 November 2019 <i>(RM in million)</i> | Total unutilised use of proceeds from the Listing Date to 30 November 2019 <i>(RM in million)</i> |
|---|---|--|---|
| Strengthening our technical team by recruiting more IT specialists | 3.05 | 3.05 | – |
| Purchase of hardware and equipment for establishment of IT infrastructure for the provision of cloud storage and cloud computing services | 18.30 | 1.02 | 17.28 |
| Research and development of advanced and adapted versions of our Group's existing IT products | 6.10 | 4.34 | 1.76 |
| General working capital | 3.05 | 3.05 | – |
| Total | <u>30.50</u> | <u>11.46</u> | <u>19.04</u> |

Expected completion timeline for utilizing the remaining net proceeds

For the unutilised net proceeds up to 30 November 2019, the Company intends to use them in the manner as described below. The expected completion timeline for utilizing the remaining unused net proceeds is set out below:

| Uses of proceeds | Details of uses of proceeds | Original plans for utilising the net proceeds as set out in the Prospectus | Expected timeline for utilising the remaining unused net proceeds (Note 1) |
|---|--|--|---|
| Purchase of hardware and equipment for establishment of IT infrastructure for the provision of cloud storage and cloud computing services | – Establish a data centre in Cyberjaya with a total storage capacity of approximately 75 million MB | From 1 June 2019 to 31 May 2020 | From 1 December 2019 to 31 May 2021 |
| Research and development of advanced and adapted versions of our Group's existing IT products (Note 2) | – Develop a new data conversion platform – Standardised cloud version of CUSTPRO – Advanced version of Blackbutton | From 1 December 2018 to 30 November 2020 | From 1 December 2019 to 31 May 2020 |

Notes:

1. The expected timeline for utilising the remaining unused proceeds is based on the best estimation of the present and future business market conditions in Malaysia made by the Board.
2. The decrease in the absolute amount of net proceeds raised from the Share Offer led to the early full utilization of the remaining unused net proceeds on the research and development of advanced and adapted versions of the Group's existing IT products.

The delay in utilization of the net proceeds are mainly due to the following reasons:

(i) *The sudden change of the Malaysian Government*

The Board has observed that the new Malaysian Government formed in May 2018 had put a pause on many major infrastructure implementation from the previous government during its handover from the former government. The Board was of the view that the ongoing or the progress of the implementation of the infrastructure projects was substantially subject to the decision of the new Malaysian Government. Furthermore, following the handover of the Malaysian Government, there were various changes in the leadership of the Malaysian Government and the policies affecting the industry where the Group is based. These various policy changes included the reforms of the Malaysian tax (e.g. replacing the Goods and Services Tax with the Sales and Services Tax) and the changes of the existing benefits (e.g. tax incentives) of the status of Malaysian Digital Economy Corporation (MDEC). The impacts on the Group from those policies started to appear in the mid-2019. At that time, under those policies, many IT projects and cooperations with potential customers of the Group had put on hold or the customers of the Group decided to delay their technological investments as they considered the policy changes were unfavorable to them. This had inevitably caused the Board to postpone its decision on the utilization of the net proceeds until a more favourable market condition emerges. Whilst the Board was mindful about the delay, under the market circumstances at the material time, the Board was unable to come up with a concrete and meaningful timeline for the utilization of the net proceeds. At the material time of preparing the 2019 Annual Report, the market conditions remained uncertain as many of these projects has not yet been resumed and our major customer spectrums had put a pause to many technological investments and the same remained pending as at the date of this announcement. The Board was also alert to the potential impact on the sudden change of the Malaysian Government in February 2020, causing even more uncertainties. The Group continuously and regularly monitors any changes in government policies in relation to IT industry which may seriously affect the establishment of IT infrastructure for the provision of cloud storage and cloud computing services. The Group also evaluated its decisions and strategies on the size, extent and timing of the infrastructure of the cloud storage and cloud computing services to be built by the Group. After several internal discussions, it was resolved to take a more conservative and prudent approach and minimise the utilization of the net proceeds for the time being. Accordingly, it caused a delay in the utilization of the net proceeds.

(ii) The unexpected extension of time of reviewing services providers by our potential customers

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

(iii) The unexpected postponement of alignment of its software systems

Due to the incompatibility among some of the existing hardware and software, the IT specialists and the technicians of the Group had to review the alignment of its software systems with the configurations of hardware equipment and perform further testing which had caused the unexpected delay before undertaking an upgrade to its hardware equipment for the provision of cloud storage and cloud computing services. Accordingly, it caused a delay in the utilization of the net proceeds.

(iv) The acceptance of customer in the secrecy information sectors

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

reassessing the accuracy of our customers' demand and the required scopes of our customers' expectations on using private infrastructure for the provision of cloud storage and cloud computing services, the utilization of the net proceeds has been delayed.

Up to 30 November 2019, it is expected that there will be no impairment of the amount invested by the Group in the private cloud storage and cloud computing made as a result of RMiT. In order to protect the Group's investment in the private cloud storage and cloud computing, the Group is currently enhancing its competitive strength in private data protection and other unique features and services so as to distinguish itself from the public cloud services provider.

FUTURE BUSINESS AND DEVELOPMENT PLAN

The Board would also like to provide the following supplemental information under the sub-sections "OUTLOOK" of the section headed "CHAIRMAN'S STATEMENT" and the section headed "PROSPECTS" of the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 7 and 14 of the 2019 Annual Report respectively, in relation to the commentary covering an indication of likely future developments in the business of the Company and its subsidiaries:

Details of the Group's future business and development plans

(i) *To be a major IT solution provider to the Digital Free Trade Zone in Malaysia*

The Group has been recruiting IT specialist and outsourced to technology vendors in providing IT solution to the Digital Free Trade Zone in Malaysia. Since the Listing, the Group had already recruited additional 12 staff and outsourced partial development and upgrading works to technology vendors in providing IT solutions in Digital Free Trade Zone in Malaysia. The Group is still in the process of developing and rolling out the advanced version of our mobile payment application (i.e. Blackbutton) in order to localize the mobile payment product into Malaysia and integrating the payment operator with the banking infrastructure.

As affected by the growing concerns over the spread of the COVID-19 outbreak and its economic impact on the global market, it is expected that it gives rise to an uncertain economic environment to the Malaysian market. In the coming years, the business in the information technology industry in Malaysia is expected to remain challenging and competitive. Looking forward, the Group will remain cautious and continue to pay close attention and focus on providing IT solutions by integrating the existing resources and optimising the business performance.

The Group is also currently evaluating the potential acquisitions or development of 4 new major intellectual properties to increase the product features and enhance the compatibility of Square Intelligence (i.e. NS3) and the customer relationship management system (i.e. CUSTPRO).

These functions include scalable mobility technology, statistical modeling of business performance, API technology, as well as building a digital banking feature on top of NS3 and CUSTPRO.

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

With reference to use of the proceeds, the Company still considers that the development of the cloud services and the provision of services is feasible and prosperous in the long run because the target customers of cloud services can be diverse, including but not limited to customers in the secrecy information sectors or e-commercial sectors etc..

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

Our Products, Square Intelligence (i.e. NS3), have been successful since its introduction to the Malaysian market. The Group has successfully secured a contract from the Bursa Malaysia, the stock exchange of the Malaysia, pursuant to which the Bursa Malaysia agreed to use our products as a foundation to develop CDS e-Services solution platform.

The outbreak of COVID-19 in early 2020 throughout the world has certain impacts on the business operation and overall global economy. Due to operation suspension in Malaysia and global travel restriction, it directly and indirectly affects the seeking out of potential customers and negotiation of new projects of the Group. However, the Board will actively formulate more alternative business plans and perform a series of sales and marketing efforts in order to expand its the existing market share. The Board expects that the expansion of our products will continuously generate a sustainable cash inflow to the Group through the aforesaid measures and means.

The Group is also currently evaluating new data science API plug-in to the Square Intelligence to enrich the business dashboard reporting with natural language processing (NLP) and text mining capabilities.

- (iii) *Leveraging on the business networks of the Pre-IPO Investors to introduce IT products in the PRC into Malaysia; and diversifying our service offerings to our customers*

Various in-roads have been made to discuss with potential PRC partners regarding their interests in launching their services/products in Malaysia. However, with the change in Malaysian Government in May 2018, these potential partners decided to take a wait and see approach on their expansion plan. These potential partners worried on the likelihood of changes in government's policy towards foreign investors, especially from the PRC. The discussions were resumed in late 2019 as the Malaysian Government settled in and shown their openness to PRC investors. We have also secured a potential cooperation project on co-working space from an operator in Hong Kong with an aim to further cooperate on data centre and cloud services in both Hong Kong and Malaysia. A MOU has been executed before Chinese New Year in 2020. The Company intended to purchase 10,000 existing ordinary shares of Sky Regal Holdings Limited (天雄集團有限公司) representing 1.0% of its issued shares from Ms. Ko Wai Ying Tiffany. Sky Regal Holdings Limited is a provider of co-working space under the trade name "WorkTech" with operations in Hong Kong, Singapore, Taiwan and China. Please refer to the announcement of the Company dated 24 January 2020 for further details. However, the progress has been interrupted due to the outbreak of COVID-19 and the Malaysian Government had changed once again recently.

Further, the Group is currently liaising with a group from Taiwan regarding a potential cooperation relating to online payment gateway development but it is at a preliminary stage and no legally binding agreement has been entered into. However, the progress of further negotiation has been slowed down due to the outbreak of COVID-19. If the potential cooperation has any further development and the transaction constitutes a notifiable transaction, the Company will make further announcement as and when appropriate.

The Board confirms that there will not be any substantial changes on the Group's future business and development plans as disclosed in the Company's 2019 Annual Report and the Company's Prospectus at the moment. All consideration of technology enhancement, acquisition of intellectual property, as well as research and development investment are to further increase the competitive edge of our technical competence. Nevertheless, due to the sudden change of the Malaysian Government and the impact of COVID-19, the Directors consider that it is necessary to further evaluate the situation while the overall direction of the Group's principal business had remained the same in all material respects since the Listing. Further announcement will be made should there be any material change on the Group's future business and development plans.

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

Hong Kong, 29 April 2020

As at the date of this announcement, the executive Directors are Mr. Chong Yee Ping and Mr. Liu Yan Chee James; the non-executive Directors are Mr. Siah Jiin Shyang and Mr. Lam Pang; and the independent non-executive Directors are Mr. Chan San Ping, Ms. Ho Suet Man Stella and Mr. Su Chi Wen.

This announcement, for which the Directors 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 of Hong Kong Limited 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.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least seven days after the date of publication and on the website of the Company at www.mindtellech.com.