

MINDTELL TECHNOLOGY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8611)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 28 FEBRUARY 2019

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.

UNAUDITED CONDENSED CONSOLIDATED RESULTS

The board of Directors (the “Board”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 28 February 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 28 February 2019

		(Unaudited)	
		For the three months ended	
		28 February	
		2019	2018
	<i>Notes</i>	<i>RM'000</i>	<i>RM'000</i>
Revenue	4	5,798	9,171
Cost of services and materials sold		<u>(3,173)</u>	<u>(4,011)</u>
Gross profit		2,625	5,160
Other income	5	10	—
Administrative expenses		(590)	(632)
Finance costs	6	(15)	(15)
Listing expenses		<u>—</u>	<u>(1,819)</u>
Profit before income tax	6	2,030	2,694
Income tax expenses	7	<u>(114)</u>	<u>(547)</u>
Profit for the period		1,916	2,147
Other comprehensive income		<u>—</u>	<u>—</u>
Total comprehensive income for the period		<u>1,916</u>	<u>2,147</u>
Earnings per share, basic and diluted			
(RM cents)	8	<u>0.49</u>	<u>0.79</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 28 February 2019

	Reserves				Total RM'000
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Accumulated profits (losses) RM'000	
At 1 December 2018 (Audited)	2,067	28,732	4,952	(3,479)	32,272
Profit for the period and total comprehensive income for the period	—	—	—	1,916	1,916
At 28 February 2019 (Unaudited)	2,067	28,732	4,952	(1,563)	34,188
At 1 December 2017 (Audited)	—	—	1,242	2,669	3,911
Profit for the period and total comprehensive income for the period	—	—	—	2,147	2,147
Transactions with owners:					
<i>Contributions and distributions</i>					
Issue of share capital at incorporation (<i>Note a</i>)	—*	—	—	—	—*
Capital contribution made by the Pre-IPO Investors (<i>Note b</i>)	—	—	3,710	—	3,710
Total transactions with owners	—*	—	3,710	—	3,710
At 28 February 2018 (Unaudited)	—*	—	4,952	4,816	9,768

* Represent amount less than RM1,000.

Notes:

- (a) Upon incorporation of the Company, 2 ordinary shares were allotted and issued to Mr. Chong Yee Ping and Mr. Siah Jiin Shyang at par value.
- (b) On 16 October 2017, a subscription agreement was entered into between (i) Mr. Liu Yan Chee James; (ii) Mr. Lam Pang (together with Mr. Liu Yan Chee James, the “Pre-IPO Investors”); (iii) Excel Elite Global Limited (“Excel Elite”), a directly wholly-owned subsidiary of the Company; (iv) Mr. Chong Yee Ping; and (v) Mr. Siah Jiin Shyang, pursuant to which each of the Pre-IPO Investors subscribed for 1,945 shares of Excel Elite at a total subscription price of HK\$7,000,000 (equivalent to approximately RM3,710,000). After the issuance and allotment of a total of 3,890 shares on 14 December 2017, each of the Pre-IPO Investors held approximately 14.0% of the issued share capital of Excel Elite.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 28 February 2019

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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 is Unit 1802, 18/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. The Group's headquarter is situated at B-7-7, Sky Park @ One City, Jalan USJ 25/1, 47650 Subang Jaya, Selangor, Malaysia.

The principal activity of the Company is an investment holding company. The Group is principally engaged in the provision of system integration and development services, IT outsourcing services and maintenance and consultancy services.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the three months ended 28 February 2019 (the "First Quarterly Financial Statements") are prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The preparation of the First 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 First 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 2018, 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 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 2018 (the "2018 Financial Statements").

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

The accounting policies and methods of computation applied in the preparation of the First Quarterly Financial Statements are consistent with those applied in the preparation of the 2018 Financial Statements except for the adoption of the new / revised IFRSs further described in the "Adoption of new / revised IFRSs" section which are relevant to the Group and effective for the Group's financial year beginning on 1 December 2018.

Completion of reorganisation

Immediately before and after the group reorganisation (the “Reorganisation”) as set out in the paragraph headed “Reorganisation” of the section headed “History, Development and Reorganisation” to the prospectus issued by the Company dated 29 September 2018 (the “Prospectus”), the Company and its subsidiaries now comprising the Group were under the common control of the ultimate controlling parties (i.e. Mr. Chong Yee Ping and Mr. Siah Jiin Shyang). Accordingly, the Reorganisation has been accounted for by using merger accounting as detailed in the paragraph headed “Merger accounting for business combination involving entities under common control” in Note 2 to the 2018 Financial Statements. Accordingly, the financial information presented in the First Quarterly Financial Statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the ultimate controlling parties.

Adoption of new / revised IFRSs

Except for IFRS 9 and IFRS 15, the adoption of other new / revised IFRSs that are relevant to the Group and effective from the current period had no material impacts on the Group’s consolidated financial statements for the current and prior periods.

IFRS 9: Financial Instruments

The following terms are used in these condensed consolidated financial statements:

- **FVPL:** fair value through profit or loss
- **FVOCI:** fair value through other comprehensive income
- **Designated FVOCI:** equity instruments measured at FVOCI
- **Mandatory FVOCI:** debt instruments measured at FVOCI

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in IFRS 9, comparative information has not been restated and the Group has applied IFRS 9 retrospectively to financial instruments that existed at 1 December 2018 (i.e. the date of initial application), except as described below (if applicable):

- (a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:
 - (i) the determination of the business model within which a financial asset is held;
 - (ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and
 - (iii) the de-designation of financial assets or financial liabilities at FVPL.

The above resulting classification shall be applied retrospectively.

- (b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.
- (c) For investments in equity instruments that were measured at cost under IAS 39, the instruments are measured at fair value at the date of initial application.

Classification and measurement of financial assets and financial liabilities

The adoption of IFRS 9 has no significant effect on the classification and measurement of the Group's financial assets and liabilities.

In addition, there were no effects of transition to IFRS 9 on the carrying amounts of financial assets and liabilities under IAS 39 based on the measurement category under IFRS 9 on 1 December 2018.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 replaces, among others, IAS 18 and IAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 December 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of IFRS 15.

In addition, the Group has applied IFRS 15 retrospectively only to contracts that were not completed at 1 December 2018 in accordance with the transitional provisions therein.

Timing of revenue recognition

System integration and development services — Services provided

Before the adoption of IFRS 15, the Group recognised such revenue by reference to the stage of completion. Under IFRS 15, the revenue remains to be recognised over time because the customers simultaneously receives and consumes the benefits provided by the Group's services and performance.

System integration and development services — Sales of externally acquired / purchased hardware and software

Before the adoption of IFRS 15, the Group recognised such revenue on transfer of risks and rewards of ownership, which generally coincides with the time when goods were delivered to customers and the title was passed. Under IFRS 15, the Group remains to recognise the revenue on these sales at a point in time.

IT outsourcing services / Maintenance and consultancy services

Before the adoption of IFRS 15, the Group recognised revenue arising from IT outsourcing services when services are rendered and maintenance services over time on a straight-line basis over the life of the related agreements. Under IFRS 15, the revenue remains to be recognised over time because the customers simultaneously receives and consumes the benefits provided by the Group's services and performance.

The adoption of the IFRS 15 does not have any significant impact on the consolidated financial statements.

Future changes in IFRSs

At the date of authorisation of the First Quarterly Financial Statements, the Group has not early adopted the new / revised IFRSs that have been issued but are not yet effective. Except for the impact of IFRS 16 as set out in the 2018 Financial Statements, 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 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, listing expenses 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 three months ended 28 February 2019 and 2018 is as follows:

	System integration and development services RM'000	IT outsourcing services RM'000	Maintenance and consultancy services RM'000	Total RM'000
Three months ended 28 February 2019 (Unaudited)				
Revenue from external customers and reportable segment revenue	<u>5,478</u>	<u>213</u>	<u>107</u>	<u>5,798</u>
Reportable segment results	<u>2,470</u>	<u>54</u>	<u>101</u>	<u>2,625</u>
<i>Other information:</i>				
Amortisation	<u>58</u>	<u>—</u>	<u>—</u>	<u>58</u>
Addition of intangible assets	<u>983</u>	<u>—</u>	<u>—</u>	<u>983</u>
Three months ended 28 February 2018 (Unaudited)				
Revenue from external customers and reportable segment revenue	<u>7,979</u>	<u>475</u>	<u>717</u>	<u>9,171</u>
Reportable segment results	<u>4,556</u>	<u>275</u>	<u>329</u>	<u>5,160</u>
<i>Other information:</i>				
Amortisation	<u>65</u>	<u>—</u>	<u>—</u>	<u>65</u>
Research and development expenses	<u>144</u>	<u>—</u>	<u>—</u>	<u>144</u>

Reconciliation of reportable segment results

	(Unaudited)	
	For the three months ended	
	28 February	
	2019	2018
	RM'000	RM'000
Reportable segment results	2,625	5,160
Unallocated income and expenses:		
Other income	10	—
Administrative expenses	(590)	(632)
Finance costs	(15)	(15)
Listing expenses	—	(1,819)
Profit before income tax	2,030	2,694
Income tax expenses	(114)	(547)
Profit for the period	1,916	2,147

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 three months ended	
	28 February	
	2019	2018
	RM'000	RM'000
Malaysia	5,785	9,140
Singapore	13	31
	5,798	9,171

4. REVENUE

	(Unaudited)	
	For the three months ended	
	28 February	
	2019	2018
	RM'000	RM'000
System integration and development services:		
Services provided	4,921	7,979
Sales of externally acquired / purchased hardware and software	557	—
	5,478	7,979
IT outsourcing services	213	475
Maintenance and consultancy services	107	717
	5,798	9,171

5. OTHER INCOME

	(Unaudited)	
	For the three months ended	
	28 February	
	2019	2018
	RM'000	RM'000
Interest income	9	—
Others	1	—
	10	—

6. PROFIT BEFORE INCOME TAX

This is stated after charging:

	(Unaudited)	
	For the three months ended	
	28 February	
	2019	2018
	RM'000	RM'000
Finance costs		
Interest expenses on interest-bearing borrowings	11	14
Finance charges on obligations under finance leases	4	1
	<u>15</u>	<u>15</u>
Other items		
Amortisation of intangible assets, included in administrative expenses	58	65
Auditors' remuneration	14	—
Cost of materials sold	500	—
Depreciation of property, plant and equipment	110	64
Operating lease expense	43	—
Research and development expenses	—	144
	<u>—</u>	<u>144</u>

7. INCOME TAX EXPENSES

	(Unaudited)	
	For the three months ended	
	28 February	
	2019	2018
	RM'000	RM'000
Current tax		
Malaysia corporate income tax (“Malaysia CIT”)	<u>114</u>	<u>546</u>
Deferred tax	<u>—</u>	<u>1</u>
Total income tax expenses for the period	<u>114</u>	<u>547</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% (2018: 24%) of the estimated assessable profits for the three months ended 28 February 2019. Malaysia incorporated entities with paid-up capital of RM2.5 million or less enjoy tax rate of 17% (2018: 18%) on the first RM500,000 and remaining balance of the estimated assessable profits at tax rate of 24% (2018: 24%) for the three months ended 28 February 2019.

Mixsol Sdn. Bhd. (“Mixsol”) and Tandem Advisory Sdn. Bhd. (“Tandem”) have obtained the pioneer status effective from 23 September 2011 and 7 December 2012, respectively. A pioneer status company is eligible for exemption from income tax on eligible activities and products for five years and subject to submitting a formal request to the Malaysia Investment Development Authority on or prior to expiration date and upon the Ministry of International Trade and Industry confirming that Mixsol and Tandem have been complying with all the applicable conditions as imposed, the tax relief period shall be extended for a further five years after each five-year tax relief period ends. The pioneer status for Mixsol has been renewed during the year ended 30 November 2016 and subject to next renewal on or prior to 22 September 2021. The renewal of the pioneer status for Tandem has been submitted and is still subject to approval by the relevant authorities at the end of the reporting period.

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. EARNINGS PER SHARE

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

	(Unaudited)	
	For the three months ended	
	28 February	
	2019	2018
	RM'000	RM'000
Profit for the period attributable to the owners of the Company, used in basic and diluted earnings per share calculation	<u><u>1,916</u></u>	<u><u>2,147</u></u>
	Number of shares	
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	<u><u>390,000,000</u></u>	<u><u>273,000,000</u></u>

The calculation of the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share has been determined based on the assumption that the issue of shares at incorporation of the Company, the Reorganisation and the Capitalisation Issue (as defined in the Prospectus) to the shareholders had occurred on 1 December 2017.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the three months ended 28 February 2019 and 2018.

9. DIVIDENDS

The Directors did not recommend a payment of an interim dividend for the three months ended 28 February 2019 (2018: nil).

10. APPROVAL OF THE FIRST QUARTERLY FINANCIAL STATEMENTS

The First Quarterly Financial Statements were approved and authorised for issue by the Board on 9 April 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The successful listing of the Company's shares (the "Shares") on GEM of the Stock Exchange on 22 October 2018 was an important milestone for the Group, enhancing our capital strength and reinforcing the Group's resources for future development.

FINANCIAL REVIEW

Revenue

The Group's revenue was derived from three principal sources, namely, system integration and development services, IT outsourcing services and maintenance and consultancy services which are analysed in Note 4 to the First Quarterly Financial Statements.

For the three months ended 28 February 2019, the Group recorded a decrease in total revenue by approximately 36.8% to approximately RM5.8 million (three months ended 28 February 2018: approximately RM9.2 million). The decrease in revenue was mainly due to decrease in revenue contributed from Project W (as defined in the Prospectus), and the Service Tax Act 2018 became effective in Malaysia on 1 September 2018, of which the tax imposed on the provision of information technology services has increased to a rate of 6% as compared to 0% previously, resulted in some customers of the Group delaying their projects as previously scheduled.

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

System integration and development services

For system integration and development services, the revenue decreased by approximately 31.3% from approximately RM8.0 million for the three months ended 28 February 2018 to approximately RM5.5 million for the three months ended 28 February 2019.

The decrease in revenue was mainly attributable to the decrease in revenue recognised by Project W attributable to the Group's largest customer, Customer D (as defined in the Prospectus).

The Group serves as a subcontractor of Customer D to implement a system providing portal services that allow members of a social security organisation in Malaysia to perform application, contribution, claim and other related activities. Project W was commenced in December 2016 and the project sum is approximately RM71.8 million. For the three months ended 28 February 2019, the Group recognised revenue of approximately RM802,000 (three months ended 28 February 2018: approximately RM6.0 million) from Project W. At 28 February 2019, Project W has been approximately 79.2% completed and has accounted for aggregate revenue of approximately RM57.5 million and the whole project is expected to complete in July 2020.

IT outsourcing services

For IT outsourcing services, the revenue decreased by approximately 55.2% from approximately RM475,000 for the three months ended 28 February 2018 to approximately RM213,000 for the three months ended 28 February 2019. The decrease in revenue was mainly due to the decrease in number of IT outsourcing projects.

Maintenance and consultancy services

For maintenance and consultancy services, the revenue decreased by approximately 85.1% from approximately RM717,000 for the three months ended 28 February 2018 to approximately RM107,000 for the three months ended 28 February 2019. The decrease in revenue was mainly attributable to scale-down of projects by customers.

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 three months ended	
	28 February	
	2019	2018
	RM'000	RM'000
Revenue	5,798	9,171
Cost of services and materials sold	(3,173)	(4,011)
Gross profit	2,625	5,160
Gross profit margin	45.3%	56.3%

The gross profit decreased by approximately 49.1%, from approximately RM5.2 million for the three months ended 28 February 2018 to approximately RM2.6 million for the three months ended 28 February 2019. The decrease in gross profit was consistent with the decrease in revenue as set out above.

The gross profit margin decreased from approximately 56.3% for the three months ended 28 February 2018 to approximately 45.3% for the three months ended 28 February 2019. Such a decrease was due to the increase in cost of services and materials sold outran the increase in revenue resulted from increase in purchase costs and staff costs of IT specialists for the three months ended 28 February 2019.

Administrative expenses

Administrative expenses decreased by approximately 6.6% from approximately RM632,000 for the three months ended 28 February 2018 to approximately RM590,000 for the three months ended 28 February 2019. The decrease is primarily due to the reason that staff costs for research and development of approximately RM983,000 for the three months ended 28 February 2019 are all capitalised as intangible assets, while staff costs for research and development of approximately RM144,000 for the three months ended 28 February 2018 are all recorded in administrative expenses.

Finance costs

The finance costs remained stable at approximately RM15,000 for the three months ended 28 February 2019 and 2018.

Income tax expenses

The income tax expenses decreased from approximately RM547,000 for the three months ended 28 February 2018 to approximately RM114,000 for the three months ended 28 February 2019. The decrease was mainly due to the decrease in profit of a subsidiary, Concorde Technology Sdn. Bhd., for the three months ended 28 February 2019, of which the profit is subject to Malaysia corporate income tax.

Profit for the period

The profit for the period decreased by approximately 10.8% from approximately RM2.1 million for the three months ended 28 February 2018 to approximately RM1.9 million for the three months ended 28 February 2019. Such decrease was mainly attributable to the decrease in revenue as analysed above.

Excluding non-recurring listing expenses, the profit for the period decreased by approximately 51.7% from approximately RM4.0 million for the three months ended 28 February 2018 to approximately RM1.9 million for the three months ended 28 February 2019, as analysed below:

	(Unaudited)	
	For the three months ended	
	28 February	
	2019	2018
	RM'000	RM'000
Profit for the period	1,916	2,147
<i>Add:</i> Listing expenses	<u>—</u>	<u>1,819</u>
	<u>1,916</u>	<u>3,966</u>

Such decrease was mainly attributable to the decrease in revenue as analysed above.

PROSPECTS

Following the Listing, the Group is confident of its future prospects and believes that it would enhance the Group's brand awareness and publicity on an international level and help to attract new potential local and international customers. To enhance the quality of services and expand its business, the Group actively pursues the following business strategies: (i) to be a major IT solution provider to the Digital Free Trade Zone in Malaysia; (ii) to capture new growth opportunities through its successful product, Square Intelligence; (iii) leveraging on the business networks of the Pre-IPO Investors to introduce IT products in the PRC into Malaysia, and diversifying its service offerings to its customers.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the three months ended 28 February 2019, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

USE OF PROCEEDS

The net proceeds raised by the Company from the share offer of the Company were approximately RM30.5 million (equivalent to approximately HK\$58.6 million) (based on the final Offer Price (as defined in the Prospectus) of HK\$0.62 per offer share adjusted by the Downward Offer Price Adjustment (as defined in the Prospectus)). The Company intends to apply the net proceeds on a pro rata basis for the purposes as disclosed in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" of the Prospectus and the price reduction announcement dated 16 October 2018, which are as follows:

- approximately RM3.05 million (equivalent to approximately HK\$5.86 million), representing approximately 10% of the net proceeds, for strengthening our technical team by recruiting more IT specialists
- approximately RM18.3 million (equivalent to approximately HK\$35.2 million), representing approximately 60% of the net proceeds, for purchase of hardware and equipment for establishment of IT infrastructure for the provision of cloud storage and cloud computing services
- approximately RM6.1 million (equivalent to approximately HK\$11.7 million), representing approximately 20% of the net proceeds, for research and development of advanced and adapted versions of our Group’s existing IT products
- approximately RM3.05 million (equivalent to approximately HK\$5.86 million), representing approximately 10% of the net proceeds, as general working capital

As at the date of this announcement, there were no changes of the business plans from those disclosed in the Prospectus.

As at 28 February 2019, the net proceeds had been utilised as follows:

	Net proceeds <i>RM million</i>	Amount utilised <i>RM million</i>	Balance <i>RM 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	—	18.30
Research and development of advanced and adapted versions of our Group’s existing IT products	6.10	1.50	4.60
General working capital	3.05	3.05	—
	<u>30.50</u>	<u>4.55</u>	<u>25.95</u>

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 28 February 2019 (three months ended 28 February 2018: nil).

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

During the three months ended 28 February 2019, the Company had complied with the CG Code, except for the deviations as stated below:

Code Provision A.1.8

Under code provision A.1.8 in the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company has yet to reach an agreement with an insurer and the insurance cover in respect of legal action against the Directors has not been in place until 19 February 2019.

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, 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 have Mr. Chong taking up both roles for effective management and business development. The Board considers that the balance of power and authority, accountability and independent decision-making under our present arrangement will not be impaired because of the diverse background and experience of the other executive director, non-executive Directors and independent non-executive Directors. Further, the Audit Committee has free and direct access to the Company’s external auditors and independent professional advisers when it considers necessary. Therefore, the Directors consider that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance.

In order to maintain good corporate governance and to fully comply with code provision A.2.1 of the CG Code, the Board comprises six other experienced and high-calibre individuals including one other executive Director, two non-executive Directors and three independent non-executive Directors who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Company will consult appropriate Board committees and senior management. Considering the present size and the scope of business of the Group, the Directors consider 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 Directors consider that the present arrangement is beneficial to and in the interest of the Company and the shareholders as a whole and the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance.

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 has complied with the Standard of Dealings from 1 December 2018 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 three months ended 28 February 2019.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 19 September 2018. The purpose of the Share Option Scheme is to grant an option to subscribe for Shares (the "Option") to eligible persons as defined in the Share Option Scheme as incentives or rewards for their contribution to the Group.

Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption on 19 September 2018. During the three months ended 28 February 2019, 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). Details of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" of the section headed "Statutory and General Information" of the Prospectus.

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

At 28 February 2019, 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 Shares or underlying shares of the Company:

Name of Director	<i>Notes</i>	Capacity and nature of interest	Number of Shares interested	Approximate percentage of the Company's issued share capital
Mr. Chong Yee Ping	(1)	Interests of controlled corporation and person acting in concert	196,560,000 (L)	50.40%
Mr. Siah Jiin Shyang	(1)	Interests of controlled corporation and person acting in concert	196,560,000 (L)	50.40%
Mr. Liu Yan Chee James		Beneficial owner	54,065,000 (L)	13.86%
Mr. Lam Pang		Beneficial owner	38,220,000 (L)	9.80%

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.

Save as disclosed above, as at 28 February 2019, 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 three months ended 28 February 2019 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, as at 28 February 2019, the following persons have or are deemed or taken to have an interest and / or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Name of substantial shareholders	Notes	Capacity and nature of interest	Number of Shares interested	Approximate percentage of the Company's issued share capital
Mr. Chong Yee Ping	(1)	Beneficial owner and person acting in concert	196,560,000 (L)	50.40%
Mr. Siah Jiin Shyang	(1)	Beneficial owner and person acting in concert	196,560,000 (L)	50.40%
Mr. Liu Yan Chee James		Beneficial owner	54,065,000 (L)	13.86%
Mr. Lam Pang		Beneficial owner	38,220,000 (L)	9.80%

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.

Save as disclosed above, as at 28 February 2019, 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 as at 28 February 2019 which may, directly or indirectly compete with the Group’s business.

DEED OF NON-COMPETITION

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

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

INTERESTS OF COMPLIANCE ADVISER

As at 28 February 2019, save as the compliance adviser agreement entered into between the Company and VBG Capital Limited (“VBG”), neither VBG nor its directors, employees or close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Ms. Ho Suet Man Stella (chairman of the Audit Committee), Mr. Chan San Ping and Mr. Su Chi Wen.

The Audit Committee has reviewed with the management the accounting standards and practices adopted by the Group, and discussed financial reporting matters including the review of unaudited condensed consolidated financial statements for the three months ended 28 February 2019 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, 9 April 2019

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 Company Announcements" 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.mindtellttech.com.