

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 2021

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

UNAUDITED CONDENSED CONSOLIDATED RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 28 February 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 28 February 2021

		(Unaudited)	
		For the three months ended 28 February 2021	For the three months ended 29 February 2020
	<i>Notes</i>	RM'000	RM'000
Revenue	4	1,842	2,270
Cost of services and materials sold		<u>(1,185)</u>	<u>(1,722)</u>
Gross profit		657	548
Other income	5	33	19
Administrative expenses		(1,783)	(2,096)
Finance costs	6	<u>(18)</u>	<u>(20)</u>
Loss before income tax	6	(1,111)	(1,549)
Income tax expenses	7	<u>–</u>	<u>–</u>
Loss for the period		(1,111)	(1,549)
Other comprehensive income		<u>–</u>	<u>–</u>
Total comprehensive loss for the period		<u>(1,111)</u>	<u>(1,549)</u>
Loss per share, basic and diluted (RM cents)	8	<u>(0.28)</u>	<u>(0.40)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 28 February 2021

	Reserves					Total RM'000
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Exchange reserve RM'000	Accumulated losses RM'000	
At 1 December 2020 (Audited)	<u>2,067</u>	<u>28,732</u>	<u>4,952</u>	<u>(318)</u>	<u>(13,359)</u>	<u>22,074</u>
Loss for the period and total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,111)</u>	<u>(1,111)</u>
At 28 February 2021 (Unaudited)	<u>2,067</u>	<u>28,732</u>	<u>4,952</u>	<u>(318)</u>	<u>(14,470)</u>	<u>20,963</u>
At 1 December 2019 (Audited)	<u>2,067</u>	<u>28,732</u>	<u>4,952</u>	<u>(354)</u>	<u>(2,167)</u>	<u>33,230</u>
Loss for the period and total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,549)</u>	<u>(1,549)</u>
At 29 February 2020 (Unaudited)	<u>2,067</u>	<u>28,732</u>	<u>4,952</u>	<u>(354)</u>	<u>(3,716)</u>	<u>31,681</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 28 February 2021

1. CORPORATE INFORMATION

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

The principal activity of the Company is 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 2021 (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 2020, 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 consolidated financial statements of the Group for the year ended 30 November 2020 (the "2020 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 2020 Financial Statements. The adoption of the new/revised IFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

Future changes in IFRSs

At the date of authorisation of the First Quarterly Financial Statements, the Group has not early adopted the new/revised IFRSs that have been issued but are not yet effective. The Directors do not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

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

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

- (i) system integration and development services;
- (ii) IT outsourcing services; and
- (iii) maintenance and consultancy services.

Segment revenue and results

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

Segment results represent the gross profit reported by each segment without allocation of other income, administrative expenses, finance costs and income tax expenses. This is the measure reported to the CODM 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 2021 and 29 February 2020 is as follows:

	System integration and development services <i>RM'000</i>	IT outsourcing services <i>RM'000</i>	Maintenance and consultancy services <i>RM'000</i>	Total <i>RM'000</i>
Three months ended 28 February 2021 (Unaudited)				
Revenue from external customers and reportable segment revenue	<u>941</u>	<u>702</u>	<u>199</u>	<u>1,842</u>
Reportable segment results	<u>145</u>	<u>364</u>	<u>148</u>	<u>657</u>
<i>Other information:</i>				
Amortisation	<u>496</u>	<u>–</u>	<u>–</u>	<u>496</u>
Addition of intangible assets	<u>24</u>	<u>–</u>	<u>–</u>	<u>24</u>
	System integration and development services <i>RM'000</i>	IT outsourcing services <i>RM'000</i>	Maintenance and consultancy services <i>RM'000</i>	Total <i>RM'000</i>
Three months ended 29 February 2020 (Unaudited)				
Revenue from external customers and reportable segment revenue	<u>1,931</u>	<u>189</u>	<u>150</u>	<u>2,270</u>
Reportable segment results	<u>310</u>	<u>100</u>	<u>138</u>	<u>548</u>
<i>Other information:</i>				
Amortisation	<u>392</u>	<u>–</u>	<u>–</u>	<u>392</u>
Addition of intangible assets	<u>1,038</u>	<u>–</u>	<u>–</u>	<u>1,038</u>

Reconciliation of reportable segment results

	(Unaudited)	
	For the three months ended 28 February 2021 RM'000	For the three months ended 29 February 2020 RM'000
Reportable segment results	657	548
Unallocated income and expenses:		
Other income	33	19
Administrative expenses	(1,783)	(2,096)
Finance costs	(18)	(20)
Loss before income tax	(1,111)	(1,549)
Income tax expenses	—	—
Loss for the period	(1,111)	(1,549)

Geographical information – Revenue from external customers

All the Group's revenue from external customers based on the location of external customers is derived from Malaysia for the three months ended 28 February 2021 and 29 February 2020.

4. REVENUE

	(Unaudited)	
	For the three months ended 28 February 2021 RM'000	For the three months ended 29 February 2020 RM'000
System integration and development services:		
Services provided	924	1,931
Sales of externally acquired/purchased hardware and software	17	–
	<u>941</u>	<u>1,931</u>
IT outsourcing services	702	189
Maintenance and consultancy services	199	150
	<u>1,842</u>	<u>2,270</u>
<i>Timing of revenue recognition:</i>		
At a point in time	17	–
Over time	1,825	2,270
	<u>1,842</u>	<u>2,270</u>

5. OTHER INCOME

	(Unaudited)	
	For the three months ended 28 February 2021 RM'000	For the three months ended 29 February 2020 RM'000
Interest income	29	18
Others	4	1
	<u>33</u>	<u>19</u>

6. LOSS BEFORE INCOME TAX

This is stated after charging:

	(Unaudited)	
	For the three months ended 28 February 2021 RM'000	For the three months ended 29 February 2020 RM'000
Finance costs		
Interest expenses on interest-bearing borrowings	8	10
Finance charges on lease liabilities	<u>10</u>	<u>10</u>
	<u>18</u>	<u>20</u>

	(Unaudited)	
	For the three months ended 28 February 2021 RM'000	For the three months ended 29 February 2020 RM'000
Other items		
Amortisation of intangible assets, included in administrative expenses	496	392
Auditors' remuneration	–	13
Cost of materials sold	13	–
Depreciation of property, plant and equipment	117	72
Depreciation of right-of-use assets	<u>90</u>	<u>30</u>

7. INCOME TAX EXPENSES

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% (2020: 24%) of the estimated assessable profits for the three months ended 28 February 2021. Malaysia incorporated entities with paid-up capital of RM2.5 million or less enjoy tax rate of 17% (2020: 17%) on the first RM600,000 (2020: RM600,000) and remaining balance of the estimated assessable profits at tax rate of 24% (2020: 24%) for the three months ended 28 February 2021. No Malaysia CIT has been provided for the three months ended 28 February 2021 and 29 February 2020 as the Group incurred a loss for taxation purposes in Malaysia.

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 the submission of a formal request to the Malaysia Investment Development Authority on or prior to expiry date and upon the confirmation of the Ministry of International Trade and Industry that Mixsol has been complying with all the applicable conditions as imposed, the tax relief period shall be extended for a further five years after each five-year tax relief period ends.

The pioneer status for Mixsol has been renewed during the year ended 30 November 2016 and subject to next renewal on or prior to 30 June 2021.

The applicable tax rate is the weighted average of the rates prevailing in the territories in which the Group’s entities operate against profit or loss before tax. The change in applicable tax rate is caused by changes in the taxable results of the Group’s subsidiaries in the respective countries in which the Group operates.

8. LOSS PER SHARE

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

	(Unaudited)	
	For the three months ended 28 February 2021 RM’000	For the three months ended 29 February 2020 RM’000
Loss for the period attributable to the owners of the Company, used in basic and diluted loss per share calculation	<u>(1,111)</u>	<u>(1,549)</u>
	Number of shares	
Weighted average number of ordinary shares for basic and diluted loss per share calculation	<u>390,000,000</u>	<u>390,000,000</u>

Diluted loss per share is the same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the three months ended 28 February 2021 and 29 February 2020.

9. DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the three months ended 28 February 2021 (2020: nil).

10. APPROVAL OF THE FIRST QUARTERLY FINANCIAL STATEMENTS

The First Quarterly Financial Statements were approved and authorised for issue by the Board on 8 April 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

- (i) System integration and development – development and customisation of corporate IT system applications on project basis, either in the capacity as a main contractor or as a subcontractor;
- (ii) IT outsourcing – performance of specific tasks for development and customisation of corporate IT system applications which are within our expertise under the supervision of customers; and
- (iii) Maintenance and consultancy – maintenance and support of the developed IT system applications.

FINANCIAL REVIEW

Revenue

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

For the three months ended 28 February 2021, the Group recorded a decrease in total revenue by approximately 18.9% to approximately RM1.8 million (2020: approximately RM2.3 million). The decrease in revenue was mainly due to significant decrease in revenue from the system integration and development services, net off by the increase in revenue from IT outsourcing services and maintenance and consultancy services.

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

System integration and development services

For system integration and development services, the revenue decreased by approximately 51.3% from approximately RM1.9 million for the three months ended 29 February 2020 to approximately RM0.9 million for the three months ended 28 February 2021.

The decrease in revenue was mainly because:

- (i) the COVID-19 pandemic since early 2020 and the implementation of the Movement Control Order (the “MCO”) by the Malaysian Government from March 2020 have caused serious delay in completion of existing projects as customers slowed down their project progress; and
- (ii) the COVID-19 pandemic and the repeated change in the Malaysian government’s central powers have halted many customers in the market in terms of IT capital expenditure. The country is also succumbed by a long extended social-economic measures and Proclamation of Emergency that is expected to be lifted only by August 2021. The customers are still hesitant to invest in business-wide transformational IT projects. They continue to implement smaller incremental projects and the Board believes that this trend will continue throughout 2021.

IT outsourcing services

For IT outsourcing services, the revenue increased by over 2.5 times from approximately RM189,000 for the three months ended 29 February 2020 to approximately RM702,000 for the three months ended 28 February 2021. The increase in revenue was mainly due to the increase in the time for outsourcing services rendered.

Maintenance and consultancy services

For maintenance and consultancy services, the revenue increased by approximately 32.7% from approximately RM150,000 for the three months ended 29 February 2020 to approximately RM199,000 for the three months ended 28 February 2021. The growth in revenue was considered stable.

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin for the periods indicated:

	(Unaudited)	
	For the three months ended 28 February 2021 RM'000	For the three months ended 29 February 2020 RM'000
Revenue	1,842	2,270
Cost of services and materials sold	<u>(1,185)</u>	<u>(1,722)</u>
Gross profit	<u>657</u>	<u>548</u>
Gross profit margin	<u>35.7%</u>	<u>24.1%</u>

The gross profit increased by approximately 19.9%, from approximately RM548,000 for the three months ended 29 February 2020 to approximately RM657,000 for the three months ended 28 February 2021. The gross profit margin increased from approximately 24.1% for the three months ended 29 February 2020 to approximately 35.7% for the three months ended 28 February 2021. The increase was mainly due to the increase in gross profit from IT outsourcing services.

Administrative expenses

Administrative expenses decreased by approximately 14.9% from approximately RM2.1 million for the three months ended 29 February 2020 to approximately RM1.8 million for the three months ended 28 February 2021. The decrease was mainly due to the decrease in administrative staff costs and decrease in sales and marketing expenses.

Finance costs

The finance costs decreased by approximately 10.0% from approximately RM20,000 for the three months ended 29 February 2020 to approximately RM18,000 for the three months ended 28 February 2021. The movement in finance costs was considered stable.

Income tax expenses

As the Group recorded a loss for the three months ended 28 February 2021, no provision for income tax has been made (2020: nil).

Loss for the period

The Group recorded a loss of approximately RM1.1 million for the three months ended 28 February 2021, as compared to a loss of approximately RM1.5 million for the three months ended 29 February 2020. The loss was mainly attributable to the decrease in revenue as analysed above.

RESPONSE TO OUTBREAK OF COVID-19 PANDEMIC

Since early 2020, COVID-19 pandemic spread worldwide. A series of precautionary and control measures have been undertaken by governments around the world, including Hong Kong and Malaysia.

The Malaysian Government announced the implementation of MCO effective from 18 March 2020. On 4 May 2020, the Malaysian Government had eased lockdown restrictions and announced the Conditional Movement Control Order (“CMCO”), which allowed certain business sectors to resume operations. On 10 June 2020, the Malaysian Government implemented the Recovery Movement Control Order (“RMCO”). Under RMCO, most of the economic sectors were allowed to resume operations in stages, while in full compliance with Standard Operating Procedures (“SOP”). However, the situation of COVID-19 pandemic in Malaysia worsened again in early 2021 and the Malaysian Government implemented the MCO again from 11 January 2021 to 4 March 2021. On 5 March 2021, the CMCO was implemented and extended until 14 April 2021. Further, the head of state of Malaysia has issued a Proclamation of Emergency for the period from 11 January 2021 to 1 August 2021. The effect of the proclamation is yet to be observed.

During the year of 2020 and the first quarter of 2021, the Group has experienced significant disruption in its operations arising from the COVID-19 pandemic and the various control orders in Malaysia, including but not limited to (i) temporary closure of offices where most of the staff has worked from home since March 2020, (ii) interruption of operations where SOP was required to be implemented, (iii) only 50% attendance were maintained by all customers’ offices and closure of the headquarters of all banks. Our customers slowed down the progress of their projects to complete certain deployment during the various control orders and therefore various projects have been delayed for approximately 10 months. Further, all meetings were limited to online meetings which seriously hindered the securing of new business. These caused the drop in revenue from system integration and development services by more than 50% and the additional costs being incurred for the three months ended 28 February 2021.

To cope with the ongoing situation of the COVID-19 pandemic, the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all its employees in different regions. At the same time, the Group has implemented various flexible working arrangements for its staff. The Group has used, and will continue to use, its best endeavors to mitigate the adverse impact of the COVID-19 pandemic on the Group.

The Group is closely monitoring the development of the COVID-19 pandemic to ensure the safety of its employees and stable operations. As and when appropriate, the Group will adjust its measures and plans for pandemic prevention, operations and business development accordingly.

FUTURE BUSINESS AND DEVELOPMENT PLAN

Following the Listing, the Group consistently and 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 our successful product, Square Intelligence; (iii) leveraging on the business networks of the Pre-IPO Investors of the Company to introduce IT products in the PRC into Malaysia, and diversifying 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 the 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 a bid to catch up in the digitalisation race and introduced a 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 network in Malaysia. The Malaysian Government also targets to migrate 80% of the public data to hybrid cloud systems by the end of 2022. The Group had participated or planned to participate in several digital transformation tenders undertaken by the Malaysian Government or Government-linked Companies (GLCs). Pre-sales activities such as technology demonstrations, proofs of concept and value-added consultations are being carried out.

Besides, 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.

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 Group has started to design the high level functional requirement and the overall technical architecture for the said digital banking platform. The design of solution is based on the latest technology that allows the solution to be able to run on both the on-premise and cloud infra-structure in order to meet the demand for both. The Group targets to create a solution that is scalable to the potential clients of all sizes with the system business process that is configurable to the client's business operations. The solution is expected to be completed by the end of 2021.

In order to enable the Group to secure contracts from government authorities and agencies and tender for bigger government tenders, the Group is accelerating its pace in the acquisition of service providers that possess government's service provider license (Taraf Bumiputra MOF) in 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 applicant must be Bumiputera in order to obtain the full license of Taraf Bumiputra MOF, the Group is only eligible to be a minority shareholder of the company that possesses this license. The Group starts to explore potential Bumiputera company but no definite target has been identified yet. The Group will continue to identify and evaluate any potential target.

Affected by the outbreak of COVID-19 pandemic 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.

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

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

The Group is continuously developing the advanced version of Square Intelligence. New functions that incorporate machine learning capabilities have been designed and the functions are undergoing the development process to further enhance the features offered by Square Intelligence. The new functions are capable to perform data extraction from un-structured data source such as manual documentation, reports and forms. It is designed to be able to convert these un-structured data into text based 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 is expected to be ready by the third quarter of 2021.

The outbreak of COVID-19 pandemic in early 2020 throughout the world has certain impacts on the business operation of the Group and the overall global economy. Due to suspension of operation in Malaysia and global travel restriction, it directly and indirectly affected the seeking out of potential customers and negotiation and securing of new projects by the Group. However, the management will actively 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) Leveraging on the business networks of the Pre-IPO Investors of the Company to introduce IT products in the PRC into Malaysia; and diversifying 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 international travel is resumed, the Group will continue our discussion with potential partners, and actively explore valuable IT products for the purpose of diversifying our products and services offering to our customers.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the three months ended 28 February 2021, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

USE OF PROCEEDS

The net proceeds raised by the Company from the share offer of the Company were approximately RM30.5 million (equivalent to approximately HK\$58.6 million) (based on the final Offer Price (as defined in the prospectus of the Company dated 29 September 2018 (the “Prospectus”)) of HK\$0.62 per offer share adjusted by the Downward Offer Price Adjustment (as defined in the Prospectus)). The Company adjusted the use of net proceeds on a pro rata basis for the purposes as disclosed in the section headed “Future Plans and Use of Proceeds – Use of Proceeds” of the Prospectus and the price reduction announcement dated 16 October 2018.

As at 28 February 2021, the Company has utilised an aggregate of RM13.22 million of the net proceeds and the balance of the Group’s unutilised net proceeds amounted to approximately RM17.28 million (the “Unutilised Net Proceeds”).

On 19 March 2021, the Board has resolved to change the use of the Unutilised Net Proceeds as follows:

	Original intended use of net proceeds from the Listing	Amount of net proceeds utilised since the Listing up to 28 February 2021	Amount of the Unutilised Net Proceeds as at 28 February 2021	Change of use of the Unutilised Net Proceeds on 19 March 2021	Expected timeline for utilising the Unutilised Net Proceeds
	<i>RM in million</i>	<i>RM in million</i>	<i>RM in million</i>	<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 (Note)	–	
Research and development of advanced and adapted versions of our Group’s existing IT products	6.10	(6.10)	–	3.28 (Note)	31 December 2021
Acquisition of IT business	–	–	–	3.00 (Note)	31 December 2021
General working capital	3.05	(3.05)	–	11.00 (Note)	31 March 2022
	<hr/>	<hr/>	<hr/>	<hr/>	
Total	<u>30.50</u>	<u>(13.22)</u>	<u>17.28</u>	<u>17.28</u>	

Note: The Unutilised Net Proceeds of RM17.28 million is re-allocated to research and development of advanced and adapted versions of our Group’s existing IT products, the acquisition of IT business and for the Group’s general working capital.

The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus. The Board considered that the change in the use of the net proceeds will enable the Group to deploy its financial resources more effectively and to have a higher degree of flexibility in cash flow management, and is therefore in the interest of the Group and the shareholders of the Company as a whole. Details of the change in use of proceeds were set out in the announcement of the Company dated 23 March 2021.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 28 February 2021 (2020: 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 2021, the Company had complied with the CG Code, except for the deviation 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 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 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the “Standard of Dealings”), as the code of conduct regarding the Directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the Standard of Dealings from the date on which the shares of the Company are first listed on the Stock Exchange and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 28 February 2021.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “Share Option Scheme”) on 19 September 2018. The purpose of the Share Option Scheme is to grant an option to subscribe for the shares of the Company (the “Option”) to eligible persons as defined in the Share Option Scheme (including, inter alia, directors, employees, suppliers, customers and consultants of the Group) as incentives or rewards for their contribution to the Group.

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. Since the adoption of the Share Option Scheme and up to 28 February 2021, no Option has been granted by the Company. As of the date of this announcement, the Company had 39,000,000 shares available for issue under the Share Option Scheme (representing 10% of the existing issued share capital of the Company as at the date of this announcement). An option may be accepted within 21 days from the date of offer. A sum of HK\$1.00 shall be payable on acceptance. Unless determined by the Directors otherwise, there is no minimum holding period before it can be exercised. The maximum entitlement of each participant and the exercise price shall be in accordance with the GEM Listing Rules. 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 2021, 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 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in the shares or underlying shares of the Company:

Name of Director	Notes	Capacity and nature of interest	Number of shares interested (Note 2)	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)	50.4%
Mr. Siah Jiin Shyang	(1)	Interests of controlled corporation and person acting in concert	196,560,000 (L)	50.4%
Mr. Liu Yan Chee James		Beneficial owner	57,720,000 (L)	14.8%
Mr. Lam Pang		Beneficial owner	38,220,000 (L)	9.8%

Notes:

- (1) Delicate Edge Limited is wholly and beneficially owned by Mr. Chong Yee Ping whereas King Nordic Limited is wholly and beneficially owned by Mr. Siah Jiin Shyang. Each of Delicate Edge Limited and King Nordic Limited holds 98,280,000 shares representing 25.2% of the total issued share capital of the Company.

Mr. Chong Yee Ping and Mr. Siah Jiin Shyang are parties acting in concert (having the meaning ascribed to it under the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”)) as confirmed by them in writing. As such, each of Mr. Chong Yee Ping, Mr. Siah Jiin Shyang, Delicate Edge Limited and King Nordic Limited is deemed to be interested in 196,560,000 shares held by Delicate Edge Limited and King Nordic Limited in aggregate under the SFO.

- (2) The Letter “L” denotes as long positions in the shares of the Company.

Save as disclosed above, as at 28 February 2021, 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, neither the Company nor any of its subsidiaries or associated corporations was a party to any arrangement to 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 at any time during the three months ended 28 February 2021.

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 2021, the following persons have or are deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed under the provisions of 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.

Long position in the shares or underlying shares of the Company:

Name of substantial shareholders	<i>Notes</i>	Capacity and nature of interest	Number of shares interested <i>(Note 2)</i>	Percentage of the Company's issued share capital
Delicate Edge Limited	<i>(1)</i>	Beneficial owner and person acting in concert	196,560,000 (L)	50.4%
King Nordic Limited	<i>(1)</i>	Beneficial owner and person acting in concert	196,560,000 (L)	50.4%
Mr. Liu Yan Chee James		Beneficial owner	57,720,000 (L)	14.8%
Mr. Lam Pang		Beneficial owner	38,220,000 (L)	9.8%

Notes:

- (1) Delicate Edge Limited is wholly and beneficially owned by Mr. Chong Yee Ping whereas King Nordic Limited is wholly and beneficially owned by Mr. Siah Jiin Shyang. Each of Delicate Edge Limited and King Nordic Limited holds 98,280,000 shares representing 25.2% of the total issued share capital of the Company.

Mr. Chong Yee Ping and Mr. Siah Jiin Shyang are parties acting in concert (having the meaning ascribed to it under the Takeovers Code) as confirmed by them in writing. As such, each of Mr. Chong Yee Ping, Mr. Siah Jiin Shyang, Delicate Edge Limited and King Nordic Limited is deemed to be interested in 196,560,000 shares held by Delicate Edge Limited and King Nordic Limited in aggregate under the SFO.

- (2) The Letter "L" denotes as long positions in the shares of the Company.

Save as disclosed above, as at 28 February 2021, 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 2021 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 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

During the three months ended 28 February 2021, VBG Capital Limited ("VBG") acted as the compliance adviser of the Company. Save as the compliance adviser agreement entered into between the Company and 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.

The compliance adviser agreement was terminated on 28 February 2021.

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 2021 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, 8 April 2021

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 website of the Company at www.mindtellttech.com.