

**TECHNODEX BHD**  
**(Company No. 627634-A)**  
**(Incorporated in Malaysia)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2009**

**A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134**

**A1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with FRS 134 - Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market.

The interim financial report should be read in conjunction with the latest audited consolidated financial statements of Technodex Bhd (“TB”) for the financial year ended 30 June 2009. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2009.

**A2. Changes in accounting policies**

The significant accounting policies, method of computation and basis of consolidation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 30 June 2009 except for the following new and revised FRSs issued by MASB that are effective and applicable for financial year beginning on or after 1 July 2009:

(i) FRS issued and effective for financial periods beginning on or after 1 July 2009:-

FRS 8 Operating Segments

FRS 8 replaces FRS 114<sub>2004</sub> Segment Reporting and requires a “Management Approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

(ii) FRSs issued and effective for financial periods beginning on or after 1 January 2010:-

FRS 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 101 (Revised 2009) Presentation of Financial Statements

FRS 123 Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

**A3. Audit Report of Preceding Annual Financial Statements**

The audited annual financial statements for the year ended 30 June 2009 were not subject to any qualification.

**A4. Comments on Seasonal or Cyclical Factors**

The results of the Group were not significantly affected by any seasonal or cyclical factors during the current quarter under review and the financial year-to-date.

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**A5. Nature and Amount of Exceptional and Extraordinary Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the current quarter under review and the financial year-to-date.

**A6. Material Changes in Estimates**

There were no material changes in the estimates used for the preparation of this interim financial report.

**A7. Debts and Equity Securities**

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review except for the following:-

**Employees' Share Options Scheme (ESOS)**

During the current quarter, there was no issuance of ESOS. During the financial year to date ending 31 December 2009, the Company issued 1,083,800 ordinary shares of RM0.10 each for cash pursuant to the Company's ESOS.

The movements in the ordinary shares of RM0.10 each are as follows:-

	No. of Shares ( '000)	RM'000
<b>Ordinary Shares of RM0.10 each</b>		
<b>Authorised</b>		
At 1 July 2009/ 31 December 2009	250,000	25,000
	=====	=====
<b>Issued and Fully Paid-up</b>		
At 1 July 2007	178,333	17,833
Increased during the financial period		
- Pursuant to ESOS	1,084	108
	-----	-----
At 31 December 2009	179,417	17,941
	=====	=====

**A8. Dividend**

There were no dividends paid during the current quarter under review and the financial year-to-date.

**A9. Segmental Information**

The Group operates in a single line of business, namely the provision of Open Source Based Business Software and as such, segment reporting by business segment is not prepared.

In determining the geographical segments of the Group, segmental revenue is based on the country in which the customer is located.

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**A9. Segmental Information (Continued)**

The Group derives revenue from customers in the following geographical areas:

	<b>Current Quarter</b>	<b>Preceding Corresponding Quarter</b>	<b>Current Year To Date</b>	<b>Preceding Corresponding Year To date</b>
<b>Revenue</b>	<b>Ended 31/12/09 RM'000</b>	<b>Ended 31/12/08 RM'000</b>	<b>Ended 31/12/09 RM'000</b>	<b>Ended 31/12/08 RM'000</b>
Malaysia	1,720	3,314	3,355	5,351
France	-	-	15	-
	----- 1,720	----- 3,314	----- 3,370	----- 5,351

Information on the segment results have not been presented as the operating expenses of the Group are mostly incurred in Malaysia and therefore could not be allocated to the respective geographical area.

**A10. Valuation of Property, plant and equipment**

There were no changes in the valuation of property, plant and equipment reported in the previous audited financial statements that will have an effect in the financial quarter under review.

**A.11 Material Events Subsequent To The End of The Quarter**

Save as disclosed below, there were no other material events subsequent to the end of the quarter under review:-

- (i) In respect of Tdex's ESOS, there was an exercise of 193,000 options resulting in the issuance of 193,000 ordinary shares of RM0.10 each in Tdex ("**Tdex Share**") which was listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 14 January 2010.
- (ii) Pursuant to the announcement made on 19 November 2009 and 30 November 2009, the Company had implemented a bonus issue up to 48,000,000 Tdex Shares to be issued and credited as fully paid up on the basis of one (1) new Tdex Share for every four (4) existing Tdex Shares held ("**Bonus Issue**") on the entitlement date that was determined to be on 19 January 2010. The actual number of Tdex Shares issued pursuant to the Bonus Issue was 44,902,450 new Tdex Shares which was listed and quoted on the ACE Market of Bursa Securities 20 January 2010.

**A12. Changes in Composition of the Group**

There were no changes in the composition of the Group in the current quarter under review.

**A13. Contingent Assets or Liabilities**

There were no contingent assets or contingent liabilities since the last Balance Sheet as at 30 June 2009.

**A14. Capital Commitments**

There were no capital commitments as at 31 December 2009.

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**A15. Related Party Transactions**

There were no related party transactions entered into in the current quarter under review and the financial year-to-date.

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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET**

**B1. Review of Performance**

For the current second quarter ended 31 December 2009 (“**2Q10**”), the Group recorded revenue of RM3.720 million compared to RM3.314 million in the previous corresponding period. Whereas, for the financial year-to-date, the Group recorded revenue RM5.370 million compared to RM5.351 million in the previous corresponding period.

For 2Q10 the Group recorded profit before taxation (“**PBT**”) of RM0.297 million compared to RM0.080 million in the preceding quarter (“**2Q09**”). The Group also recorded profit after taxation (“**PAT**”) of RM0.291 million for 2Q10 compared to profit after taxation of RM0.049 million in 2Q09.

In 2Q10, the Group achieved an improvement in PBT and PAT as compared to 2Q09 whilst recording similar level of revenue for each of the quarter. The improvement was mainly due to the proactive management of cost by the Group in an effort to be prudent due to the weakening economic condition. There was no contribution from associate company in this quarter as the associate company achieved breakeven performance. The results for this quarter remain contributed by its core products TechnoDex® Platform and EvoDex suite of solutions.

**B2. Comparison with Preceding Quarter’s Results**

The Group recorded revenue of RM3.720 million for 2Q10 compared to RM1.650 million in the preceding quarter (“**1Q10**”). The Group recorded PBT of RM0.297 million in 2Q10 compared to RM0.041 million in 1Q10.

The increase in revenue was due to the completion of milestone on the on-going projects whilst the increase in PBT was contributed by higher revenue invoiced during the period as well as prudent cost management efforts.

**B3. Commentary on Prospects**

The Board of Directors of the Group notes that the current uncertain economic circumstances may, to a certain extent, affect the Group’s operations and financial performance. Notwithstanding the economic slowdown, the management continues to undertake various controls and measures to ensure the sustainability of the Group.

The Group will continue to pursue high growth markets by introducing innovative and complementary solutions to these markets. In addition, the Group is also exploring growth through mergers & acquisitions with synergistic businesses locally and abroad.

The result of the associated company, Shenzhen Oyou8 Digital Interactive Co. Ltd. is expected to continue to contribute to the Group’s profit. Despite the weak economic situation, the Board of Directors believes that online games will become more popular as individuals seek for cheaper entertainment alternatives.

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**B4. Taxation**

	Unaudited Individual Quarter		Unaudited Cumulative Quarter	
	Current Quarter Ended 31/12/09 RM'000	Preceding Corresponding Quarter Ended 31/12/08 RM'000	Current Year To Date Ended 31/12/09 RM'000	Preceding Corresponding Year To date Ended 31/12/08 RM'000
Taxation	(6)	16	(6)	16

The effective tax rate of the Group for the current quarter under review and the financial year to-date was lower than the statutory tax rate as the company and its subsidiary, Technodex Solutions Sdn Bhd (“TDS”), was granted Pioneer Status incentive under the Promotion of Investments Act, 1986. The company’s and TDS’s pioneer activities are exempted from income tax for a period of five years from 20 April 2005 and 26 March 2008 respectively.

The taxation charge is in respect of interest income earned by the Company.

**B5. Profit forecast and profit guarantee**

The Group neither announced any profit forecast nor profit guarantee during the financial quarter under review.

**B6. Unquoted Investments and/or Properties**

There were no disposals of unquoted investments and/or properties during the current quarter under review and the financial year-to-date.

**B7. Quoted Securities**

There were no purchases or disposal of quoted securities in the current quarter under review and the financial year-to-date. The Group does not hold any quoted securities as at the end of the current quarter under review.

**B8. Corporate Proposals**

There were no corporate proposals announced but not completed prior to the date of issuance of this quarterly report except for the following:-

- (a) On 29 December 2009, the Company announced that it proposes to undertake the following:-
- (i) the proposed transfer of the listing of and quotation for the entire issued and paid-up share capital of Tdex from the ACE Market of Bursa Securities (“**ACE Market**”) to the Main Market of Bursa Securities (“**Main Market**”) (“**Proposed Transfer**”); and
  - (ii) the proposed amendments to the Articles of Association of Tdex (“**Proposed Amendments**”).
- (collectively known as “**Proposals**”).

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**B8. Corporate Proposals (continued)**

The submission for the Proposed Transfer is expected to be made to the Securities Commission within three (3) months from the date of the announcement.

- (b) As announced on 13 October 2008, the Company is proposing to undertake a private placement exercise of up to 10% of the enlarged issued and paid-up share capital of TechnoDex representing up to 19,200,000 new ordinary shares of RM0.10 each in TechnoDex, to investors to be identified, assuming all outstanding Employees' Share Option Scheme options as at 30 September 2008 are fully exercised ("**Proposed Private Placement**").

The Securities Commission had via its letter dated 16 December 2008 approved the Proposed Private Placement. Further to the approval, the Securities Commission had vide its letter dated 9 June 2009 granted the Company an extension of time until 15 December 2009 to complete the Proposed Private Placement.

Due to the lackluster economy, the Group did not manage to secure new investors to complete the Proposed Private Placement. Accordingly, the approval for the Proposed Private Placement had lapsed on 15 December 2009.

- (c) As announced on 24 November 2008, the Company is proposing to acquire and subscribe ordinary shares of RM1.00 each representing 51% of the eventual issued and paid-up share capital of HK Comp Software Standards (M) Sdn Bhd for a total cash consideration of RM5,000,000. The proposal is currently pending completion.

**B9. Borrowings and Debt Securities**

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 December 2009:

	<b>As At End Of Current Quarter Ended 31 December 09 (RM'000)</b>	<b>As At End Of Preceding Financial Year Ended 30 June 09 (RM'000)</b>
<b>Short term borrowings:-</b>		
<b>Secured:</b>		
<b>Other borrowings:-</b>		
Finance Lease	156	178
Term Loan	4,793	5,129
	4,949	5,307
<b>Bank overdrafts</b>	3,904	4,177
	8,853	9,484
<b>Long term borrowings:-</b>		
<b>Secured:</b>		
Finance Lease	734	813
Term Loan	6,375	2,637
	7,109	3,450

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**B10. Off Balance Sheet Financial Instruments**

The Group does not have any off balance sheet financial instruments as at the date of this quarterly report.

**B11. Material Litigation**

The Group has not been involved in any material litigation since the last Balance Sheet date as at 30 June 2009.

**B12. Dividend**

The Board of Directors does not recommend any dividend for the current quarter under review and the financial year-to-date.

**B13. Earnings Per Share**

The earnings per share have been calculated based on the profit after taxation divided by the weighted average number of ordinary shares as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31 December 09	Preceding Corresponding Quarter Ended 31 December 08	Current Year To Date Ended 31 December 09	Preceding Financial Year To date Ended 31 December 08
Profit After Taxation (RM'000)	291	49	326	(1,265)
Weighted Average Number of Ordinary Shares in issue of RM0.10 each ('000)	179,417	178,333	178,448	178,329
Basic earnings / (loss) per share (sen)	0.16	0.03	0.18	(0.71)
Weighted Average Number of Ordinary Shares after effect of Employee Share Option Scheme ('000)	190,454	192,420	189,485	192,412
Diluted earnings / (loss) per share (sen)	0.15	0.03	0.17	(0.66)

**B14. Qualification of Financial Statements**

The auditors' report of the preceding year's annual audited financial statements was not subject to any audit qualification.

Dated this : 25<sup>th</sup> February 2010