

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2010**

**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:-

On 19 January 2010, the Company issued 44,902,450 new ordinary shares of RM0.10 each on the basis of one (1) new ordinary share for every four (4) existing TB share pursuant to the Bonus Issue.

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

During the current quarter, the Company issued 664,300 ordinary shares for cash pursuant to the ESOS. Whilst, for the financial year to date ending 31 March 2010, the Company has issued up to 4,151,000 ordinary shares for cash pursuant to the ESOS.

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

Ordinary Shares of RM0.10 each	No. of Shares '000	RM'000
<b>Authorised</b>		
At 1 July 2009/ 31 March 2010	<u>250,000</u>	<u>25,000</u>
<b>Issued and Fully Paid-up</b>		
At 1 July 2009	178,333	17,833
Increased during the financial period		
- Pursuant to ESOS	4,151	415
- Pursuant to Bonus Issue	44,902	4,490
At 31 March 2010	<u>227,386</u>	<u>22,738</u>

**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	315	7,417	5,670	12,768
France	-	-	15	-
	----- 315	----- 7,417	----- 5,685	----- 12,768

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 in Note B8, there were no material events subsequent to the end of the quarter under review.

**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 March 2010.

**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 third quarter ended 31 March 2010 (“3Q10”), the Group recorded revenue of RM0.315 million compared with RM7,417 million in the preceding year corresponding quarter (“3Q09”). For the financial year-to-date, the Group recorded revenue RM5.685 million compared with RM12.768 million in the 3Q09.

For 3Q10 the Group recorded loss before taxation (“LBT”) of RM3.088 million compared with profit before taxation (“PBT”) of RM2.347 million in the 3Q09. The Group also recorded loss after taxation (“LAT”) of RM3.097 million for 3Q10 compared with profit after taxation (“PAT”) of RM2.339 million in 3Q09.

The Group suffered losses both in LBT and LAT mainly due to less revenue being invoiced. Its associated company has contributed RM0.200 million in this current quarter. 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 RM0.315 million for 3Q10 compared with RM3.720 million in the preceding quarter (“2Q10”). The Group recorded LBT of RM3.088 million in 3Q10 compared with RM0.297 million in 2Q10.

The decrease in revenue was due to completion of the on-going projects in 2Q10 and lower revenue being invoiced in 3Q10.

**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. 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. 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 31/03/10 RM'000	Preceding Corresponding Quarter Ended 31/03/09 RM'000	Current Year To Date Ended 31/03/10 RM'000	Preceding Corresponding Year To date Ended 31/03/09 RM'000
Taxation	(9)	(8)	(21)	(23)

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 proposal 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**”).

The submission for the Proposed Transfer is expected to be made to the Securities Commission in June 2010.

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(b) 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 March 2010:

	<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	158	191
Term Loan	5,715	4,551
	5,873	4,742
<b>Bank overdrafts</b>	4,191	3,924
	10,064	8,666
<b>Long term borrowings:-</b>		
<b>Secured:</b>		
Finance Lease	694	852
Term Loan	5,956	2,749
	6,650	3,601

**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.

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**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 March 10	Preceding Corresponding Quarter Ended 31 March 09	Current Year To Date Ended 31 March 10	Preceding Financial Year To date Ended 31 March 09
(Loss)/Profit After Taxation (RM'000)	(3,097)	2,339	(2,771)	1,074
Weighted Average Number of Ordinary Shares in issue of RM0.10 each ('000)	191,537	178,333	190,887	178,333
Basic (loss)/ earnings per share (sen)	(1.62)	1.31	(1.45)	0.60
Weighted Average Number of Ordinary Shares after effect of Employee Share Option Scheme ('000)	205,650	193,483	204,999	193,480
Diluted (loss)/ earnings per share (sen)	(1.51)	1.21	(1.35)	0.55

**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 : 10<sup>th</sup> May 2010