

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 114₂₀₀₄ 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.

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.

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

	Current Quarter	Preceding Corresponding Quarter	15 MONTHS Current Year To Date	15 MONTHS Preceding Corresponding Year To date
Revenue	Ended 31/12/10 RM'000	Ended 31/12/09 RM'000	Ended 31/12/10 RM'000	Ended 31/12/09 RM'000
Malaysia	813	3,720	8,258	26,788
France	-	-	108	322
	----- 813	----- 3,720	----- 8,366	----- 27,110

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.

TECHNODEX BHD
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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 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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TECHNODEX BHD
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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 quarter ended 31 December 2010 (“**6Q10**”), the Group recorded revenue of RM0.813 million compared with RM3.720 million in the preceding year corresponding quarter (“**6Q09**”). For the financial year-to-date, the Group recorded revenue of RM8.366 million compared with RM27.110 million in the 6Q09.

For 6Q10, the Group recorded loss before taxation (“**LBT**”) of RM28.460 million compared with profit before taxation (“**PBT**”) of RM8.087 million in the 6Q09. The Group also recorded loss after taxation (“**LAT**”) of RM28.507 million for 6Q10 compared with profit after taxation (“**PAT**”) of RM8.050 million in 6Q09. The associate company incurred loss for 6Q10 and the financial year-to-date of RM0.051 million and RM0.154 million respectively.

The Group incurred losses both in LBT and LAT mainly due to lesser revenue being invoiced and higher amortization being charged during the period. The associate company also incurred loss in this 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 RM0.813 million for 6Q10 compared with RM0.202 million in the preceding quarter (“**5Q10**”). The Group incurred LBT of RM17.763 million in 6Q10 compared with RM6.277 million in 5Q10.

The Group incurred substantial loss in the 6Q10 mainly due to the Group recognized provision for doubtful debts of RM7.956 million. In addition, the Group recognized provision for impairment loss on investment of RM5.325 million. The other operating costs are also including expenses related to project’s prototype and related marketing expenses in order to secure more projects.

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.

TECHNODEX BHD
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B4. Taxation

	Individual Quarter		15 MONTHS	15 MONTHS
	Current Quarter	Preceding	Cumulative Quarter	Preceding
	Ended 31/12/10	Corresponding	Current Year To Date	Corresponding
	RM'000	Quarter	Ended 31/12/10	Year To date
		Ended 31/12/09	RM'000	Ended 31/12/09
		RM'000		RM'000
Taxation	(9)	(6)	(47)	(37)

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**”).

TECHNODEX BHD
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On 30 June 2010, the Company announced that the Group is currently planning an internal restructuring exercise. The submission for the Proposed Transfer to the Securities Commission and Bursa Malaysia Securities Berhad in respect of the Proposals is only expected to resume before the end of 2010.

- (b) As announced on 25 November 2008, the Company entered into an agreement to acquire 38,750 ordinary share of RM1.00 each in HK Comp Software Standards (M) Sdn. Bhd. (“HK Comp”) for a purchase price of RM3,000,000.00 in cash and to subscribe 25,000 new ordinary shares of RM1.00 each for a total subscription price of RM2,000,000.00 in cash, representing a 51% equity interest in HK Comp for a total cash consideration of RM5,000,000.00 which will turn HK Comp a 51% owned subsidiary of TDEX. The acquisition is currently pending completion.
- (c) On 13 May 2010, the Board of Directors of the Company announced that the Company proposes to issue up to 24,000,000 new ordinary shares of RM0.10 each representing 10% of the issued and paid-up share capital of TDEX through a private placement (“Proposed Private Placement”). The Proposed Private Placement is 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 2010:

	As At End Of Current Quarter Ended 31 December 10 (RM'000)	As At End Of Preceding Financial Year Ended 30 June 09 (RM'000)
Short term borrowings:-		
Secured:		
Other borrowings:-		
Finance Lease	-	178
Term Loan	5,106	5,129
	5,106	5,307
Bank overdrafts	4,289	4,177
	9,395	9,484
Long term borrowings:-		
Secured:		
Finance Lease	-	813
Term Loan	5,873	2,637
	5,873	3,450

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.

TECHNODEX BHD
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B11. Material Litigation

The Group has not been involved in any material litigation since the last Balance Sheet date as at 31 December 2010.

B12. Dividend

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

B13. Change Of Financial Year End

On 22 March 2010, the Company had announced to change its financial year end from 30 June 2010 to 31 December 2010. Accordingly, the financial statements for the period under review will be made up from 1 July 2009 to 31 December 2010, covering a period of 18 months. Thereafter, the financial year end of the Company shall end on 31 December of each subsequent year.

B14. Earnings Per Share

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

	Individual Quarter		15 months	15 months
	Current Quarter		Cumulative Quarter	
	Current Quarter Ended 31 December 10	Preceding Corresponding Quarter Ended 31 December 09	Current Year To Date Ended 31 December 10	Preceding Financial Year To date Ended 31 December 09
(Loss)/Profit After Taxation (RM'000)	(17.772)	291	(28,507)	8,050
Weighted Average Number of Ordinary Shares in issue of RM0.10 each ('000)	227,387	179,417	209,170	178,448
Basic (loss)/ earnings per share (sen)	(7.82)	0.16	(13.63)	4.51
Weighted Average Number of Ordinary Shares after effect of Employee Share Option Scheme ('000)	247,674	190,453	229,457	189,485
Diluted (loss)/ earnings per share (sen)	(7.18)	0.15	(12.42)	4.25

B15. 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 : 28 February 2011