

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 March 2011**

**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 period ended 31 December 2010. 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 period ended 31 December 2010

The accounting policies and methods of computation adopted in the condensed financial statement are consistent with those adopted for the annual financial statement for the period ended 31 December 2010.

**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 period ended 31 December 2010 except for the following new and revised FRSs , Amendments to FRSs and Interpretations with effect from 1 January 2011 .

(i) FRSs, Amendments to FRSs and Interpretations Adopted by the Group on 1 January 2011:-

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	(Revised) Presentations of Financial Statements
FRS 123	(Revised) Borrowing Costs
FRS139	Financial Instruments: Recognition and Measurement
Amendments to FRS1 and FRS127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity of Associate
Amendment to FRS2	Vesting Conditions and Cancellations
Amendments to FRS 7, FRS 139 and IC Interpretation 9	
Amendment to FRS 101 and FRS 132	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS 132	Classification of Rights Issues and the Transitional Provision in Relation to Compound Instruments
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS2-Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Annual Improvements to FRSs (2009)	

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**A2. Changes in accounting policies (continued)**

Unless otherwise described below, the new FRSs, Amendments to FRS, Interpretations and Technical Releases above are expected to have no significant impact on the financial statements of the Company upon their initial application except for the changes in presentation and disclosures of financial information arising from the adoption of all the above FRSs, Amendments to FRSs, Interpretations and Technical Releases.

a) FRS 101 : Presentation of Financial Statements (Revised)

FRS 101 introduces changes in the presentation of financial statements. The Standard separates owner and non-owner changes in equity, component of non-owner changes in equity are not permitted to be presented in the statement of changes in equity. A new statement known as the “statement of comprehensive income” is introduced whereby all non-owner changes in equity are required to be presented in either one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Group has elected to present the statement of comprehensive income in one statement of comprehensive income. Certain comparative figures have been re-presented to conform to the current period’s presentation. Apart from the new presentation as described, there is no other impact on the financial statements arising from the adoption of this Standard.

b) FRS 139 : Financial Instruments : Recognition and Measurement

FRS 139 requires the recognition, measurement and disclosure of financial assets and financial liabilities. The new accounting standard moves measurement from a cost base to fair value base for certain categories of financial assets and financial liabilities. The changes in accounting policy are to be accounted for prospectively in accordance with the transitional provision of FRS 139. The adoption of this standard does not have significant impact on the financial position and result of the Group.

c) Amendments to FRS 1 and FRS 127

Amendments to FRS 1 and FRS 127 remove the definition of ‘cost method’ currently set out in FRS 127, and instead require an investor to recognise all dividends from subsidiaries, jointly controlled entities or associates as income in its separate financial statements. In addition, FRS 127 has also been amended to deal with situations where a parent reorganises its group by establishing a new entity as its new parent. Under this circumstance, the new parent shall measure the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date. The amendments will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Company for the current financial period but may impact the accounting for future transactions or arrangements.

(ii) FRSs, IC Interpretations and Amendments to IC Interpretation issued but not yet effective:-

At the date of authorization of these interim financial statements, the following FRSs, Amendment to FRSs and Interpretations were issued but not yet effective for the current financial period:

<b>FRSs and IC Interpretations ( Including the Consequential Amendments)</b>	<b>Effective date</b>
FRS 1 ( Revised ) First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (Revised) Business Combinations	1 July 2010
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (Revised) Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011

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**A2. Changes in accounting policies (continued)**

Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2: Scope of FRS 2 and FRS 3 (Revised)	1 July 2010
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 138: Consequential Amendments Arising from FRS 3 (Revised)	1 July 2010
IC Interpretation 4 Determining Whether An Arrangement Contains a Lease	1 January 2011
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and FRS 3 (Revised)	1 July 2010
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Annual Improvements to FRSs (2010)	1 January 2011

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

(i) FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial period but may impact the accounting for future transactions or arrangements.

(ii) FRS 127 (Revised) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial period but may impact the accounting for future transactions or arrangements

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

The audited annual financial statements for the period ended 31 December 2010 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.

**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 during the current quarter, the company issued 7,140,000 new ordinary shares of RM0.10 each cash pursuant to the exercise of the ESOS.

**A8. Dividend**

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

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**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:

Revenue	Current Quarter	18 MONTHS Preceding Corresponding Period To date	3 MONTHS Current Year To Date	18 MONTHS Preceding Corresponding Period To date
	Ended 31/12/10 RM'000	Ended 31/12/10 RM'000	Ended 31/03/11 RM'000	Ended 31/12/10 RM'000
Malaysia	4,544	8,259	4,544	8,259
France	-	108	-	108
	4,544	8,367	4,544	8,367

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 31 December 2010

**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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**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 first quarter ended 31 March 2011 (“1Q11”), the Group recorded revenue of RM4.544 million compared to RM0.315 million in preceding year corresponding quarter (“1Q10”). The Group has increased its revenue by 1343% due to securing more projects.

For 1Q11 the Group recorded profit before taxation of RM1.010 million compared to loss before taxation of RM3.088 million in the preceding quarter (“1Q10”). The Group also recorded profit after taxation of RM1.009 million for 1Q11 compared to loss after taxation of RM3.097 million in the 1Q10. There was no contribution from associate company in this quarter.

The results for this quarter remain contributed by our core products TechnoDex® Platform, Asset Management Solutions, Enterprise Resource Planning Solutions and EvoDex suite of solutions.

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

	<b>Quarter ended 31/03/2011 (“1Q11”) RM’000</b>	<b>Quarter ended 31/12/2010 (“6Q10”) RM’000</b>	<b>Increase/ (Decreased) Changes (%)</b>
Revenue	4,544	813	459%
Profit/(Loss) before taxation	1,010	(20,457)	105%

The increase in profit before taxation was due to increase in revenue as the Group secures projects for 1Q11 and also due to reduction in other operating expenses. The Group’s expense reduced because the Group provided allowance for doubtful debts of RM8.699 million and the impairment on associates of RM6.003 million in 6Q10.

**B3. Commentary on Prospects**

The Board of Directors and Management note that the recent operation loss recorded in financial period ended 31/12/2010 and business operation requires stringent monitoring and controls to ensure operation sustainability. Various strategies have been put in place to ascertain business revival. Thus far, the Group has shown effects of various revival strategies.

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.

**B4 Profit Forecast and Profit Guarantee**

The Group does not announce any profit forecast nor profit guarantee during the financial quarter under review.

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**B5. Taxation**

	Individual Quarter		Cumulative Quarter	
		Preceding		Preceding
	Current Quarter	Corresponding	Current Year To Date	Corresponding
	Ended 31/03/11	Ended 31/03/10	Ended 31/03/11	Period To date
	RM'000	RM'000	RM'000	Ended 31/03/10
RM'000	RM'000	RM'000	RM'000	
Taxation	(1)	(9)	(1)	(9)

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 company is in the process of applying for an extension of the Pioneer Status Incentive.

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

**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.

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**B9. Borrowings and Debt Securities**

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 March 2011:

	<b>As At End Of Current Quarter Ended 31 March 11 (RM'000)</b>	<b>As At End Of Preceding Financial Period Ended 31 December 2010 (RM'000)</b>
<b>Short term borrowings:-</b>		
<b>Secured:</b>		
<b>Other borrowings:-</b>		
Finance Lease	70	70
Revolving credits	3,804	4,454
Term Loan	1,652	1,652
	5,526	6,176
<b>Bank overdrafts</b>	4,270	4,289
	9,796	10,465
<b>Long term borrowings:-</b>		
<b>Secured:</b>		
Finance Lease	292	292
Term Loan	4,115	4,872
	4,407	5,164

**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 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.

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**B13. 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		Cumulative Quarter	
	Current Quarter Ended 31 March 11	Preceding Corresponding Quarter Ended 31 March 10	Current Period To Date Ended 31 March 11	Preceding Financial Period To date Ended 31 March 10
Profit/(Loss) After Taxation (RM'000)	1,009	(3,097)	1,009	(3,097)
Weighted Average Number of Ordinary Shares in issue of RM0.10 each ('000)	228,656	191,537	228,656	191,537
Basic (loss)/ earnings per share (sen)	0.44	(1.62)	0.44	(1.62)
Weighted Average Number of Ordinary Shares after effect of Employee Share Option Scheme ('000)	243,621	205,650	243,621	205,650
Diluted earnings/ (loss) per share (sen)	0.41	(1.51)	0.41	(1.51)

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**B14. Disclosure of Realised and Unrealised earnings**

The breakdown of the retained profits of the Group as at 31 March 2011, into realised and unrealised profits/losses, pursuant to the directive, is as follows:

	<b>As At End Of Current Quarter Ended 31 March 11 (RM'000)</b>	<b>As At End Of Preceding Financial Period to date Ended 31 December 10 (RM'000)</b>
Total (accumulated loss)/retained profits:		
- realised	(5,464)	(5,614)
Total share of loss of an associate:		
- realised	-	(318)
	<hr/>	<hr/>
	(5,464)	(5,932)
Less: Consolidation adjustments	-	(541)
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At 31.12.2010	(5,464)	(6,473)
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The determination of realised and unrealised profits or losses is compiled based on Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Main Market Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits/losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

**B15. Authorisation for issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors dated 27th May 2011.

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