

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012

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

A1. Basis of Preparation

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

These interim financial statements are the Group’s first MFRS compliant interim financial statements and hence MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (MFRS 1) has been applied. The date of transition to the MFRS framework is 1 January 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this interim financial statements, are consistent with those of the audited financial statements for the year ended 31 December 2011.

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 31 December 2011. 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 31 December 2011.

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 year ended 31 December 2011.

A2. Changes in accounting policies

As at the date of authorization of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRSs, Amendments to MFRSs and IC Interpretations		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009) and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013

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Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012

		Effective for annual periods beginning on or after
MFRSs, Amendments to MFRSs and IC Interpretations		
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Group plans to apply the abovementioned MFRSs (and its consequential amendments) and Interpretations in the respective annual periods based on their effective dates and applicability.

The initial application of the above applicable standards (and its consequential amendments) and interpretations, is not expected to have any material impact on the financial statements of the Group.

A3. Audit Report of Preceding Annual Financial Statements

The audited annual financial statements for the period ended 31 December 2011 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 the issuance of 9,062,500 new ordinary shares of RM0.10 each pursuant to the exercise of private placement. The proceeds from private placement have been used for working capital purposes.

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:

	Current Quarter	Preceding Corresponding Period To date	3 MONTHS Current Year To Date	3 MONTHS Preceding Corresponding Period To date
	Ended 31/12/12	Ended 31/12/11	Ended 31/12/12	Ended 31/12/11
Revenue	RM'000	RM'000	RM'000	RM'000
Malaysia	232	4,544	232	4,544

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 and B11, 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 as at 31 March 2012.

A14. Capital Commitments

There were no capital commitments for the period under review.

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 fourth quarter ended 31 March 2012 (“1Q12”), the Group recorded revenue of RM1.724 million compared to RM4.544 million in preceding year corresponding quarter (“1Q11”). The Group has significantly decreased its revenue by 62%. The decrease in revenue is mainly due to most projects having entered into warranty period, and the next billings will be recognized in the second half of the year. Additionally, new sales pipeline were expected to come in later in the financial year.

For 1Q12 the Group recorded loss before taxation (“LBT”) of RM1.498 million compared to profit before taxation of RM1.010 million in the 1Q11. The Group also recorded loss after taxation of RM1.498 million for 1Q12 compared to profit after taxation of RM1.009 million in the 1Q11.

B2. Comparison with Preceding Quarter’s Results

	Quarter ended 31/03/2012 RM’000	Quarter ended 31/12/2011 RM’000	Changes (%)
Revenue	1,724	2,386	(28%)
Profit/(Loss) before taxation	(1,498)	(306)	390%

For the current quarter, the Group recorded lower revenue and LBT of RM1.724 million and RM1.498 million respectively compared to revenue and LBT of RM2.386 million and RM0.306 million respectively in the preceding quarter. The decrease in revenue and PBT was mainly due to decrease in revenue recorded.

B3. Commentary on Prospects

The Board of Directors and Management note that the recent operation loss recorded in financial period ended 31 March 2012 and this was the anticipated effect of the business and operation strategies put in place since the previous financial year. The Board of Directors and Management are continuously improving business and operation plans.

The Group has been working on a number of sales pipelines that the Group is seeing positive outcomes, and is confident to seal these contracts in the next few quarters. Additionally, the Group is exploring into overseas markets and diversification into other related business areas, that we are positive about bringing synergetic values to the Group.

B4 Profit Forecast and Profit Guarantee

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

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B5. Profit for the period

	Quarter & Year To Date 31.03.2012 RM'000
Loss before taxation is stated after charging/(crediting):	
Amortization of intangible assets	1,411
Depreciation of property, plant and equipment	126
Interest expenses	115
Amortization of government grant	(60)
Interest income	(29)

B6. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31/03/12 RM'000	Preceding Corresponding Quarter Ended 31/03/11 RM'000	Current Year To Date Ended 31/03/12 RM'000	Preceding Corresponding Period To date Ended 31/03/11 RM'000
Taxation	-	(1)	-	(1)

The Company was granted the MSC Malaysia Status and the Pioneer Status on 20 April 2005, which qualifies the Company for the Pioneer Status incentive under the Promotion of Investments Act, 1986. The statutory income from pioneer activities is exempted from income tax for a period of five years from 20 April 2005 to 19 April 2010. The Company is in the process of applying for an extension of the Pioneer Status incentive.

A subsidiary of the Company was granted the MSC Malaysia Status on 6 November 2002 and the Pioneer Status on 26 March 2003, which qualifies the subsidiary for the Pioneer Status incentive under the Promotion of Investments Act, 1986. The statutory income from pioneer activities is exempted from income tax for a period of five years from 26 March 2008 to 25 March 2013.

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

B7. Corporate Proposals

On behalf of the Board of Directors of Technodex Bhd (“TDEX”) or (“the Company”) , OSK Investment Bank Berhad had on 14th July 2011, announced to Bursa Malaysia Securities Berhad (“Bursa Securities”) that the company proposed to implement a private placement of up to 24,000,000 new ordinary shares of RM0.10 each (“TDEX Share(s)” or “Share(s)”) in TDEX (“Placement Share(s)”), representing not more than ten percent (10%) of the issued and paid-up share capital of the Company (assuming all outstanding options under an employees’ share option scheme are fully exercised), to investors to be identified (“Proposed Private Placement”).

The listing application to Bursa Securities on the Proposed Private Placement has been submitted on 15 July 2011.

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On 19 January 2012, the Company has completed the placement of 21,062,500 TDEX shares representing 89.81% of the total number of shares available under the Private Placement. We wish to further highlight that the Company has no further intention of completing the placement of the remaining 2,390,155 shares. Accordingly the Private Placement is deemed completed.

B8. Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 March 2012:

	As At End Of Current Quarter Ended 31 March 2012 (RM'000)	As At End Of Preceding Financial Period Ended 31 December 2011 (RM'000)
Short term borrowings:-		
Secured:		
Other borrowings:-		
Revolving credits	752	927
Term Loan	1,849	1,852
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	2,601	2,779
Bank overdrafts	2,314	2,315
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	4,915	5,094
Long term borrowings:-		
Secured:		
Term Loan	6,108	6,807
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B9. Material Litigation

Except for the disclosed below, the group is not involved in any other material litigation.

HP Facilities Services (Malaysia) Sdn Bhd (“Plaintiff”) vs. Technodex Berhad (“Defendant”)

The Company (“TDEX”) has been served a Writ of Summons (“the Summons”) and Statement of Claim both dated 20 June 2011 filed by HP Facilities Services (Malaysia) Sdn Bhd (“Plaintiff”) against TDEX to demand the settlement of a total sum of RM942,386.61 as at 28 February 2011 with interest thereon at the rate of 1.5% per month from 1 March 2011 to the date of full settlement, particulars of which are as follows:-

Amount due as at 1 October 2010	RM 914,443.78
Late charges from 2 October 201 to 28 February 2011	RM 67,192.83
Less :	
Sale proceeds of the Equipment (as defined below) which was returned by TDEX to the Plaintiff	RM 39,250.00
Total	RM 942,386.61

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The circumstances leading to the filing of the Writ of Summons against TDEX was due to the fact that TDEX has failed and/or default to pay the monthly rent installments for the lease of various equipment, software and/or services (“the Equipment”) to TDEX.

On 27 January 2012, the plaintiff had withdrawn the above legal suit against the Company with no liberty to file afresh and with no order as to cost.

B11. Dividend

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

B12. 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 Mar 12	Preceding Corresponding Quarter Ended 31 Mar 11	Current Period To Date Ended 31 Mar 12	Preceding Financial Period To date Ended 31 Mar 11
(Loss)/Profit After Taxation (RM'000)	(1,498)	1,009	(1,498)	1,009
Weighted Average Number of Ordinary Shares in issue of RM0.10 each ('000)	254,693	228,656	254,693	228,656
Basic (loss)/ earnings per share (sen)	(0.59)	0.44	(0.59)	0.44
Weighted Average Number of Ordinary Shares after effect of Employee Share Option Scheme ('000)	254,693	243,621	254,693	243,621
Diluted (loss)/ earnings per share (sen)	(0.59)	0.41	(0.59)	0.41

B13. Disclosure of Realised and Unrealised earnings

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

As At End Of

As At End Of

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	Current Quarter Ended 31 Dec 11 (RM'000)	Preceding Financial Period to date Ended 31 Dec 11 (RM'000)
Total (accumulated loss)/retained profits:		
- realised	(5,882)	(4,495)
Total share of loss of an associate:		
- realised	-	-
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	(5,882)	(4,495)
Less: Consolidation adjustments	-	111
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At 31 December	(5,882)	(4,384)
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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.