

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 JUNE 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
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

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MFRSs, Amendments to MFRSs and IC Interpretations		Effective for annual periods beginning on or after
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 current 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.

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A9. Segmental Information (Continued)

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

	Current Quarter	Preceding Corresponding Period To date	6 MONTHS Current Year To Date	6 MONTHS Preceding Corresponding Period To date
Revenue	Ended 30/06/12 RM'000	Ended 30/06/11 RM'000	Ended 30/06/12 RM'000	Ended 30/06/11 RM'000
Malaysia	1,707	4,532	3,431	9,076

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 material events subsequent to the end of the quarter under review.

The Group (“TDEX”) had on 31st July 2012 entered into a Sale and Purchase Agreement (“SPA”) with Rizuke Asia Sdn. Bhd. (“RA”) or (“the Purchaser”) to dispose of all that 3 Storey shop office held under TDEX measuring 2,586 square feet in area bearing postal address No.10, Jalan Kenari, 12A, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan (“Property”) for a total consideration of RM3,500,000 (“Disposal Price”) with vacant possession and free from encumbrances but subject to all conditions of title therein whether express or implied imposed upon or relating to or affecting the Property at the Disposal Price and upon the terms and conditions hereinafter contained in the SPA (“the Disposal”).

The Disposal of the Property is expected to be completed within three (3) months from the date of the SPA.

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 30 June 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 second quarter ended 30 June 2012 (“2Q12”), the Group recorded revenue of RM3.431 million compared to RM9.076 million in preceding year corresponding quarter (“2Q11”). The Group has significantly decreased its revenue by 62% due to low revenue generated.

For 2Q12 the Group recorded loss before taxation (“LBT”) of RM3.144 million compared to profit before taxation of RM2.257 million in the 2Q11. The Group also recorded loss after taxation of RM3.144 million for 2Q12 compared to profit after taxation of RM2.256 million in the 2Q11.

The improvement for this quarter was mainly due to higher contributions in our core products TechnoDex® Platform and TechnoDex® suite of solutions.

B2. Comparison with Preceding Quarter’s Results

	Quarter ended 30/06/2012 RM’000	Quarter ended 31/03/2012 RM’000	Changes (%)
Revenue	1,707	1,724	(1)%
Profit/(Loss) before taxation	(1,646)	(1,498)	10%

For the current quarter, there is no significant charge as compared with preceding quarter. The Group recorded revenue and LBT of RM1.707 million and RM1.646 million respectively for quarter ended 30/06/2012. In the preceding quarter, the Group recorded revenue and LBT of RM1.724 million and RM1.498 million respectively.

B3. Commentary on Prospects

The Board of Directors and Management note that the recent operation loss recorded in financial period ended 31 December 2011 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 neither announced any profits forecast nor profit guarantee during the financial quarter under review.

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B5. Loss for the period

	Current Quarter 30.06.2012 RM'000	Current Year To Date 30.06.2012 RM'000
Loss before taxation is stated after charging/(crediting):		
Amortization of intangible assets	966	2,108
Depreciation of property, plant and equipment	126	252
Interest expenses	285	400
Amortization of government grant	(60)	(120)
Interest income	(30)	(59)

B6. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/06/12 RM'000	Preceding Corresponding Quarter Ended 30/06/11 RM'000	Current Year To Date Ended 30/06/12 RM'000	Preceding Corresponding Period To date Ended 30/06/11 RM'000
Taxation	-	(1)	-	(1)

The Company was granted the MSC Malaysia Status and the Pioneer Status on 20 April 2005, which qualify 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 qualify 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

There were no corporate proposal announced but not completed prior to the date of issuance of this quarterly report

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B8. Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 30 June 2012:

	As At End Of Current Quarter Ended 30 June 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	1,126	1,852
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	1,878	2,779
Bank overdrafts	2,312	2,315
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	4,190	5,094
Long term borrowings:-		
Secured:		
Term Loan	6,446	6,807
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B9. Material Litigation

The Group has not been involved in any material litigation since the last Balance Sheet date as at 31 December 2011.

B11. 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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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 30 June 2012	Preceding Corresponding Quarter Ended 30 June 2011	Current Period To Date Ended 30 June 2012	Preceding Financial Period To date Ended 30 June 2011
(Loss)/Profit After Taxation (RM'000)	(1,646)	1,247	(3,144)	2,256
Weighted Average Number of Ordinary Shares in issue of RM0.10 each ('000)	255,589	234,526	255,141	231,607
Basic (loss)/ earnings per share (sen)	(0.64)	0.53	(1.23)	0.97
Weighted Average Number of Ordinary Shares after effect of Employee Share Option Scheme ('000)	255,589	255,060	255,141	252,141
Diluted (loss)/ earnings per share (sen)	(0.64)	0.49	(1.23)	0.89

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B13. Disclosure of Realised and Unrealised earnings

The breakdown of the retained profits of the Group as at 30 June 2012, into realised and unrealised profits/losses, pursuant to the directive, is as follows:

	As At End Of Current Quarter Ended 30 Jun 12 (RM'000)	As At End Of Preceding Financial Period to date Ended 31 Dec 11 (RM'000)
Total (accumulated loss)/retained profits:		
- realised	(7,528)	(4,495)
Total share of loss of an associate:		
- realised	-	-
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	(7,528)	(4,495)
Less: Consolidation adjustments	-	111
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At 31 December	(7,528)	(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.