



## TECHNODEX BHD.

200301025214 (627634-A)  
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE SIXTEENTH ANNUAL GENERAL MEETING OF TECHNODEX BHD. (“TDEX” OR “THE COMPANY”) HELD ON THURSDAY, 3 DECEMBER 2020 AT 12:00 P.M.

### REPLY TO QUESTIONS FROM THE MINORITY SHAREHOLDERS WATCH GROUP (“MSWG”)

Mr. Tan Sze Chong, the Executive Director, Corporate Planning and Strategy of the Company, presented to the shareholders, the questions received from the MSWG and the response to the MSWG as follows:-

#### Operational & Financial Matters (“O&F”)

**Q1.** The Group continued to be loss-making and recorded a loss before tax (“LBT”) of RM10.2 million (FPE2019: LBT of RM10.7 million) (page 7 of Annual Report 2020 (“AR2020”). Mr. Peh Lian Hwa was appointed to the Board on 26 October 2020 as Non-Independent Non-Executive Deputy Chairman and he is also a major shareholder of the Company (page 13 of AR2020).

**With the emergence of a new major shareholder, are there new strategies to turnaround the business? What is the plan to bring the Group back to profitability?**

**A1.** For ease of explanation, please refer to the below Table O&F Q1.

<b><u>Table O&amp;F Q1</u></b>		
<b><u>Analysis of Financial Performance for the Financial Year Ended 30 June 2020 (“FYE2020”) vis-à-vis the Financial Period Ended 30 June 2019 (“FPE2019”)</u></b>		
<b><u>i) Analysis of Loss Before Taxation Before Depreciation &amp; Amortisation</u></b>		
	FYE2020	Annualised FPE2019
	<u>RM'000</u>	<u>RM'000</u>
Revenue	54,782	54,045
Loss Before Taxation	(10,261)	(10,794)
Add: Depreciation & amortisation	4,722	3,821
Loss Before Taxation ( Before Depreciation & Amortisation)	(5,539)	(6,973)

First, we would like to clarify that the loss for FYE2020 are mainly due to the following factors: -

a) **Amortisation and Depreciation**, which is amounted to RM4.722 million. The losses before taxation, depreciation and amortisation recorded at RM5.54 million as compared to the RM6.97 million registered in FPE2019, has been reduced by RM1.41million or (-21%).

- b) **One-time Impairment of Intangible Assets**, which amounting to RM2.1 million, was impaired for under-performing products. The management is in the opinion that products are not expected to generate revenue in the near future, due to the COVID-19 pandemic, and recommended for impairment. Solutions involved in the impairment are namely Online Hotel Reservation Solution.

On the other hand, the depreciation & amortisation for the FYE2020 amounting to RM4.72 million will be reduced for the next financial year due to lower carrying amount of intangible assets.

- c) **Loss of revenue** in the second half of FYE2020 due to the COVID-19 outbreak, resulted underperformance in various business segments in the Group.
- In the hardware and POS business segment, one of the earlier plans set out in November 2019, was the regional expansion. However, travel restriction and lockdown in many countries have significantly reduced demands from F&B businesses, and thus directly impacted our expected revenue from this POS segment.
  - In the manpower sourcing segment, we also faced the similar slowdown due to COVID-19 outbreak. Companies who have finalised hiring were resorted to withdrawal of job offers, and/or candidates unable to report to work due to lockdown, and this has resulted in revenue loss (RM 9.2 million reported in FYE2020 as compared to RM11.5 million in FPE2019).

Nevertheless, despite in challenging times, the Group recorded revenue of RM54.7 million as compared to RM54.0 million recorded in the FPE2019, representing a marginal increase of RM0.7 million or 1.2%. The effect was due to the current worldwide COVID-19 pandemic resulted in economic and business uncertainties.

### **TechnoDex's Way Forward**

With the emergence of Mr. Peh Lian Hwa as the major shareholder, the Group is excited about Mr. Peh's bring in his network and contacts.

A series of discussions and business planning sessions have taken places among Mr. Peh and the management since his appointment on 26 October 2020, together with YTM Dato' Seri DiRaja Tan Sri Tengku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah was appointed as the Chairman of the Board. The Board of Directors are committed to bring the Group back to profitability.

Strategies and business plans are being formulated at the moment, and we shall share with the shareholders in due time. The strategies, in principle, shall involve the following:-

- Sourcing/creation of revenue streams with higher profit margin
- Widen of products and service offerings
- Extending more market segments

Presently, first activity has been executed on 27 November 2020 for the disposal of MyProperty Data Sdn. Bhd., which brought to the Group a RM2.7 million in one-time capital gain. The rationale in the disposal of MyProperty Data Sdn Bhd, is to align the group's investment into IT related businesses.

**Q2. Outsourcing contractor fees of RM756,000 (FPE2019: Nil) (Note 26, page 106 of AR2020).**

- (a) To whom was the fees paid to?**
- (b) What is this related to?**

- A2.**
- (a)** The fee was paid to the 3rd-party outsourcing IT application development company, Power Nett Services Sdn. Bhd.
  - (b)** The fee was paid for professional cybersecurity service, penetration test, vulnerability assessment and remediation services on the Group's eCommerce platforms and other specified application services amongst others, property adviser (propertyadvisor.my), SurfTek rSupport Intelligent Solution (Srls) and Online penetration testing and vulnerability assessment tools (VAPT – [www.eZScore.my](http://www.eZScore.my)).

**Q3. Other key management personnel compensation of RM772,053 (FPE2019: RM495,158) (Note 29, page 109 of AR2020).**

**What were the reasons for the huge increase?**

- A3** The increase on "Other key management personnel compensation" from FPE2019 to FYE2020 as disclosed in Note 29, page 109 of AR2020, was mainly due to new recruitment and promotion of key management personnel within the Group during FYE2020 and the new promoted key management personnel in FPE2019 was reported in staff costs.

**Q4. Revenue based on the geographical location of customers from Dubai, UK and Australia were zero (FPE2019: Dubai – RM6.7 million, UK – RM0.5 million, Australia – RM1 million) (Note 33.2, page 112 of AR2020).**

**Why did the Group lose its Dubai, UK and Australia customers?**

- A4.** Firstly, the Group lost the Dubai customer, which was from the IT hardware segment, due to the impact arising from COVID-19 pandemic resulted in supply chains disruption, logistic restriction and business uncertainties.

Secondly, the Group lost the UK customer, which was from the E-Commerce and Application Services segment, we also faced the similar impact arising from imposition of the lockdown orders and travel restriction during this COVID-19 in FYE2020 which significantly affected our online hotel booking licensing customers.

Thirdly, the Group lost the Australia customer, which was from the manpower outsourcing & recruitment services segment, due to the softening in hiring sentiment.

Nevertheless, the loss of these customers is a part of normal business phenomena, whilst the Group has never stop opening up/sourcing new marketplace/client base.

- Q5.** Arising from the COVID-19 pandemic, the Group has implemented cost control measures including temporary salary reduction depending on salary levels with effect from May 2020 to July 2020. The Group continuously relooks at the efficiency of the organisation structure and the right resource size to achieve further savings in human resource cost (Note 35, page 118 of AR2020).

Given that the Executive Directors remuneration – non-fee emoluments was RM800,450 (FPE2019: RM800,626) (Note 29, page 109 of AR2020), were there any reduction imposed on the Executive Directors remuneration? What was the percentage of reduction, if any?

- A5.** Yes, there were 50% temporary salary reduction imposed onto the Executive Directors' remuneration with effect from May 2020 to July 2020, as part of the moves to anticipate for economic downturn due to COVID-19.

Although there was not much difference in Executive Directors remuneration (non-fee emoluments), i.e. RM800,450 for FYE2020 compared to RM800,626 for FPE2019, the reason is due to appointment of new executive director from key management staff during FYE2020.

#### **Corporate Governance (“CG”) Matters**

- Q1.** The total cost incurred for the internal audit function was RM7,000 (FPE2019: RM14,000) for the financial year ended 30 June 2020. (page 14 of AR2020).

- (a) Given that the fee is rather small (approximately RM 583.33 per month), how does the audit committee assure itself that there would be adequate coverage and an effective audit function?
- (b) How many internal audit reports were issued during FYE 2020?

- A1.** Generally, in the past many years, the Company carried 2 internal audit cycles and 1 internal audit planning. In view of the Company's operation size, the Board is also in the opinion that 2 internal audit cycles and 1 audit planning sessions are sufficient. General sequence of event is as follows:-

- End of Financial Year => Audit Planning
- Cycle 1: Process Audit Cycle 1 => Produce Audit Report  
Follow up on previous Audit Findings and Assess Outcomes
- Cycle 2: Process Audit Cycle 2 => Produce Audit Report  
Follow up on previous Audit Findings and Assess Outcomes

In principle, for adequate risk coverage, selection of audit areas is based on transaction volume and operation risk areas within the Group. During the FYE2020, 1 internal audit report was issued covering MyProperty Data Sdn. Bhd. which has significantly increased in revenue, and thus internal audit particularly covered its revenue operation and trade receivables control. This is to ensure the higher risk area is being monitored and addressed.

However, for this period FYE2020, due to the COVID-19 outbreak and enforcement of Movement Control Order (“MCO”), Internal Auditors were unable to carry out their duty and procedures on the internal audit process for the 2nd internal audit report as planned. Through this, the Audit Committee understood the impact from the MCO and the importance to ensure there is adequate coverage and an effective audit function in the Company.

#### **QUESTION RAISED BY THE SHAREHOLDERS DURING THE MEETING**

**Q1. Why En. Saifulrizam Bin Zainal, the Independent Non-Executive Director, was not present at the Meeting?**

En. Saifulrizam Bin Zainal has sent his apologies for not being able to attend the Meeting due to his mother’s health critical position.