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Date: 06 December 2019

Minority Shareholders Watch Group

11th Floor, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Attn: Mr. Devanesan Evanson
Chief Executive Officer

Dear Sir,

RE: 15th Annual General Meeting (“AGM”) of TechnoDex Bhd (“TechnoDex” or the “Company”) to be held on Friday, 6 December 2019

We refer to your letter to us dated 27th November 2019.

Our answers to your queries are as follows.

Strategy & Financial Matters (“S&F”)

S&F Question 1

The Group continues to record a higher loss before tax of RM 10.8 million on an annualised basis for the FPE 30 June 2019 as compared to a loss before tax of RM 1.3 million in the previous financial year, representing an increase of RM 9.5 million (page 7 of Annual Report 2019 (“AR2019”))

Do you expect further losses in financial year ending 2020?

Answer to S&F Question 1 from TechnoDex

The Board and the management are confident that the Group will reduce the losses significantly if not breakeven in financial year ending 2020.

For ease of explanation, please refer to the below said Table S&F Q1.

Table S&F Q1 Analysis & Breakdowns of Financial Performance for the Financial Period Ended ("FPE") 30 June 2019

i) Analysis of Loss Before Taxation Before One-off Expenses and Depreciation & Amortisation

Loss Before Taxation	(On annualised basis)	(10,794,628)
Add: One off expenses	(One off NOT subject to annualised basis)	2,846,964
Loss Before Taxation (Before One off Expenses)		(7,947,664)
Depreciation & amortisation	(On annualised basis)	3,821,195
Loss Before Taxation (Before One off Expenses & Depreciation & Amortisation)		(4,126,469)

ii) Breakdowns of Financial Performance for the Financial Period Ended 30 June 2019

	Sub-Total	14 months	Annualised
	RM	RM	Basis
			RM
Revenue		63,053,132	
Less : Cost of sales		(46,030,024)	
Gross Profit		17,023,108	
Add: Other operating income		763,934	
Less: Employment benefits		(6,028,081)	
Less: Depreciation & amortisation		(4,458,061)	
Less: Other expenses		(19,511,194)	
<div style="border: 1px solid black; padding: 5px;"> Included in other expenses (Please refer to AR 2019, Page 95, Note 24) One-off Expenses </div>			
Impairment loss on intangible assets	1,719,126.00		
Impairment loss on trade receivables	429,506.00		
Property, plant and equipment written off	294,817.00		
Bad debts written off	403,515.00		
Total of One-off Expenses	2,846,964.00		
Loss From Operations		(12,210,294)	
Less: Finance costs		(383,439)	
Loss Before Taxation		(12,593,733)	(10,794,628)
Less : Taxation		(43,613)	
Loss After Taxation		(12,637,346)	

Answer to S&F Question 1 from TechnoDex (Cont'd)

As can be seen from Table S&F Q1:-

1. the Group's business operation performance for FPE 30 June 2019 on an annualised basis had reported a Loss Before Taxation of **RM7.94 million** (which excluded a one-off expenses of **RM2.84 million**);
2. In FYE 2019, there is a one-off expenses of **RM2.84 million**, which is of a none recurring nature.
3. the annualised depreciation & amortisation amounting to **RM3.82 million** will be incurred for the next financial year. (please take note that for FYE 2018 it was RM2.83 million).

Furthermore, in the same financial year, some of our new products and services were at the introductory and commercialisation stage. Therefore, some of the sales orders had yet to perform according to the Group's expectation.

In FYE 2020, the Group is expecting the sales of such products and services to pick up and perform better than last year. In addition, with the new initiatives and business expansion plan as proposed in our Circular to shareholders on Proposed Placement dated 5 November 2019, the Board and the Management are consciously optimistic that the Group's financial results will improve in the coming years.

S&F Question 2

The Group plans to expand its presence by setting up regional office(s) and/or collaborate with business partner(s) in the other countries in the South East Asia region in the next 2 years (page 8 of AR2019).

What is the estimated cost of setting up regional office(s) in the South East Asia region?

Answer to S&F Question 2 from TechnoDex

We make reference to the Circular to TechnoDex’s shareholders dated 5 November 2019 in relation to the Proposed Placement of up to 30% of the total number of issued shares of TechnoDex (“Proposed Placement”) (“Circular”), (Sections 2.6 (ii) Page 3 & Notes (a) Page 4 of Circular).

The Group plans to allocated approximately RM600,000 from the placement proceeds for the purpose of setting up regional office(s) and/or collaborating with business partner(s) in the other countries in the South East Asia region in the next 2 years. The regional expansion cost includes, amongst others, purchase of office equipment, rental, renovation works, mechanical and electrical works as well as staff cost. As at to date, the Group is in the midst of exploring the form of expansion in the individual countries in the South East Asia region and thus, the detailed breakdown of the regional expansion cost cannot be determined at this juncture.

S&F Question 3

Trade receivables that were more than 90 days past due amount to RM4.5 million (Note 10, page 86 of AR2019).

(a) What are the efforts taken to recover these amounts?

(b) To-date, how much of the RM4.5 million has been recovered?

Answer to S&F Question 3(a) from TechnoDex

The trade receivables of RM4.5 million has now been reduced to RM 446,377.17.

In fact the said trade debtors have been customers of the Group for a long time. The payments from the said trade debtors have been regular and the Group has no issue in recovering the amount owing.

As such, the Group is fully confident of recovering the RM4.5 million from the said trade debtors. Nevertheless, having said that the Group will not take things for granted. The Group will continue with constant reminders and follow up to ensure the outstanding amount is paid in full ultimately.

Answer to S&F Question 3(b)from TechnoDex

As at to-date, RM 4 million has been collected leaving a balance outstanding of RM 446,377.17.

S&F Question 4

The allowance for impairment losses on amount due from subsidiary companies amount to RM7.2 million (2018: RM7.2 million) (Note 12, page 89 of AR2019)

- (a) To which subsidiary companies does the said impairment relate to?*
- (b) Is the amount recoverable? What is the amount recovered to-date?*

Answer to S&F Question 4 (a) from TechnoDex

The allowance for impairment losses of RM7.2 million was an amount due from the Group's 100% subsidiary company, Evodex Solutions Sdn Bhd. The allowance for the impairment losses of RM7.2 million had been accounted for since FYE 2011 and it has no movement until to-date.

Answer to S&F Question 4 (b) from TechnoDex

The amount is not recoverable as at to-date.

S&F Question 5

Staff costs – salaries and other benefits increased to RM5.4 million (2018: RM3.3 million) (Note 24, page 96 of AR2019)

What is the reason for the significant increase in salaries and other benefits?

Answer to S&F Question 5 from TechnoDex

Please refer to the below said table for reference.

The staff costs of RM3.3 million in FYE 2018 is lower compared to FPE 2019.

This was mainly due to certain portion of the Group’s staff costs in the developing team being capitalised as development costs. In FYE 2019, after the commercialisation of our Application Systems, the development team has turn into staff cost expense off. In fact, the Group’s IT development cost has been reduced and the overall annualised staff costs has also reduced in FPE2019 by RM 526,649.

	<u>Group</u> FPE 2019 01.05.2018 to 30.06.2019 14 months RM	<u>Group</u> FPE 2019 On Annualised Basis for Comparative Purpose RM	<u>Group</u> FYE 2018 01.05.2017 to 30.04.2018 12 months RM	Difference FPE2019 Annualised Less FYE2018 RM
(Please refer to AR2019, Page 96, Note 24) Staff Costs				
Salaries & other benefits	5,431,303	4,655,403	3,332,385	
(Please refer to AR2019, Page 82, Note 6, Intangible Assets, paragraph 3) During the financial period, Staff costs capitalised as development costs in the Intangible Assets of the Group	600,419	514,645	2,364,311	
Total		5,170,047	5,696,696	(526,649)

Corporate Governance (“CG”) Matters

CG Question 1

Non-Executive Directors fees for the FPE 2019 was RM 126,000 (Section 7.1, page 27 of AR2019), while the Non-Executive Directors fees stated under Note 27 was RM 167,700 (page 98 of AR2019).

Please explain the different figures.

Answer to CG Question 1 from TechnoDex

The difference of RM41,700 was due to the CG Overview Statement (Section 7.1, page 27 of AR2019) which only disclosed the remuneration of existing Directors as at 30 June 2019. The remuneration paid to Mr. Chang Choon Ming, who has resigned as a Director on 27 June 2019 was not included in the CG Overview Statement.

<u>Directors Fee</u>	AR Page 27 Section 7.1 <u>RM</u>	AR Page 98 Note 27 <u>RM</u>
<u>Directors in office as at 30 June 2019</u>		
Mr. Steven Wong Chin Fung	42,000	42,000
Datuk Abd Hamid Bin Abu Bakar	42,000	42,000
En.Saifulrizam Bin Zainal	42,000	42,000
	<u>126,000</u>	<u>126,000</u>
<u>Director Resigned Before 30 June 2019</u>		
Mr Chang Choon Ming	-	41,700
Total	<u>126,000</u>	<u>167,700</u>

CG Question 2

Directors’ remuneration – Other Emoluments was RM 800,626 (Note 24, page 95 of AR2019), while under Note 27, it was stated under Directors’ Remuneration for Executive Directors, that the non-fee emoluments was RM 800,626 (page 98 of AR2019).

(a) What comprises non-fee emoluments? Please provide further details and breakdown.

Answer to CG Question 2 (a) from TechnoDex

Non-fee Emoluments of RM800,626 consists of the Group’s Executive Directors (“ED”)’s Salary, EPF, Socso and Employment Insurance System (“EIS”) contribution and Business Disbursement claims such as business travelling and IT costs.

The breakdown is as follows:-

Table CG Q2 -14 months Group Executive Directors Remunerations

		Salaries, EPF, Socso,EIS & Business Disbursement Claims
		RM
i) Technodex Berhad -Holding Company (AR2019, Page 27, section 7.1)		
Mr Tan Sze Chong	Group Managing Director	140,000
Mr Tan Boon wooi	Executive Director	140,000
Stated in AR2019, Page 27, section 7.1		280,000
ii) Subsidiary Companies		
Myproperty Data Sdn Bhd	1 Executive Director	279,446
Idealseed Resources Sdn Bhd	1 Executive Director	241,180
NOT Stated in AR2019, Page 27, section 7.1		520,626
Group Total		800,626

CG Question 2 (Cont'd)

(b) What is the Other Emoluments figure not stated under Section 7.1 – Remuneration of Directors in the Corporate Government Overview Statement (page 27 of AR2019)?

Answer to CG Question 2 (b) from TechnoDex

The remuneration of the subsidiaries' Executive Directors amounted to RM 520,626 was not stated in the CG Overview Statement.

Pursuant to Appendix 9C of the ACE Marketing Listing Requirements, the Company is only required to disclose the remuneration of Directors of the listed corporation.

Therefore, the remuneration paid to the Directors of subsidiaries was only disclosed in the financial statements.

Please refer to above “Table CG Q2 -14 months Group Executive Directors Remunerations” No. ii)

In conclusion, we hope that we have answered your queries satisfactorily.

Thank you.

Yours Sincerely
For and On Behalf of
TECHNODEX BHD

TAN SZE CHONG
Managing Director