TECHNODEX BHD. ("TDEX" OR THE "COMPANY")

(I) PROPOSED CAPITAL REDUCTION; AND
(II) PROPOSED PRIVATE PLACEMENT

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1. INTRODUCTION

On behalf of the Board of Directors of TDEX ("**Board**"), Mercury Securities Sdn Bhd ("**Mercury Securities**") wishes to announce that the Company proposes to undertake the following:

(i) proposed reduction of the issued share capital of the Company pursuant to Section 116 of the Companies Act 2016 ("**Act**") ("**Proposed Capital Reduction**"); and

(ii) proposed private placement of up to 84,379,642 new ordinary shares in TDEX ("**TDEX Shares**" or "**Shares**") ("**Placement Share(s)**"), representing not more than 10% of the total number of issued TDEX Shares at an issue price to be determined and announced at a later date after receipt of all relevant approvals ("**Proposed Private Placement**").

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Act which was approved by the shareholders of TDEX at its nineteenth ("19th") Annual General Meeting ("**AGM**") held on 5 December 2023 ("**General Mandate**"). The General Mandate authorises the Board to allot and issue new TDEX Shares not exceeding 10% of the total number of issued TDEX Shares, which shall remain in force until TDEX's next AGM (unless revoked or varied by the Company at a general meeting prior to the next AGM) or expiry of the period within which the next AGM of the Company is required by law to be held, whichever is earlier. Pursuant to the General Mandate, the shareholders also have agreed to waive the statutory pre-emptive rights of the shareholders of TDEX under Section 85 of the Act, read together with the Constitution of the Company, to be offered new Shares ranking pari passu with existing issued Shares arising from any issuance of new Shares pursuant to the General Mandate.

(Collectively referred to as the "**Proposals**").

Further details of the Proposals are set out in the ensuing sections.

2 DETAILS OF PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction entails the reduction and cancellation of RM42.00 million of the Company's issued share capital by cancelling the share capital which is lost and/or unrepresented by available assets pursuant to Section 116 of the Act. The corresponding credit of RM42.00 million arising from such reduction and cancellation will be used to set off against the Company's accumulated losses while the surplus credit that is in excess of what is required towards offsetting the Company's accumulates losses, if any, will be credited to a capital reserve account of the Company which may be used to set off any future losses of the Company and/or such other purposes allowed under the law, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") and constitution of the Company but excluding the diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid-up share capital. Save for the aforementioned purposes, the capital reserve account shall not be distributable without the leave granted by the High Court of Malaya.

As at 8 January 2024, being the latest practicable date prior to the date of this Announcement ("**LPD**"), the Company's issued share capital is RM58,630,671.79 comprising 843,796,423 TDEX Shares. In addition, as at the LPD, the Company does not hold any treasury shares and does not have any outstanding convertible securities in issue.

For illustration purposes, the proforma effects of the Proposed Capital Reduction on the Company, as well as the Company and its subsidiaries' ("**the Group**") accumulated losses based on the latest audited consolidated financial statements for the financial year ended 30 June ("**FYE**") 2023 and the unaudited consolidated financial statements for the 3-month financial period ended 30 September ("**FPE**") 2023 are as follows:

	Audited As at 30 June 2023		**Unaudited As at 30 September 2023**	
	Company RM'000	**Group RM'000**	**Company RM'000**	**Group RM'000**
Accumulated losses	(22,187)	(38,253)	(22,281)	(39,620)
Add: Credit arising from the Proposed Capital Reduction	42,000	42,000	42,000	42,000
Less: Estimated expenses for the Proposals	(420)	(420)	(420)	(420)
Resultant capital reserves	**19,393**	**3,327**	**19,299**	**1,960**

An order by the High Court of Malaya will be sought to confirm the Proposed Capital Reduction pursuant to Section 116 of the Act after the receipt of approval from the shareholders of the Company at the extraordinary general meeting ("**EGM**") to be convened.

The effective date of the Proposed Capital Reduction will be the date of the lodgement of the sealed copy of the order of the High Court of Malaya for the Proposed Capital Reduction with the Registrar of Companies pursuant to Section 116(6) of the Act.

For the avoidance of doubt, the Proposed Capital Reduction will not result in:

(i) any adjustment to the Company's share price;

(ii) any change in the total number of the Shares in issue or the number of TDEX Shares held by TDEX shareholders;

(iii) any payment to TDEX shareholders; and

(iv) any cash outflow or change in the net assets ("**NA**") of the Group, save for the estimated expenses to be incurred in relation to the Proposals.

3 DETAILS OF PROPOSED PRIVATE PLACEMENT

3.1 Size of placement

The Proposed Private Placement involves the issuance of not more than 10% of the total number of the issued Shares, at an issue price to be determined and announced at a later date.

As at the LPD, the Company's issued share capital is RM58,630,671.79 comprising 843,796,423 TDEX Shares. As at the LPD, the Company does not hold any treasury shares and does not have any outstanding convertible securities in issue.

Based on the above, the Proposed Private Placement entails the issuance of up to 84,379,642 Placement Shares, representing not more than 10% of the total number of issued Shares.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total number of the issued Shares on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement as set out in Section 8 of this Announcement, where applicable.

3.2 Placement arrangement

The Placement Shares are intended to be placed out to third party investor(s) to be identified at a later date, where such investor(s) shall be party(ies) who are qualified under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

In accordance with Rule 6.05(c) and 6.07 of the Listing Requirements, the Placement Shares will not be placed out to the following parties:

(i) interested director, interested major shareholder, interested chief executive of TDEX or a holding company of TDEX ("**Interested Person**") or a person connected with an Interested Person; and

(ii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Proposed Private Placement may be implemented in one (1) or multiple tranches within a period of six (6) months from the date of approval from Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions and the timing of the identification of placees. The implementation of the Proposed Private Placement in multiple tranches would allow the Company to procure interested investors to subscribe for the Placement Shares from time to time within the approved period.

The final issue price for each tranche of the Placement Shares will be determined separately in accordance with market-based principles as explained in Section 3.3 of this Announcement.

3.3 Basis and justification of arriving at the issue price of the Placement Shares

The issue price of each tranche of the Placement Shares, where applicable, shall be determined separately and fixed by the Board at a later date after obtaining the relevant approvals as set out in Section 8 of this Announcement for the Proposed Private Placement. The Board will take into consideration amongst others, the prevailing market conditions and the provisions of Rule 6.05(a) of the Listing Requirements, in determining the issue price of the Placement Shares, where the Placement Shares will be price at not more than 10% discount to the 5-day volume weighted average market price ("**VWAP**") of TDEX Shares for the 5 market days immediately preceding the price fixing date(s).

For illustrative purposes, assuming the Placement Shares are issued at an illustrative issue price of RM0.0675 per Placement Share, this represents a discount of approximately RM0.0071 or 9.52% to the 5-day VWAP of the Shares up to and including the LPD of RM0.0746 per Share. The mechanism to determine the issue price of each tranche of the Placement Shares shall be determined separately in accordance with market-based principles.

3.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders of the Company, where the entitlement date is prior to the date of allotment and issuance of the Placement Shares.

3.5 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

3.6 Utilisation of Proceeds

The Group is principally involved in the following businesses in the information technology ("**IT**") sector. It generates revenue from several sources including:

(a) securing IT contracts for the provision of computer hardware leasing service, development of software applications and supply of computer hardware such as laptops, monitors, printers, projectors and computer networking devices as well as provision of fixed schedule maintenance services. The Company's clientele in this business including government agencies as well as corporations and small and medium enterprises from the private sector; and

(b) securing IT orders from resellers for the supply of computer and point-of-sales hardware as well as other related accessories and peripherals such as barcode scanners, printers, cash drawers, receipt printers, touchable screens, service calling buttons and keyboards.

For illustrative purposes, the Proposed Private Placement is expected to raise gross proceeds of approximately RM5.70 million based on the illustrative issue price of RM0.0675 per Placement Share, which is intended to be utilised in the manner set out below:

Descriptions		**RM'000**	**Estimated timeframe for utilisation from the date of listing of the Placement Shares**
(i)	IT contracts/orders	4,776	Within 12 months
(ii)	Working capital	500	Within 12 months
(iii)	Estimated expenses for the Proposals	420	Within 1 month
Total		**5,696**	

Notes:

(i) IT contracts/orders

As at the LPD, the Group has secured 12 IT orders to supply computer and point-of-sales hardware with a total order value of up to RM5.97 million. The total estimated remaining unbilled order value of these 12 IT orders is approximately RM4.08 million as at the LPD, where the remaining cost of these IT orders will be funded via the Group's internally generated funds.

In addition, the Group has commenced the negotiation on 4 IT orders with an estimated order value of RM4.20 million for the provision of computer and point-of-sales hardware. As at the LPD, these 4 IT orders are still under negotiation with the potential customers.

As at the LPD, the Group has also submitted tender for 10 IT contracts in relation to the provision of computer hardware leasing service, development of software applications and supply of computer hardware as well as provision of fixed schedule maintenance services. The total tender contract value for the abovementioned 10 IT contracts is approximately RM137.20 million. As at the LPD, all of these tenders are still pending evaluation by the respective contract awarders.

In order to facilitate the delivery of the future IT contracts/orders as well as to tender for additional IT contracts/orders, the Group intends to utilise up to approximately RM4.78 million of the proceeds to fund amongst others, the performance bonds required for the future IT contracts/orders awarded to the Group, purchase of computer assets and inventories as well as software and applications, payments related to insurance coverage for the Group's computer hardware, mobilisation and logistics cost related to the IT contracts/orders awarded to the Group and staff cost associated with both submitting tenders for potential IT contracts/orders and implementing IT contracts/orders as well as other incidental expenses.

The detailed breakdown of the abovementioned utilisation of proceeds cannot be determined at this juncture as the actual utilisation is subject to the respective contract awarders' requirements, number of IT contracts/orders to be secured by the Group, value and financing obtained for each IT contracts/orders as well as the number of tenders to be participated by the Group.

(ii) Working Capital

The Group intends to utilise RM0.50 million of the proceeds to be raised from the Proposed Private Placement for the Group's working capital purposes in the following manner:

Descriptions	**RM'000**
Business development and marketing expenses[(a)]	280
Other administrative and operating expenses[(b)]	220
Total	**500**

Notes:

(a) Comprise of, amongst others, product development costs (such as computer hardware and software sourcing costs as well as products prototyping and testing costs), expenses incurred to enhance the Group's market competitiveness and promote the products and/or services (i.e. sales and marketing expenses, advertisement and travelling expenses) as well as product and/or services certification or licensing fees.

(b) Comprise staff costs (such as salaries, employer's contribution to the Employees' Provident Fund and Social Security Organisation as well as other staff-related expenses), and payment of the Group's office and administrative expenses which include but not limited to professional fees (such as audit fees, company secretarial fees, tax agent fees and other professional fees) and other office expenses (such as utilities, insurance, maintenance, quit rent and assessment), the breakdown of which has yet to be determined by the Company's management at this juncture.

The working capital is derived based on the Company's management estimates. Any shortfall or surplus in the funds allocated to one component of working capital may be adjusted from or to the other component depending on the Group's operating and financing requirements at the time of use.

(iii) Estimated expenses for the Proposals

The breakdown of the estimated expenses for the Proposals is illustrated below:

Estimated expenses	**Amount RM'000**
Professional fees[(1)]	302
Fees to relevant authorities	15
Miscellaneous expenses and contingencies	103
Total	**420**

Note:

(1) These include advisory fees, placement commission and other professional fees payable to the Recognised Principal Adviser and due diligence solicitors in relation to the Proposals.

The actual proceeds to be raised from the Proposed Private Placement are dependent on the issue price and actual number of Placement Shares to be issued. Any variation to the actual gross proceeds raised from the above amount would be allocated to/from the amount earmarked for the Group's working capital. Any shortfall amount will be funded by the internally generated funds and/or borrowings, if required, where the proportions will be determined later after considering the Group's issued share capital, gearing level, interest costs and cash reserves.

Pending full utilisation of the proceeds raised from the Proposed Private Placement, the proceeds will be placed in interest-bearing deposit accounts with licensed financial institutions and/or in short-term money market instruments. Any interest derived from the deposits with financial institutions and/or gains arising from short-term money market instruments will also be allocated for the working capital requirements of the Group as set out above in Section 3.6 (ii) of this Announcement.

4 PREVIOUS EQUITY FUND RAISING EXERCISES UNDERTAKEN

Saved as disclosed below, there is no other fund-raising exercise undertaken by the Company during the past 5 years immediately preceding the date of this Announcement.

4.1 2020 Private Placement

On 28 September 2020, the Company proposed to undertake a private placement of up to 76,708,700 new TDEX Shares, representing 10% of the total number of issued shares of TDEX at that point in time ("**2020 Private Placement**"). On 23 October 2020, Bursa Securities had vide its letter, approved the listing of and quotation for up to 76,708,700 new TDEX Shares.

The 2020 Private Placement was completed on 11 January 2022 following the listing of and quotation for 76,708,700 placement shares on the ACE Market of Bursa Securities.

Set out below is the actual utilisation of the gross proceeds of the 2020 Private Placement as at the LPD:

Description	Proceed raised RM'000	Re-allocation RM'000	Actual utilisation RM'000	Balance unutilised RM'000
IT contracts and orders	11,594	157	(11,751)	-
Expenses in relation to the 2020 Private Placement	300	(157)	(143)	-
Total	**11,894**	**-**	**(11,894)**	**-**

4.2 2019 Private Placement

On 4 October 2019, the Company proposed to undertake a private placement of up to 177,126,300 new TDEX Shares, representing up to 30% of the total number of issued shares of TDEX at that point in time ("**2019 Private Placement**"). On 30 October 2019, Bursa Securities had vide its letter, approved the listing of and quotation for up to 177,126,300 new TDEX Shares.

The 2019 Private Placement was completed on 22 May 2020 following the listing of and quotation for 176,666,600 placement shares on the ACE Market of Bursa Securities.

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Set out below is the actual utilisation of the gross proceeds of the 2019 Private Placement as at the LPD:

Description	Actual Proceed raised RM'000	Actual utilisation RM'000	Unutilised proceed RM'000
IT contracts and/or orders	4,175	(4,175)	-
Business expansion	1,500	(85)	1,415[1]
Expenses in relation to the 2019 Private Placement	200	(200)	-
Total	**5,875**	**(4,460)**	**1,415**

Note:

(1) The Board had on 19 November 2021, approved the extension of time from the initial time frame of within 18 months from the listing of placement shares in relation to 2019 Private Placement, for another 36 months up to 21 November 2024, for the business expansion to the South East Asia region as a result of the pandemic impacts.

5 RATIONALE FOR THE PROPOSALS

5.1 Proposed Capital Reduction

The Proposed Capital Reduction will enable the Company to reduce its accumulated losses via cancellation of the issued share capital, which may enhance the Company's financial profile with bankers, customers, suppliers, and investors due to an improved financial standing. The surplus credit from the cancellation of the Company's issued share capital after the reduction of the Company's accumulated losses, if any, shall be credited to the Company's capital reserve account which may be utilised to set off future losses of the Company and/or such other purposes allowed under the law, Listing Requirements and constitution of the Company but excluding the diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid-up share capital.

Further, by reducing the accumulated losses enables the Company to reflect on its financial position more accurately, which may facilitate the declaration of dividends if the Company has retained earnings in the future.

5.2 Proposed Private Placement

The Group has incurred losses for the past 3 FYE 30 June 2021, 30 June 2022, 30 June 2023 and 3-month FPE 30 September 2023. The summary of the Group's historical financial performance is set out and discussed in Appendix I of this Announcement.

The Board and management have been looking for avenues and business opportunities that will, amongst others, improve or broaden the earnings base as well as reduce the operational costs to improve financial performance. Besides from tendering for more IT contracts/orders, the Group has also undertaken various initiatives and measures to improve its financial condition, the details of which are set out in Section 3 of Appendix I of this Announcement.

The Proposed Private Placement will allow the Group to raise funds expeditiously to facilitate the delivery of the future IT contracts/orders as well as support the Group's other working capital requirements. The utilisation of proceeds from the Proposed Private Placement is expected to enhance the Group's financial performance and value propositions, when the Group fulfils the IT contracts/orders and realises the benefits therefrom.

After due consideration of the various methods of fund raising, the Board believes that the Proposed Private Placement is the most appropriate method of raising additional funds, after taking into account the following:

(i) enable the Company to raise funds expeditiously to facilitate the delivery of future IT contracts/orders as well as support the Group’s other working capital requirements;

(ii) provide an avenue to raise funds without incurring interest costs as compared to bank borrowings and this allows the Company to preserve its cash flow; and

(iii) upon completion of the Proposed Private Placement, the Company’s enlarged capital base is expected to strengthen its financial position and widen its shareholders’ base.

6 INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS

6.1 Overview and outlook of the Malaysia Economy

The Malaysian economy expanded by 3.3% in the third quarter of 2023 (2Q 2023: 2.9%). Growth was anchored by resilient domestic demand. Household spending remained supported by continued growth in employment and wages. Meanwhile, investment activity was underpinned by the progress of multi-year projects and capacity expansion by firms. Exports remained soft amid prolonged weakness in external demand. This, however, was partially offset by the recovery in inbound tourism. On the supply side, the services, construction and agriculture sectors remained supportive of growth. This was partly offset by the decline in production in the manufacturing sector given the weakness in demand for electrical and electronic ("**E&E**”) products and lower production of refined petroleum products. On a quarter-on-quarter seasonally adjusted basis, the economy grew by 2.6% (2Q 2023: 1.5%). Overall, the Malaysian economy expanded by 3.9% in the first three quarters of 2023.

Headline inflation continued to moderate to 2% (2Q 2023: 2.8%) during the quarter. The moderation was recorded in both non-core inflation and core inflation. For non-core inflation, fresh food and fuel contributed to the decline. Core inflation declined further to 2.5% (2Q 2023: 3.4%) but remained above its long-term average (2011-2019 average: 2%). The moderation in core inflation was largely contributed by selected services, including food away from home, expenditure in restaurants and cafés, and personal transport repair and maintenance. Inflation pervasiveness declined as the share of Consumer Price Index (CPI) items recording monthly price increases moderated to 40.8% during the quarter (2Q 2023: 42.7%), below the third quarter long-term (2011-2019) average of 44.5%.

(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2023, Bank Negara Malaysia)

The global gross domestic product ("**GDP**") growth in 2022 moderated to 3.4% reflecting the economic slowdown in advanced economies as well as emerging market and developing economies (EMDEs). Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5% - 7%, whereby real output value reached above the pre-pandemic level. The commendable performance was driven by domestic demand and improved labour market in line with the transition to the endemic phase. These resulted from an increase in economic activities which include household spending, investment and tourism. Subsequently, encouraging expansion in all economic sectors primarily the services and manufacturing have also provided continuous impetus to the significant economic growth in 2022. Furthermore, the growth was attributed to robust external demand, especially among Malaysia's major trading partners.

In 2023, global growth is expected to further soften at 2.9% on the back of persistent pressures such as inflation, tightening global financial conditions and economic deceleration among major economies. Meanwhile, Malaysia's economic growth is projected to moderate amid the signs of weakness in the global growth momentum. The growth will be mainly supported by steady domestic demand primarily private expenditure as well as initiatives under the Budget 2023 and development expenditure under the Twelfth Malaysia Plan, 2021 – 2025 (12MP). However, a slowdown in external demand is expected to moderate exports growth, particularly in the E&E products and major commodities.

On the supply side, all economic sectors are expected to remain in the positive growth trajectory in 2023, driven by the services and manufacturing sectors. Other sectors, namely agriculture, mining and construction are also expected to grow further in line with the improvement in economic activities. However, downside risks such as prolonged geopolitical conflict, climate-related disasters and persistently high inflation are expected to further hampering the global economic growth, hence, affecting Malaysia's performance. Overall, the nation's GDP is forecast to grow approximately 4.5% in 2023.

(Source: Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Ministry of Finance of Malaysia)

6.2 Overview and outlook of the Information and Communications Technology ("ICT") in Malaysia

The contribution of ICT and e-commerce to the national economy was recorded at 23.0 per cent with a value of RM412.3 billion. The performance was contributed by gross value added of ICT industry ("**GVAICT**") at 13.6 per cent and the e-commerce of other industries at 9.4 per cent. ICT and e-commerce showed an increase of 14.8 per cent compared to 12.2 per cent in 2021.

GVAICT recorded RM243.7 billion with a growth of 12.4 per cent compared to 7.8 per cent in 2021. This growth was supported by the ICT manufacturing industry with a better growth of 21.3 per cent compared to 11.0 per cent in 2021.

Exports of ICT products increased to RM444.5 billion with a growth of 24.9 per cent in 2022 compared to 13.1 per cent in the previous year. The ICT goods (90.9%) influenced the overall exports performance of ICT products. Exports of ICT products constituted 32.2 per cent of total national exports. Imports of ICT products amounted to RM308.8 billion with a growth of 18.5 per cent driven by the growth of ICT services (19.5%). Imports of ICT products contributed 24.7 per cent of total imports in 2022. Hence, net exports of ICT products showed a robust performance with a value of RM135.7 billion in 2022.

(Source: Information and Communication Technology Satellite Account 2022, Department of Statistics Malaysia)

The information and communication services recorded a gross output value of RM182.2 billion in 2021, registered a growth of 5.4 per cent as compared to 2020 (RM172.9 billion). In line with the growth in gross output, the value of intermediate input also increased by RM4.6 billion to record RM87.4 billion (2020: RM82.9 billion), thus resulting a value-added of RM94.8 billion for the year 2021 (2020: RM90.0 billion). The number of persons engaged in this subsector also reported an increase of 2.3 per cent to 241,711 persons as compared to 236,372 persons in 2020. Meanwhile, the salaries and wages paid in 2021 amounted to RM14.8 billion, as compared to RM14.4 billion in 2020. The value of fixed assets also showed an increase of RM 2.2 billion to record RM107.0 billion in 2021 (2020: RM104.8 billion).

The gross output value of information and communication services rose by 5.4 per cent to RM182.2 billion. Telecommunications services was the major contributor of gross output value with RM118.0 billion or 64.8 per cent share followed by computer programming, consultancy & related activities with RM39.3 billion (21.6%), and programming and broadcasting with RM9.3 billion (5.1%). These three activities together contributed 91.5 per cent to the value of gross output in Information and communication services.

(Source: Annual Economic Statistics, Information and Communication Services 2022, Department of Statistics Malaysia)

Digital economy is an important enabler to drive Malaysia towards equitable, inclusive, and sustainable growth. As envisaged in the Mid-Term Review of the Twelfth Plan, the digital economy is expected to contribute at least 25.5% to the overall GDP by 2025 and position Malaysia as the regional leader by 2030. These targets will be supported by high internet penetration rate which currently recorded at 96.9% and faster internet connection with the average speed of more than 110 Mbps. In addition, a significant leap towards technological advancement in the public sector has also been achieved through the digitalisation of Federal Government online services.

However, challenges related to the digital divide persist due to limited broadband coverage and internet connectivity in underserved areas. Thus, it is crucial to bridge inequalities in the utilisation of digital product and service across different societal segments by facilitating wider access to financing for businesses and intensifying digital skills. Furthermore, there is a need to address regulatory concerns, especially regarding personal data protection and cyber security as a result of the current fragmented regulatory framework, which may impede the development of the digital economy. In this regard, a comprehensive solution to address these concerns is essential in ensuring an inclusive digital transformation for the country, thus harnessing the potential of the digital economy to achieve a sustainable nation.

(Source: Economy Outlook 2024, Ministry of Finance)

6.3 Prospects of TDEX Group

In light of the government's initiative to promote the digital economy, the Group anticipates positive growth in government expenditure on ICT over the next few years. The acceleration towards a digital economy, catalysed by the global response to the COVID-19 pandemic in the past few years, presents unprecedented opportunities for companies at the forefront of digital transformation.

The shift towards the digital economy is necessary for business continuity. It plays a leading role in business efficiency and productivity, which is essential in today's highly connected and competitive business landscape. As part of the growth plans, the Group intends to:

(i) Actively engaging in the tendering process for IT contracts/orders

As at the LPD, the Group has secured 12 IT orders to supply computer and point-of-sales hardware with a total order value of up to RM5.97 million and has commenced the negotiation with the potential customers on 4 IT orders with an estimated order value of RM4.20 million for the provision of computer and point-of-sales hardware. In addition, the Group has submitted tender for 10 IT contracts related to the provision of computer hardware leasing service, development of software applications and supply of computer hardware as well as provision of fixed schedule maintenance services. The total tender contract value for the abovementioned 10 IT contracts is approximately RM137.20 million. As at the LPD, all of these tenders are still pending evaluation by the respective contract awarders. Through securing and tendering more IT contracts/orders, the Group's financial performance is expected to be enhanced by the income to be generated from these IT contracts/orders.

(ii) Expand manpower sourcing services to non-IT talent outsourcing services

The Group intends to broaden their range of manpower sourcing services by incorporating non-IT talent outsourcing services. For information purposes, the non-IT talent outsourcing services accounted for approximately 30% of the Group's total revenue from manpower outsourcing and recruitment services for the FYE 30 June 2023. The Group aims to expand their clientele by providing non-IT talent outsourcing, particularly in the financial and manufacturing industries.

The Group's expansion strategy involves collaboration with key associations such as Malaysia Investment Development Board (MIDA), SEMICON Southeast Asia, Persatuan Industri Komputer dan Multimedia Malaysia (PIKOM), and the EU-Malaysia Chamber of Commerce and Industry (EUROCHAM MALAYSIA). These collaborations are expected to provide valuable insights and guidance on client acquisition and recruitment strategies, especially in emerging technologies and sought-after skill sets.

Premised on the above and coupled with the positive outlook of the ICT industry as set out in Section 6.2 of this Announcement, the Board is of the positive view that the utilisation of the placement proceeds for the purposes as detailed in Section 3.6 of this Announcement will enable the Group to enhance its financial performance and shareholders' value.

(Source: The management of TDEX)

7 EFFECTS OF THE PROPOSALS

7.1 Issued share capital

The pro forma effect of the Proposals on the Company's issued share capital are as follows:

	No. of Shares	**RM**
Issued share capital as at the LPD	843,796,423	58,630,672
Share capital to be cancelled pursuant to the Proposed Capital Reduction	-	(42,000,000)
Issued share capital after the Proposed Capital Reduction	843,796,423	16,630,672
Placement Shares to be issued pursuant to the Proposed Private Placement	84,379,642	(1)5,695,626
Enlarged issued share capital	**928,176,065**	**22,326,298**

Note:

(1) Assuming the Placement Shares are issued at an illustrative issue price of RM0.0675 per Placement Share.

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7.2 NA and gearing

For illustration purposes, the pro forma effects of the Proposals on the NA and gearing of the Group based on the Company's audited consolidated statement of financial position as at 30 June 2023 are as follows:

	Audited as at 30 June 2023	**Pro forma (I)** **After the Proposed Capital Reduction**	**Pro forma (II)** **After Pro forma (I) and the Proposed Private Placement [3]**
	RM	**RM**	**RM**
Share capital	58,630,672	16,630,672	22,326,298
(Accumulated losses)	(38,253,031)	-	-
Capital Reserves	-	[(1)(2)]3,326,969	[(1)(2)]3,326,969
Equity equitable to the owner of the Company / NA	**20,377,641**	**19,957,641**	**25,653,267**
Non-controlling interest	(28,809)	(28,809)	(28,809)
NA	**20,348,832**	**19,928,832**	**25,624,458**
No of TDEX Shares	843,796,423	843,796,423	928,176,065
NA per TDEX Shares (RM)	0.02	0.02	0.03
Borrowings (RM)	4,638,537	4,638,537	4,638,537
Gearing (times)	0.23	0.23	0.18

Notes:

(1) After the cancellation of RM42,000,000 from the issued share capital to offset the accumulated losses pursuant to the Proposed Capital Reduction.
(2) After deducting the estimated expenses of RM420,000 in relation to the Proposals.
(3) Assuming the Placement Shares are issued at an illustrative issue price of RM0.0675 per Placement Share.

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7.3 Substantial shareholders' shareholdings

The Proposed Capital Reduction will not have any effect on the Company's shareholdings of the substantial shareholders.

The pro forma effects of the Proposed Private Placement on the shareholdings of the substantial shareholders of TDEX on the Records of the Depositors as at the LPD are set out below:

	As at the LPD				Proforma I After Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No of Shares	(1)%	No of Shares	(1)%	No of Shares	(3)%	No of Shares	(3)%
Peh Lian Hwa	137,482,600	16.29%	-	-	137,482,600	14.81%	-	-
Koay Xing Boon	50,796,100	6.02%	-	-	50,796,100	5.47%	-	-
YTM Dato' Seri DiRaja Tan Sri Tengku Abdul Hamid Thani Ibni Almarhum Sultan Badlishah	46,150,000	5.47%	-	-	46,150,000	4.97%	-	-
Tan Boon Wooi	33,065,000	3.92%	(2) 9,316,300	1.10%	33,065,000	3.56%	(2) 9,316,300	1.00%

Notes:

(1) Computed based on 843,796,423 TDEX Shares as at the LPD.
(2) Deemed interested by virtue of his interest in Lian Soon Express Sdn Bhd pursuant to Section 8(4) of the Act.
(3) Computed based on 928,176,065 *TDEX Shares after considering the issuance of 84,379,642 Placement Shares.*

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7.4 Earnings and earnings per Share ("EPS")

The Proposed Capital Reduction will not have any material effect on the Group's earnings and EPS for the financial year ending 30 June 2024.

The Proposed Private Placement is not expected to have an immediate material effect on the earnings of the Group, save for the dilution to the EPS due to the increase in the number of Shares pursuant to the issuance of the Placement Shares.

Notwithstanding the above, the proceeds from the Proposed Private Placement are anticipated to contribute positively to the future earnings of the Group when the benefits from the utilisation of proceeds are realised.

7.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.

8 APPROVALS REQUIRED

The Proposals are subject to approvals being obtained from the following:

(i) Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities;

(ii) TDEX's shareholders at an EGM to be convened for the Proposed Capital Reduction;

(iii) the confirmation from the High Court of Malaya pursuant to Section 116 of the Act for the Proposed Capital Reduction; and

(iv) any other relevant authorities or parties, if required.

The General Mandate is valid until the conclusion of the next AGM unless revoked or varied by the Company at a general meeting or at the expiry of the period within which the next AGM is required by law to be held after the approval was given, whichever is earlier. Therefore, the Proposed Private Placement does not require another specific approval from the shareholders of TDEX.

The Proposed Capital Reduction and Proposed Private Placement are not conditional upon each other, nor are the Proposals conditional or inter-conditional upon any other proposals undertaken or to be undertaken by the Company.

9 CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

The Board confirms that, save for the Proposals, there are no other corporate exercises which have been announced by the Company on Bursa Securities but are pending completion as at the date of this Announcement.

10 INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE OF THE COMPANY AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders, chief executive of TDEX and/or persons connected with them have any interest, direct or indirect, in the Proposals.

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11 DIRECTORS' STATEMENT

(i) Proposed Private Placement

After having reviewed and considered all aspects of the Proposed Private Placement, including the rationale, use of proceeds, justifications and effects of the Proposed Private Placement, the Board is of the opinion that the Proposed Private Placement is in the best interest of the Company.

(ii) Proposed Capital Reduction

After having reviewed and considered all aspects of the Proposed Capital Reduction, the Board is of the opinion that the Proposed Capital Reduction is in the best interest of the Company.

12 APPLICATION TO THE RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the application to Bursa Securities in relation to the Proposed Private Placement will be made within 1 month from the date of this Announcement.

13 ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all the requisite approvals being obtained, the Board expects that the Proposals to be completed by the 3rd quarter of 2024.

14 ADVISER AND PLACEMENT AGENT

Mercury Securities has been appointed as the Recognised Principal Adviser for the Proposals and Placement Agent for the Proposed Private Placement.

This Announcement is dated 31 January 2024.

1 HISTORICAL FINANCIAL INFORMATION

The financial summary of the TDEX Group on the audited consolidated results for the past 3 financial years and the latest unaudited quarterly results are set out below:

	Audited			Unaudited	
	FYE 2021 (RM'000)	**FYE 2022 (RM'000)**	**FYE 2023 (RM'000)**	**FPE 2022 (RM'000)**	**FPE 2023 (RM'000)**
Revenue	58,813	34,856	56,108	16,403	9,184
Cost of Sales	(53,660)	(32,295)	(52,308)	(15,434)	(8,502)
Gross profit	5,153	2,561	3,800	969	682
Other operating income	3,313	775	345	10	116
Reversal of impairment on trade receivables	-	12	-	-	-
Employment benefits	(2,937)	(2,978)	(3,406)	(817)	(892)
Key management personnel's remuneration	(1,840)	(1,719)	(2,126)	(504)	(529)
Depreciation & amortisation	(3,152)	(2,314)	(1,887)	(499)	(223)
Fair value gain/ (loss) on investment in quoted shares	-	(671)	(247)	(177)	141
Impairment on trade receivables	-	-	(6)	-	-
Other expenses	(4,858)	(4,455)	(4,053)	(675)	(579)
Finance costs	(266)	(262)	(344)	(90)	(85)
Loss before tax ("LBT")	**(4,587)**	**(9,052)**	**(7,924)**	**(1,783)**	**(1,369)**
Taxation	(207)	50	-	-	-
Loss for the financial year from continuing operations	(4,794)	(9,002)	(7,924)	(1,783)	(1,369)
Loss for the financial year from discontinued operation, net of tax	(427)	-	-	-	-
Loss after tax ("LAT")	**(5,221)**	**(9,002)**	**(7,924)**	**(1,783)**	**(1,369)**
Loss for the financial year attributable to:					
Owners of the Company	(4,973)	(8,971)	(7,904)	(1,779)	(1,367)
Non-controlling interests	(248)	(31)	(20)	(4)	(2)
	(5,221)	(9,002)	7,924	(1,783)	(1,369)
Loss per share (sen):					
Basic (sen)	(0.64)	(1.09)	(0.94)	(0.21)	(0.16)
Diluted (sen)	(0.64)	(1.09)	(0.94)	(0.21)	(0.16)

(Source: Annual Report and latest quarterly financial result of TDEX)

Commentaries on the financial performance and financial position of the Group are as follows:

(i) FPE 2023 vs FPE 2022

The Group recorded a lower revenue of RM9.18 million in the FPE 2023 as compared to RM16.40 million in the previous corresponding period. The decrease in revenue of RM7.22 million or 44.02% was mainly due to:

(i) lower revenue generated from the hardware, software and professional services of RM8.32 million (FPE 2022: RM14.45 million). This was due to lower contributions from hardware project sales orders arising from softer market sentiment; and

(ii) lower revenue from the manpower outsourcing and recruitment services of RM0.86 million (FPE 2022: RM1.94 million). This was due to lower contributions from outsourcing contracts and placement services arising from lower contract value from foreign companies and softer market sentiment in local placement.

The Group recorded a lower LBT of RM1.37 million for the FPE 2023 as compared to RM1.78 million in the previous corresponding period, representing a decrease of RM0.41 million or 23.03%. The decrease in LBT was mainly attributable to the fair value gain on investment in quoted shares of RM0.14 million in the FPE 2023 as compared to the fair value loss on investment in quoted shares of RM0.18 million in the FPE 2022.

(ii) FYE 2023 vs FYE 2022

The Group recorded a higher revenue of RM56.11 million in the FYE 2023 as compared to RM34.86 million in the previous year. The increase in revenue of RM21.25 million or 60.96% was mainly attributable to:

(i) higher revenue of RM50.76 million generated from the hardware, software and professional services in the FYE 2023 (FYE 2022: RM31.28 million) which was mainly attributed to higher contribution from hardware project sales orders due to higher demand from the commercial project channel that operating with an extensive retail chain; and

(ii) higher revenue of RM5.35 million from manpower outsourcing and recruitment services (FYE 2022: RM3.55 million) as a result of higher contribution from outsourcing contract and placement services arising from higher contract value from foreign companies and stronger market sentiment in local placement.

The Group reported LBT of RM7.92 million in the FYE 2023 as compared to LBT of RM9.05 million in FYE 2022, representing a decrease of RM1.13 million or 12.49%. The decrease in LBT in the FYE 2023 was mainly attributable to the improvement in gross profit by RM1.23 million as a result of increased revenue, lower other operating expenses due to the impairment of goodwill and lower depreciation & amortisation costs compared to the preceding year which was partially offset by lower other operating income due to lower interest income and foreign exchange gain, higher employment benefits and key management remuneration as a result of an increase in business development, sales and marketing activities.

(iii) FYE 2022 vs FYE 2021

The Group recorded a lower revenue of RM34.86 million in the FYE 2022 as compared to RM58.81 million recorded in the previous year. The decrease in revenue of RM23.95 million or 40.72% in revenue was mainly attributable to:

(i) lower revenue of RM31.28 million generated from the hardware, software and professional services in the FYE 2022 (FYE 2021: RM52.50 million) due to low customers' purchasing sentiment as a consequential to the pandemic effect where the freight charges have increased and shortages in chip components; and

(ii) lower revenue of RM3.55 million generated from manpower outsourcing and recruitment services in the FYE 2022 (FYE 2021: RM6.17 million) due to shortages of IT professionals worldwide.

The Group reported a higher LBT of RM9.05 million as compared to LBT of RM4.59 million in the FYE 2021, representing an increase in LBT of RM4.46 million. The higher LBT in the FYE 2022 was mainly due to:

(i) higher hardware costs and freight charges, which are caused by shortages of chip sets worldwide. This translated to a lower gross profit of RM2.59 million, that was RM2.56 million in the FYE 2022 as compared to RM5.15 million in the FYE 2021;

(ii) absence of gain from disposal of a subsidiary in the FYE 2022 (FYE: 2021: RM2.55 million). For information purposes, the Company has completed the disposal of 50% equity interest in MyProperty Data Sdn Bhd for a total consideration of RM3.22 million on 16 December 2020, resulting in a gain from the disposal of a subsidiary for RM2.55 million classified in other operating income;

which was partially offset by the decrease in depreciation & amortisation cost by RM0.84 million to RM2.31 million in the FYE 2022 (FYE 2021: RM3.15 million) due to the lower carrying amount of intangible assets.

2 IMPACT AND VALUE CREATION OF THE PROPOSED PRIVATE PLACEMENT TO TDEX GROUP AND ITS SHAREHOLDERS

The Proposed Private Placement will enable the Group to raise additional funds without incurring additional interest expense or services principal repayment, thereby minimising cash flow commitment and preserving the Group's cash flows. The utilisation of proceeds from the Proposed Private Placement is expected to enhance the Group's financial performance and thereby the Group's and shareholders' value when the Group fulfils the IT contracts/orders and realises the benefits therefrom.

The Company's shareholders' shareholdings will be diluted proportionately based on the actual number of Placement Shares to be issued pursuant to the Proposed Private Placement.

Despite the dilution, the enlarged capital base resulting from the issuance of Placement Shares will strengthen the Group's financial position, while the benefits from the utilisation of proceeds from the Proposed Private Placement are expected to improve the Group's future earnings. In addition, the increase in the number of Shares in issue may also improve the trading liquidity of the Shares.

3 STEPS TAKEN OR TO BE UNDERTAKEN BY THE GROUP TO IMPROVE ITS FINANCIAL CONDITION

In addition to the initiatives as described in Sections 3.6 and 6.3 of this Announcement, other initiatives undertaken by the Group to improve the financial condition include the following:

(i) the Group continuously seek for strategic partnerships with innovative cutting-edge technologies. By building a network with numerous strategic partners, the Group believes that they are able to leverage on their strategic partners' expertise in order to enhance their competitiveness, which will improve the Group's success rate in tendering for additional projects.

(ii) the Company, Real Estate Solutions Sdn Bhd and Mr. Thor Joe Hock had on 27 November 2020, entered into a share purchase agreement with PropertyGuru Pte. Ltd to collectively dispose of the entire issued share capital of MyProperty Data Sdn Bhd ("**MDSB**") for a cash consideration of RM3.22 million ("**Disposal**"). MDSB was a 50%-owned subsidiary of the Company and the Disposal was completed on 16 December 2020. The Disposal allowed the Company to strengthen the cash flow position and channel the Group's resources into the existing business activities.

4 THE ADEQUACY OF THE PROPOSED PRIVATE PLACEMENT IN ADDRESSING THE GROUP'S FINANCIAL REQUIREMENTS

Premised on Sections 3 and 4 of Appendix I of this Announcement and after taking into consideration the utilisation of proceeds as set out in Section 3.6 of this Announcement, the overview and outlook of the ICT industry in Malaysia as set out in Section 6.2 of this Announcement as well as the effects of the Proposals in Section 7 of this Announcement, the Board is of the view that the Proposals are adequate to meet the Group's financial requirements at this juncture.

Nevertheless, the Group will continuously assess its financial performance and evaluate the viability of other types of corporate proposals to ensure the sustainability of the Group's financial performance and requirements in the medium and long term. At this juncture, save for the Proposals, there are no other corporate proposals to be undertaken by the Company.

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