TECHNODEX BHD. (“TDEX” OR THE “COMPANY”)

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

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*(For consistency, the abbreviations used throughout this announcement shall have the same meanings as defined in the announcement dated 31 January 2024 in relation to the Proposed Capital Reduction and Proposed Private Placement (“**First Announcement**”), where applicable, unless stated otherwise or defined herein.)*

Further to the First Announcement, on behalf of the Board, Mercury Securities wishes to announce the following additional information in relation to the Proposed Capital Reduction and Proposed Private Placement, which has been <u>underlined</u> for ease of reference.

1. INTRODUCTION

Reference is made to Section 1 of the First Announcement.

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**”).

<u>The Proposed Capital Reduction and Proposed Private Placement are not conditional upon each other. The Proposed Private Placement will be implemented prior to the implementation of the Proposed Capital Reduction.</u>

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

2 PREVIOUS EQUITY FUND RAISING EXERCISES UNDERTAKEN

Reference is made to Section 4 of the First Announcement.

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.

2.1 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[(a)]	11,594	157	(11,751)	-
Expenses in relation to the 2020 Private Placement	300	(157)	(143)	-
Total	**11,894**	**-**	**(11,894)**	**-**

Note:
(a) The breakdown of the actual utilisation for the IT contracts and orders:

Nature of the IT contracts and orders	Contract Duration	Actual utilisation RM'000	%
IT contracts from government agencies and the private sector for the provision of computer hardware leasing service, development of software application and supply of computer hardware	3 to 36 months	2,154	18.33
IT orders from resellers for the supply of computer and point of sales hardware as well as related accessories and peripherals	3 to 12 months	9,597	81.67
Total		**11,751**	**100.00**

2.2 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[(a)]	4,175	(4,175)	-
Business expansion[(b)]	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.

(a) The breakdown of the actual utilisation for the IT contracts and orders:

Nature of the IT contracts and orders	Contract Duration	Actual utilisation RM'000	%
IT contracts from government agencies and the private sector for the provision of computer hardware leasing service, development of software application and supply of computer hardware	3 to 36 months	890	21.32
IT orders from resellers for the supply of computer and point of sales hardware as well as related accessories and peripherals	3 to 12 months	3,285	78.68
Total		**4,175**	**100.00**

(b) The breakdown of the actual utilisation for the business expansion:

Business Expansion	Actual Utilisation RM'000	%
Sales and marketing expenses (travelling expenses for exhibitions and events)	85	100.00
Total	**85**	**100.00**

3 INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS

Reference is made to Section 6 of the First Announcement.

3.1 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 such as engineers, finance personnel, human and administration personnel, sales and marketing skills personnel.

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)

4 HISTORICAL FINANCIAL INFORMATION

Reference is made to Section 1 of Appendix I of the First Announcement.

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

(i) 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 as a result of corporations, retailers and government agencies prioritising the upgrade of their operational technology for business operations efficiency, which was postponed during the movement control order ("**MCO**") period; 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.

(ii) 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 or 97.17%. 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 as chip sets being essential components in various electronic products, including IT hardware, has resulted in supply chain disruption and higher manufacturing costs of IT hardware. 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 ("**MDSB**") 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.

(iii) FYE 2021 vs FYE 2020

The Group recorded a higher revenue of RM58.81 million in the FYE 2021 as compared to RM53.22 million in the previous year. The increase in revenue of RM5.59 million or 10.50% was mainly attributable to:

(i) higher revenue of RM52.50 million generated from the hardware, software and professional services in the FYE 2021 (FYE 2020: RM43.50 million) which was mainly attributed to higher contribution from hardware sales orders due to higher demand of IT hardware as a result of businesses were prioritising the upgrade of their operational technology due to pandemic precaution measures for higher adaptability of automation and digitalisation in FYE 2021, which was postponed during the initial MCO period in FYE 2020; and

(ii) the higher revenue generated from the hardware, software and professional services in the FYE 2021 was mitigated by the lower revenue of RM6.17 million from manpower outsourcing and recruitment services (FYE 2020: RM9.20 million) as a result of MCO period and restrictions, especially on recruitment and supply of IT professional expatriates. The majority of our customers were affected and halted their hiring process.

The Group reported LBT of RM4.59 million in the FYE 2021 as compared to LBT of RM9.61 million in FYE 2020, representing a decrease of RM5.02 million or 55.24%. The decrease in LBT in the FYE 2021 was mainly attributable to one-off net gain on disposal of a subsidiary, MDSB which was classified in other operating income amounting to RM2.50 million, lower amortisation and depreciation costs, as well as the lower other operating expenses attributed to lower outsourcing IT contractor fees and project expenses.

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

Reference is made to Section 3 of Appendix I of the First Announcement.

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) In 2023, the Group, via its wholly owned subsidiary, Grayscale Technologies Sdn Bhd, signed several agreements, including teaming agreements, memorandum of understanding, letter of authorisation, with numerous strategic partners, These agreements aim to cultivate long-term business relationships and partnerships in their respective solutions and expertise for tendering of future projects, thereby establishing a robust network. The Group believes that by continuously seeking for strategic partnerships with innovative cutting-edge technologies, the Group can leverage their strategic partners' expertise to enhance their competitiveness, thereby improving the Group's success rate in tendering for additional future 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 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.

This announcement is dated 26 February 2024.