

TECHNODEX BHD (“TDEX” OR THE “COMPANY”)**PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF TDEX (“PROPOSED PRIVATE PLACEMENT”)**

We refer to the announcements made on 4 and 12 February 2016 in relation to the Proposed Private Placement (“**Announcements**”).

Unless otherwise defined, abbreviations and definitions used throughout this announcement shall be the same as those used in the Announcements.

On behalf of the Company, TA Securities wishes to provide further information to the Announcements:-

1. Commentary on the financial performance and financial position of TDEX

The summary of the financial information of the TDEX Group for the past three (3) years up to FYE 30 April 2015 and the unaudited financial period ended (“**FPE**”) 31 January 2016 and 31 January 2015 is as follows:-

	Unaudited		Audited			
	FPE 31 January 2016 (RM'000)	FPE 31 January 2015 (RM'000)	FYE 2015 (RM'000)	FYE 2014 (RM'000)	Annualised FPE 30 April 2013 (RM'000)	*Sixteen-(16) month ended 30 April 2013 (RM'000)
Revenue	18,159	10,674	20,164	12,636	6,080	8,107
Profit/(loss) after tax attributable to owners of the Company (“PAT/“LAT”)	1,476	105	(252)	(437)	(7,122)	(9,496)
Shareholders' funds/NA	29,525	22,347	26,727	21,158	10,080	13,440
Share capital	37,539	37,539	37,539	34,079	25,559	25,559
Total borrowings	242	1,136	865	3,879	3,095	4,127
No. of TDEX Shares in issue ('000)	375,394	341,097	375,394	340,785	255,891	255,891
NA per share (RM)	0.08	0.07	0.07	0.06	0.004	0.05
Gearing ratio (times)	0.01	0.05	0.03	0.18	0.31	0.31
Basic earnings/(loss) per share (sen)	0.02	**-	(0.07)	(0.14)	(2.78)	(3.71)
Diluted earnings/(loss) per share (sen)	0.01	**-	(0.05)	(0.14)	(2.78)	(3.71)

Notes:-

* The Board has changed its financial year end from 31 December to 30 April.

** Negligible

(a) FPE 31 January 2016 vs FPE 31 January 2015

The TDEX Group recorded revenue of RM18.16 million for the FPE 31 January 2016, representing an increase of 70.20% as compared to RM10.67 million in FPE 31 January 2015. The increase was attributable to the higher revenue recorded by its manpower outsourcing segment, mainly by IdealSeed Resources Sdn Bhd (“IdealSeed”) (a newly acquired subsidiary on 31 October 2014), which boosted up the revenue contribution of this segment for the FPE 31 January 2016. In tandem with the increase in revenue, the TDEX Group also recorded a PAT of RM1.48 million, representing an increase of 1,245.5% as compared to RM0.11 million in FPE 31 January 2015.

(b) FYE 2015 vs FYE 2014

The TDEX Group recorded an increase of 59.49% in revenue from RM12.64 million in FYE 2014 to RM20.16 million in FYE 2015. The increase was mainly attributable to the information, communications and technology ("ICT") contracts awarded amounting to approximately RM12.0 million and the consolidation of revenues from IdealSeed which was acquired on 31 October 2014. IdealSeed contributed approximately RM8.0 million in revenue and a net profit after tax of RM0.94 million to the Group for the FYE 2015. The TDEX Group recorded a decrease in LAT of 43.18%, from a LAT of RM0.44 million in FYE 2014 to RM0.25 million in FYE 2015. The improvement in LAT was due to the higher revenue recorded in FYE 2015.

(c) FYE 2014 vs Annualised FPE 30 April 2013

The TDEX Group recorded an increase of 107.90% in revenue from RM6.08 million in the annualised FPE 30 April 2013 to RM12.64 million in FYE 2014. The increase was attributable to more IT projects received by the Group during the financial year compared to the previous year. In terms of profitability, TDEX recorded a reduction of 93.82% in LAT, with a LAT of RM0.44 million in FYE 2014 as compared to a LAT of RM7.12 million in the annualised FPE 30 April 2013. The reduction in LAT was due to lower allowance for impairment losses on trade receivables for the FYE 2014 as the Company has continued to improve in its collection of trade receivables.

2. Value creation to TDEX and its shareholders

As more organisations move towards third-party outsourcing for their software-related projects in view of the shortage of talent for IT professionals in Malaysia, the Group anticipates a growth opportunity in the IT manpower outsourcing segment in the coming quarters and is proposing to utilise part of the proceeds arising from the Proposed Private Placement for working capital purposes (mainly for its manpower outsourcing segment). In order to expand the IT manpower outsourcing segment, the Group will need to increase the number of professional workers in the area of software development, which are hired on contractual basis and shall be attached to clients during the assignment period. Therefore, the working capital will be utilised for, among others, payment for staff-related costs including the payment of contract employees' salaries, promotional and marketing expenses to solicit for clients as well as general and administrative expenses (including the application of work permits). By building its human capital resource in the IT manpower outsourcing segment, the Group believes it will be able to secure additional jobs in this segment which is expected to enhance the Group's revenue and profitability, hence, creating value to the Company.

In addition, the funds raised from the Proposed Private Placement shall be utilised to finance TDEX Group's business development plans. The Group wishes to grow its existing business and expand into the area of data & cyber security services, which is complementary to the existing business of TDEX. With this additional new segment, the Group will be focusing into five (5) business segments, i.e. application solutions & services, manpower outsourcing, eCommerce, property data content consulting, and data & cyber security services. The Company has identified businesses to acquire in the area of application solutions for ISO Compliance and Certifications and new products and services for the data & cyber security services segments and is in the midst of negotiating the terms of the transactions. It is expected that these business development plans would allow the TDEX Group to increase its product offering and also provide additional income stream to the Group, thus improving the financial performance and position of the TDEX Group and enhancing its shareholders' value. Furthermore, it is the management's intention to invest in existing businesses which have an existing clientele base and is currently revenue and profit generating in order to provide an immediate enhancement to the financial results of TDEX Group. The Company will make the necessary announcements once the details of the transaction(s) have been finalised.

3. Impact of the Proposed Private Placement to TDEX and its shareholders

The Proposed Private Placement is expected to increase the issued and paid-up share capital of TDEX, which will correspondingly dilute the percentage shareholding held by all existing shareholders of TDEX. The Proposed Private Placement is also expected to increase the NA of the TDEX Group. However, the NA per share of the TDEX Group is expected to remain at RM0.07 per share after the Proposed Private Placement based on the Minimum Scenario and increase to RM0.08 based on the Maximum Scenario (assuming full exercise of the Outstanding Warrants).

The Proposed Private Placement is not expected to have any material effect on the TDEX Group's earnings for the financial year ending 30 April 2016. However, the issuance of the Placement Shares is expected to dilute the Group's earnings per share as a result of the enlarged share capital. As elaborated in Section 2 above, the Company would be able to utilise the funds earmarked for working capital for its operational expenses and at the same time allow the Group to undertake such business development plans to improve its product offering and revenue and eventually improve the bottomline of the TDEX Group, thus increasing shareholders' value.

The Proposed Private Placement would enable the Company to raise funds expeditiously without having to raise funds through bank borrowings which will incur interest cost and other incidental expenses. The gearing ratio of the TDEX Group is expected to be maintained at its current level of 0.03 times based on the Minimum Scenario and decrease to 0.02 times based on the Maximum Scenario. For further details, kindly refer to the announcement made on 4 February 2016.

4. The adequacy of funds arising from the Proposed Private Placement in addressing TDEX's financial concern

As shown in the summary of financial information in Section 1, the revenue and profitability of the TDEX Group has shown an improvement from FYE 2013 to FYE 2015. The TDEX Group has also diversified its revenue stream to include different segments of IT business such as IT manpower outsourcing services and property-data related services in its efforts to improve in its revenue and financial results. In addition, the TDEX Group's borrowing has also decreased throughout the period under review from RM3.10 million in FYE 2013 to RM0.87 million in FYE 2015 following the repayment of its bank borrowings from its internally-generated funds.

As announced in the announcement dated 4 February 2016, the amounts proposed for the TDEX Group's business development plans are RM1.55 million and RM1.79 million based on the Minimum and Maximum Scenario respectively. The Board is of the view that the Proposed Private Placement is adequate to fund the TDEX Group's working capital and business plan in the next twelve (12) months.

Prior to the completion of the Proposed Private Placement, the TDEX Group will leverage on its existing internally-generated funds for its business operations. The funds to be raised from the Proposed Private Placement, upon receipt, will be used to enhance the Companies initiatives in the area of IT manpower outsourcing. The Group will continuously undertake more marketing activities (such as participating in roadshows, job postings in both local and regional job portals and publications, working with third party recruitment companies for the sourcing of candidates and on-the-job programmes to train candidates to undertake such functions to match the requirements of its customers) and collaboration activities with third parties such as training for product knowledge and attending marketing events (exhibitions, seminars and roadshows) to create product and service awareness to its customers.

This announcement is dated 13 April 2016.