

**MULTI-CODE ELECTRONICS INDUSTRIES (M) BERHAD (193094-K)**  
**(Incorporated in Malaysia)**

**NOTES TO THE INTERIM FINANCIAL REPORT – 1ST QUARTER ENDED  
31 OCTOBER 2011**

**PART A – COMPLIANCE WITH THE FINANCIAL REPORTING STANDARD 134 ON  
“INTERIM FINANCIAL REPORTING” AND BURSA LISTING  
REQUIREMENTS**

**A1 Accounting Policies and Method of Computation**

The interim financial report is unaudited and is prepared in accordance with Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 July 2011. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2011.

The same accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 July 2011.

The Group has not early adopted any new or revised standards, amendments or IC Interpretations which are applicable to the Group that have been issued by the MASB but are not yet effective for the Group’s current financial year ended 31 July 2012.

**A2 Disclosure of Audit Report Qualification**

The auditors' report of the Group's most recent audited financial statements for the financial year ended 31 July 2011 did not contain any qualification.

**A3 Seasonal or Cyclical Factors Affecting Operations**

The principal business operations of the Group are not significantly affected by any seasonal or cyclical factors.

**A4 Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 31 October 2011.

**A5 Material Changes in Estimates**

There were no changes in estimates that have a material effect in the current quarter.

**A6 Changes in Debt and Equity Securities**

There were no issuance and repayment of debt securities, share buy back, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period ended 31 October 2011.

**A7 Dividends Paid**

Details of the dividend paid during the quarter under review are as follows:

Second interim dividend for financial year	31 July 2011
Amount per share (tax-exempt)	2.5 sen
Approved and declared on	30 September 2011
Entitlement to dividends based on	
Record of Depositors as at	20 October 2011
Date paid	11 November 2011

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**A8 Segmental Reporting**

No segmental information has been prepared as the Group is primarily engaged in manufacturing activities. The other activities of the Group are not significant.

No segmental information is provided on a geographical basis as the Group's activities are conducted primarily in Malaysia.

**A9 Material Events Subsequent to the end of the Reporting Period**

There were no material events subsequent to the end of the current financial period that have not been reflected in the interim financial reports for the said period other than as disclosed under Note B11(i) as at the date of this report.

**A10 Changes in the Composition of the Group**

There were no changes in the composition of the Group in the current quarter.

**A11 Contingent Liabilities and Contingent Assets**

The Group has no contingent liabilities or contingent assets as at 31 October 2011.

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**PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE  
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 Review of Performance**

Comparison to preceding year corresponding quarter

For the first quarter ended 31 October 2011, the Group achieved consolidated revenue of RM28.62 million which was approximately 20.63% higher than the preceding year corresponding quarter. The increase in revenue was attributable to sales of a newly introduced product offering and higher domestic vehicles demand by its main customers. The Group recorded a profit after tax of RM3.15 million for the current quarter as compared to RM1.71 million in the preceding year corresponding quarter. This was mainly due to the lower fixed overhead costs against revenue as a result from the increased sales revenue for the current quarter.

**B2 Material Changes in Profit before Taxation for the Current Quarter with Immediate Preceding Quarter**

	<b>Current Quarter 31 Oct 2011 RM'000</b>	<b>Preceding Quarter 31 Jul 2011 RM'000</b>
Revenue	28,621	28,584
Pre-tax profit before non-controlling interests and after share of profit after tax of associated company	4,439	3,579

For the current quarter, the Group achieved revenue of RM28.62 million, representing an increase of 0.13% as compared to the preceding quarter ended 31 July 2011. The slight increase was attributable to higher revenue from a newly introduced product offering being offset by the lower domestic vehicles demand by its main customers for the current quarter. The Group recorded pre-tax profit before non-controlling interests and after share of profit after tax of associated company of RM4.44 million for the quarter under review as compared to RM3.58 million for the preceding quarter attributed mainly to the higher value product-mix sold for the current quarter.

**B3 Prospects Commentary**

The Group will continue its drive to build its revenue base by enhancing and differentiating its product offerings for its targeted markets. Towards this purpose, the Group is actively taking various product design and development initiatives and seeking opportunities to secure new businesses. The Group has since started supply of fog lamps and will commence supply of a rear combination lamp to an existing customer late January 2012.

The Group expects the business operating environment to continue to be challenging in view of the uncertain global economic situation. To remain resilient, the Group continues to undertake various measures to improve productivity and operational effectiveness. Barring any unforeseen circumstances, the Board of Directors is optimistic that the Group will be able to improve on the current performance for the remaining periods.

**B4 Variance of Actual Profit from Forecast Profit & Shortfall on Profit Guarantee**

There is no profit forecast prepared for public release and no profit guarantee provided by the Group for the current financial year.

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**B5 Taxation**

	<b>Current Quarter 31-Oct-11 RM'000</b>	<b>Cumulative Quarters 31-Oct-11 RM'000</b>
Income tax:		
- current period	1,689	1,689
Deferred tax	<u>(401)</u>	<u>(401)</u>
Tax expense	<u>1,288</u>	<u>1,288</u>

The effective tax rate for the current quarter is higher than the statutory rate mainly due to certain expenses not deductible for income tax purposes in the current quarter.

**B6 Profit/(Loss) on Sale of Unquoted Investments and/or Properties**

There was no sale of unquoted investments and properties in the current quarter.

**B7 Purchase/(Disposal) of Quoted Securities**

There were no purchase and disposal of quoted securities in the current quarter.

**B8 Status of Corporate Proposals**

There were no corporate proposals announced by the Company as at the date of issue of this quarterly report.

**B9 Group Borrowings and Debt Securities**

Group borrowings as at 31 October 2011:

	<u>RM'000</u>
(a) Secured borrowings	8,455
Unsecured borrowings	-
	<u>8,455</u>
(b) Short term	
- trade financing (secured)	900
- term loan (secured)	1,363
- hire purchase payable	100
	<u>2,363</u>
Long term	
- term loan (secured)	5,629
- hire purchase payable	463
	<u>6,092</u>
Total borrowings	<u>8,455</u>

All the above borrowings are denominated in Ringgit Malaysia.

**B10 Off Balance Sheet Financial Instrument**

As at the date of issue of this interim financial report, there were no off balance sheet financial instruments being transacted.

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**B11 Changes in Material Litigation**

There were no pending material litigation as at 23 December 2011 being a date not earlier than 7 days from the date of this quarterly report except for the following :-

**(i) Kuala Lumpur High Court Originating Petition No. D3-26-59-2005**

**Between Multi-Code Electronics Industries (M) Berhad. (Petitioner) & Wirapadu Sistem Sdn. Bhd. (1<sup>st</sup> Respondent) & Dato' Mohd. Nazir bin Mohd. Ali (2<sup>nd</sup> Respondent)**

On 1 September 2005, the Petitioner filed a petition pursuant to Section 181 of the Companies Act 1965 in the Kuala Lumpur High Court against the Respondents.

On 1 October 2009, the High Court in allowing the Petition inter alia made the following Order:

- (i) The 2<sup>nd</sup> Respondent is to purchase the shares of the Petitioner in the 1<sup>st</sup> Respondent with the shares to be valued at the date of the Order (i.e. 1 October 2009).
- (ii) A Receiver is to be appointed by the agreement of parties to proceed with the sale of the shares at the value as of 1 October 2009, which is to be assessed by a firm of auditors to be appointed by the Receiver, in accordance with the procedures and terms to be agreed to by the parties.

Pursuant to the Order dated 1 October 2009, the share valuation exercise had been completed and thereafter the 2nd Respondent's purchase of the Petitioner's shares in the 1st Respondent was concluded on 11 November 2011, thereby the Petitioner's equity interest in the 1st Respondent was disposed and the 1st Respondent ceased to be an associate company of the Petitioner.

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**B11 Changes in Material Litigation (Continued)**

**(ii) Kuala Lumpur High Court Commercial Division - Suit No. D8-22-453-2008**

**Between Multi-Code Electronics Industries (M) Berhad (“1<sup>st</sup> Plaintiff”), Plasmet Industries (M) Sdn Bhd (“2<sup>nd</sup> Plaintiff”), Gordon Toh Chun Toh (“1<sup>st</sup> Defendant”), Dato’ Abul Hasan Bin Mohamed Rashid (“2<sup>nd</sup> Defendant”), Kalwant Singh (“3<sup>rd</sup> Defendant”), Elliott Gordon Singapore Private Limited (“4<sup>th</sup> Defendant”), Elliott Gordon & Company International Limited (“5<sup>th</sup> Defendant”), Ace Prelude Holdings Sdn Bhd, formerly known as Ace Prelude Sdn Bhd (“6<sup>th</sup> Defendant”), Lily Chong Kui Foh (“7<sup>th</sup> Defendant”), Teng Sin Pyng (“8<sup>th</sup> Defendant”), Westcape Investments Limited (“9<sup>th</sup> Defendant”), Wong Jit Kiang (“10<sup>th</sup> Defendant”), Liew Then Boh (“11<sup>th</sup> Defendant”) and Paul Ong & Associates (Sued as a Firm) (“12<sup>th</sup> Defendant”)**

A legal action was commenced on 7 April 2008 in the Kuala Lumpur High Court (Commercial Division) by Multi-Code Electronics Industries (M) Berhad (“MCE”) and its subsidiary, Plasmet Industries (M) Sdn Bhd (“Plasmet”) (collectively referred to as “the Company”) against the abovementioned Defendants for inter alia, fraud, conspiracy to defraud, knowing assistance and knowing receipt and for breach of fiduciary and fidelity duties owed to the Company by the 1st, 2nd and 3rd Defendants and to recover the sum of RM44,188,262.82 paid out of the Company’s funds.

The Plaintiffs has since filed and obtained an ex-parte Mareva Injunction and an ex-parte Anton Piller Order on 8 April 2008 against various Defendants. These orders were subsequently affirmed by the High Court on 20 May 2009.

Hong Leong Bank Berhad’s application to intervene and to vary the Inter Partes Mareva Injunction to exclude a particular property of the 6th Defendant under hire purchase agreement was dismissed. Hong Leong Bank has since filed an appeal to the Court of Appeal against the above decision. No date has been fixed for the appeal.

In the High Court proceedings, the 1st, 2nd, 3rd, 7th and 8th Defendants have filed their Defences contesting the Plaintiffs’ claims. Subsequently, the 2nd Defendant moved the High Court with his application for leave to issue a Third Party Notice, claiming for indemnity or contributions against individuals who were or are directors of the Plaintiffs. This application was dismissed and the 2nd Defendant filed an appeal against the said decision to the Court of Appeal with no date fixed.

The 2nd Defendant also moved both the High Court and the Court of Appeal for an order to stay the High Court proceedings pending the disposal of his appeal which were accordingly dismissed.

On 26 August 2011, the 2nd Defendant filed and served a Writ of Subpeona Ad Testificandum Duces Tecum against the Investigating Officer of the Securities Commissions (“Writ Subpeona”). The Investigating Officer of the Securities Commissions had since applied to the High Court to set aside the said Writ Subpeona and on 12 December 2012, the learned Judge of the High Court allowed the same.

Certificate of Non Appearance was obtained against the 5th, 9th, 10th and 11th Defendants.

The 4th and 6th Defendants entered their appearances but have failed to file their Defences.

The trial of the High Court proceedings commenced on 31 October 2011, 1 November 2011 and 21 December 2011 to 23 December 2011. The trial is scheduled to continue on 20 February 2012 to 22 February 2012, 29 February 2012, 21 March 2012 to 23 March 2012, 30 March 2012 and from 2 April 2012 to 6 April 2012.

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**B11 Changes in Material Litigation (Continued)**

**(iii) Singapore Court Suit No. 258 OF 2008/N**

**Between Multi-Code Electronics Industries (M) Berhad (“1<sup>st</sup> Plaintiff”), Plasmet Industries (M) Sdn Bhd (“2<sup>nd</sup> Plaintiff”), Gordon Toh Chun Toh (“1<sup>st</sup> Defendant”), Dato’ Abul Hasan Bin Mohamed Rashid (“2<sup>nd</sup> Defendant”), Kalwant Singh (“3<sup>rd</sup> Defendant”), Elliott Gordon Singapore Private Limited (“4<sup>th</sup> Defendant”), and Westcape Investments Limited (“5<sup>th</sup> Defendant”)**

A legal action was commenced in Singapore on 10 April 2008 by Multi-Code Electronics Industries (M) Berhad (“MCE”) and its subsidiary, Plasmet Industries (M) Sdn Bhd (“Plasmet”) (collectively referred to as “the Company”) against the abovementioned Defendants for inter alia, fraud, conspiracy to defraud, knowing assistance and knowing receipt and for breach of fiduciary and fidelity duties owed to the Company by the 1st, 2nd and 3rd Defendants and to recover the sum of RM44,188,262.82 paid out of the Company’s funds.

A stay of the Singapore proceedings was ordered as against the 1st, 3rd and 4th Defendants on 4 August 2008. Whilst the Singapore Mareva Injunction is discharged as against the 3rd Defendant, it remains in place as against the 1st and 4th Defendants.

The Plaintiffs have filed a proof of debt on or about 22 December 2008 against the 4th Defendants who have been subjected to a compulsory winding up on or about September 2008.

The 2nd Defendant and the Plaintiffs have agreed to a stay of proceedings in Singapore against the 2nd Defendant on condition that the Singapore Mareva Injunction remain in place. An Order of Court pursuant to the agreement was filed on 20 January 2009.

Interlocutory Judgment in default of appearance was filed against the 5th Defendant on 20 February 2009 for, inter alia, the sum of RM44,188,262.82. The Plaintiffs’ solicitors have served the said Interlocutory Judgment on the 5th Defendant together with their cover letter asking that the 5th Defendant make payment by 31 March 2009. There has been no response from the 5<sup>th</sup> Defendant to-date, although it is to be noted that the cover letter was returned as undelivered. The Plaintiffs’ solicitors have advised, *inter alia*, that if no action is taken to assess damages for fraud and conspiracy (which is a relief separate from the sum of RM44,188,262.82) by 19 February 2010, the matter will be deemed discontinued. However, such discontinuance did not mean that the Interlocutory Judgment was cancelled. Enforcement proceedings may still be carried out against the sum of RM44,188,262.82 within 12 years of the Interlocutory Judgment. The Plaintiffs have decided to put on hold the assessment for damages and enforcement proceedings.

No further steps shall be taken in the Suit until and unless the Plaintiffs so decide to apply to lift the stay of proceedings in Singapore.

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**B11 Changes in Material Litigation (Continued)**

**(iv) Kuala Lumpur High Court Commercial Division Suit No. D-22-1537-2009**

**Between Beucar Accessories (M) Sdn Bhd (“Plaintiff”), Gordon Toh Chun Toh (“1<sup>st</sup> Defendant”), Khoo Ah Kiow @ Koo Teck Hing (“2<sup>nd</sup> Defendant”), Mohd Noor Bin Ibrahim (“3<sup>rd</sup> Defendant”), Elliott Gordon Singapore Private Limited (“4<sup>th</sup> Defendant”), Ace Prelude Freight Logistics Sdn Bhd (“5<sup>th</sup> Defendant”), Foo Chee Pang (sued as a Partner of WGSB Management Services) (“6<sup>th</sup> Defendant”) and Mohammad Zulkifli Bin Abdullah (sued as a Partner of WGSB Management Services) (“7<sup>th</sup> Defendant)**

A legal action was commenced on 6 August 2009 in the Kuala Lumpur High Court (Commercial Division) by a subsidiary, Beucar Accessories (M) Sdn Bhd (“the Subsidiary”) against the abovementioned Defendants for inter alia, fraud, conspiracy to defraud, knowing assistance and knowing receipt and for breach of fiduciary and fidelity duties owed to the Subsidiary by the 1st, 2nd and 3rd Defendants as Directors of the Subsidiary and to recover, inter alia, the sum of RM500,000 paid out of the Subsidiary’s funds and a sum of RM1,114,750 for the questionable purchase of a car.

The 1st, 2nd and 3rd Defendant had filed their Defences against the Plaintiff’s claim.

Certificates of Non-Appearance were obtained against the 4th and 5th Defendants. Thereafter, judgments in default were entered against them.

The 6th and 7th Defendants had filed an application to strike out the Plaintiff’s claim against them which was dismissed with costs subsequently. Both Defendants’ application for leave to file their Defence out of time was dismissed with costs. However, upon appeal to the High Court Judge, the appeal for leave to file their Defence was allowed.

The trial of the High proceedings commenced on 8 November 2011 to 10 November 2011 and on 9 December 2011. The trial is now scheduled to continue from 3 January 2012 to 5 January 2012.

**B12 Dividends**

No dividend is recommended for the current quarter.



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**B13 Earnings per Share**

The basic and diluted earnings per share are calculated as follows:

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTERS</b>	
	Current quarter ended	Comparative quarter ended	3-month cumulative to date	3-month cumulative to date
	31 October 2011	31 October 2010	31 October 2011	31 October 2010
Profit for the year attributable to ordinary equity holders of the company (RM'000)	3,189	1,769	3,189	1,769
Weighted average number of ordinary shares in issue ('000)	44,405	44,405	44,405	44,405
Basic and diluted earnings per share (sen)	7.18	3.98	7.18	3.98

**B14 Disclosure of Realised and Unrealised Profits**

The breakdown of the retained profits of the Group into realised and unrealised profits is as follows:

	As at end of Current Quarter 31-Oct-11 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	16,494
- Unrealised	(1,267)
	15,227
Total share of retained profits from associate	
- Realised	1,074
Less: Consolidation adjustments	(1,311)
Total group retained profits	14,990

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**B15 Memorandum of Understanding (“MOU”)**

- (i) The Company had entered into a MOU with Hella Shanghai Electronics Co. Ltd (“Hella Shanghai”) on 1 March 2010 which sets forth a framework for the consultation and exchange of information and technology. Subject always to the execution of a definitive agreement, Hella Shanghai and the Company agreed that their co-operation and collaboration for the consultation and exchange of information and technology shall be carried out in the manner as set forth in detail in the MOU.
  
- (ii) The Company had also entered into a MOU with SEJIN Electron Inc. (“SEJIN”) on 15 November 2011 which sets forth a framework for the consultation and exchange of information and technology. Subject always to the execution of a definitive agreement, SEJIN and the Company agreed that their co-operation and collaboration for the consultation and exchange of information and technology shall be carried out in the manner as set forth in detail in the MOU.

Save for the above, there were no further developments to date.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)  
Pow Juliet (MAICSA 7020821)  
Company Secretaries  
Johor Bahru  
Date: 27 December 2011

c.c. Securities Commission