

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

**NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2015**

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A1. Basic of Preparation**

This condensed consolidated interim financial statement (Condensed Report) has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Condensed Report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 July 2014. These explanatory notes attached to the Condensed Report 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 2014.

**A2. Significant Accounting Policies**

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 July 2014, except for the adoption of the following MFRSs, amendments to MFRSs and IC Interpretations (“IC Int”) during the current financial period:

<b>MFRS, Amendments to MFRS and IC Interpretation</b>		<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014
Amendments to MFRS 136	Recoverable Amount Disclosures for Non- Financial Assets	1 January 2014
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	Levies	1 January 2014
Amendments to MFRS 119	Defined Benefit Plan: Employee Contributions	1 July 2014
Annual improvements to MFRSs 2010-2012 Cycle		1 July 2014
Annual improvements to MFRSs 2011-2013 Cycle		1 July 2014

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**A2. Significant Accounting Policies (Cont'd)**

The adoption of the above pronouncements did not have any financial impact to the Group.

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 ending 31 July 2015.

**A3. Disclosure of Audit Report Qualification**

The auditors' report of the Group's most recent audited financial statements for the financial year ended 31 July 2014 did not contain any qualification.

**A4. Seasonal or Cyclical Factors Affecting Operations**

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

**A5. 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 January 2015.

**A6. Material Changes in Estimates**

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

**A7. 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 January 2015.

**A8. Dividends Paid**

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

Second interim dividend for financial year	31 July 2014
Amount per share (single-tier)	5.0 sen
Approved and declared on	29 September 2014
Entitlement to dividends based on	
Record of Depositors as at	17 October 2014
Date paid	7 November 2014

**A9. 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.

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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A10. 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 as at the date of this report.

**A11. Changes in the Composition of the Group**

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

**A12. Contingent Liabilities and Contingent Assets**

The Group has no contingent liabilities and assets as at 31 January 2015.

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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 second quarter ended 31 January 2015, the Group achieved consolidated revenue of RM23.59 million which was approximately 17.65% lower than the preceding year corresponding quarter. The decrease in revenue was mainly due to drop in demand for Original Equipment Manufacturer (OEM) products in the current quarter. The Group recorded a profit after tax of RM0.91 million for the current quarter as compared to RM0.61 million in the preceding year corresponding quarter mainly due to lower operational costs in the current quarter.

Comparison to preceding year corresponding period

For the 6-month cumulative period ended 31 January 2015, the Group achieved consolidated revenue of RM43.92 million which was approximately 21.18% lower than the preceding year corresponding period. The decrease in revenue was mainly attributable to drop in demand for OEM products in the current period. The Group recorded a loss after tax of RM0.95 million for the current period as compared to a profit of RM2.61 million for the same period in preceding year. The decrease in profit after tax was mainly contributed by lower revenue and increase in costs of materials partly due to weakening Ringgit Malaysia and operational costs in the current period.

**B2 Material Changes in Profit/ (Loss) before Taxation for the Current Quarter with Immediate Preceding Quarter**

	Current Quarter 31 Jan 2015 RM'000	Preceding Quarter 31 Oct 2014 RM'000
Revenue	23,590	20,326
Pre-tax profit/ (loss) before non-controlling interests	1,404	(2,206)

For the current quarter, the Group achieved revenue of RM23.59 million, representing an increase of 16.06% as compared to the preceding quarter ended 31 October 2014. The increase was attributable to higher demand for OEM products in the current quarter. The pre-tax profit before non-controlling interests for the Group improved from a pre-tax loss of RM2.21 million for the preceding quarter to pre-tax profit of RM1.40 million for the quarter under review as a result of higher revenue and lower operational costs in the current quarter.

**B3 Prospects Commentary**

The Group is facing a slowdown in demand from its OEM customers amid operating in an increasing costs environment.

The Group will continue its efforts to mitigate the increasing costs. The Board is cautious of the challenging operating conditions of the automotive sector.

**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 period.

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**B5 Taxation**

	3 months ended		6 months ended	
	31-Jan-15	31-Jan-14	31-Jan-15	31-Jan-14
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- current year	(84)	(12)	81	726
- Under/(over) provision in prior years	(66)	-	(66)	-
	(150)	(12)	15	726
Deferred tax	646	420	133	245
<b>Tax expense/ (income)</b>	<b>496</b>	<b>408</b>	<b>148</b>	<b>971</b>

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

**B6 Status of Corporate Proposals**

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

**B7 Group Borrowings and Debt Securities**

Group borrowings as at 31 January 2015:

	<u>RM'000</u>
(a) Secured borrowings	11,004
Unsecured borrowings	-
	<u>11,004</u>
(b) Short term	
- term loans (secured)	3,533
- hire purchase payable	219
	<u>3,752</u>
Long term	
- term loans (secured)	6,672
- hire purchase payable	580
	<u>7,252</u>
<b>Total borrowings</b>	<u><b>11,004</b></u>

All the above borrowings are denominated in Ringgit Malaysia.

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**B8 Financial Instruments**

The Group has entered into some forward foreign exchange currencies contracts to hedge its exposure to fluctuations in foreign currency arising from purchases.

The Group has no outstanding derivative financial instruments as at 31 January 2015.

**B9 Changes in Material Litigation**

There were no pending material litigation as at 21 March 2015 being a date not earlier than 7 days from the date of this quarterly report except for the following :-

**(i) 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 against the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Defendants for breach of fiduciary and fidelity duties owed to the Company and to recover the sum of RM44,188,262.82 paid out of the Company’s funds.

The Plaintiffs had on 31 July 2012 obtained Judgement against all the above Defendants for various judgement sums totalling RM44,188,262.82, with pre-judgement and post-judgement interest plus awarded costs, except for the 3<sup>rd</sup> Defendant against whom the suit had been dismissed without costs. The suit against the 12<sup>th</sup> Defendant was withdrawn.

The Plaintiffs had since agreed with the 2<sup>nd</sup> Defendant for a settlement sum of RM22.0 million duly paid as a full discharge of the Judgement against him. The Plaintiffs had also recovered a total of SGD2,076,086.04 (equivalent to RM5.36 million) through Singapore High Court proceedings against the 1<sup>st</sup> Defendant.

Only the 7<sup>th</sup> and 8<sup>th</sup> Defendants appealed to the Court of Appeal. On 12 March 2013, the Company moved the Court of Appeal with their Notice of Motions for security for costs of the appeals of the 7<sup>th</sup> and 8<sup>th</sup> Defendants. The Court allowed the same and ordered that the 7<sup>th</sup> and 8<sup>th</sup> Defendants pay the sum of RM30,000 each as security for costs of the appeal where the 7<sup>th</sup> and 8<sup>th</sup> Defendants duly paid on 15 March 2013. On 16 July 2014, the Court dismissed the 7<sup>th</sup> and 8<sup>th</sup> Defendants appeals with cost of RM30,000 payable by each Appellant to the Respondents. The security for costs paid by the Appellants was used in satisfaction of the costs to the Respondents.

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**B9 Changes in Material Litigation (Cont'd)**

**(i) Kuala Lumpur High Court Commercial Division - Suit No. D8-22-453-2008 (Cont'd)**

The Company had initiated bankruptcy proceedings against 10<sup>th</sup> and 11<sup>th</sup> Defendants. Receiving and adjudicating orders had been entered against both Defendants and they had been adjudicated as bankrupt.

Further to any new developments, the Board considers this suit closed.

**(ii) 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 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> 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 1<sup>st</sup>, 3<sup>rd</sup> and 4<sup>th</sup> Defendants on 4 August 2008. Whilst the Singapore Mareva Injunction is discharged as against the 3<sup>rd</sup> Defendant, it remains in place as against the 1<sup>st</sup> and 4<sup>th</sup> Defendants.

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

The Singapore proceedings were discontinued against the 2<sup>nd</sup> Defendant by mutual agreement with no order as to costs as the 2<sup>nd</sup> Defendant had a settlement agreement and fully discharged as mentioned in Note B9(i).

Interlocutory Judgement in default of appearance was filed against the 5<sup>th</sup> Defendant on 20 February 2009 for, inter alia, the sum of RM44,188,262.82.

Other than the above, 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.

Further to any new developments, the Board considers this suit closed.

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**B9 Changes in Material Litigation (Cont'd)**

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

Between Beaucar 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, Beaucar Accessories (M) Sdn Bhd (“the Subsidiary”) against the abovementioned Defendants for inter alia, fraud, conspiracy to defraud, knowing assistance and knowing receipt and against the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Defendants for breach of fiduciary and fidelity duties owed to the Subsidiary 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.

Certificates of Non-Appearance were recorded against the 4<sup>th</sup> and 5<sup>th</sup> Defendants. Thereafter, judgements in default were entered against them. The Subsidiary had obtained Judgement on 20 March 2012 against the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 6<sup>th</sup> and 7<sup>th</sup> Defendants for various judgement sums totalling RM500,000 and RM1,114,750 with respect to the questionable car purchase, with pre-judgement and post-judgement interest plus costs.

The 6<sup>th</sup> and 7<sup>th</sup> Defendants had paid the judgement sum against them with interest and costs accordingly.

There are no appeals pending and the Plaintiff has initiated bankruptcy proceedings against 2<sup>nd</sup> and 3<sup>rd</sup> Defendants. Receiving and adjudicating orders have been entered against the 2<sup>nd</sup> and 3<sup>rd</sup> Defendants. They have been adjudicated as bankrupts.

Further to any new developments, the Board considers this suit closed.

**B10 Dividends**

- (a) No dividend is recommended for the current quarter (31 January 2014: 3.0 sen per share under single-tier system).
- (b) Total dividend for the current financial period: Nil (31 January 2014: 3.0 sen per share under single-tier system).



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**B11 Earnings/ (loss) per Share**

The basic and diluted earnings/ (loss) per share are calculated as follows:

	3 months ended		6 months ended	
	31.01.2015	31.01.2014	31.01.2015	31.01.2014
Profit/ (loss) for the period attributable to ordinary equity holders of the company (RM'000)	923	639	(921)	2,653
Weighted average number of ordinary shares in issue (RM'000)	44,405	44,405	44,405	44,405
Basic and diluted earnings/ (loss) per share (sen)	2.08	1.44	(2.07)	5.97

**B12 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	As at
	31.01.2015	31.01.2014
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	53,295	51,429
- Unrealised	(3,794)	(3,680)
	49,501	47,749
Less: Consolidation adjustments	(1,016)	(1,251)
Total group retained profits	48,485	46,498

**B13 Authorised for issue**

The interim financial statements were authorised by the Board of Directors in accordance with the resolution of the Directors on 27 March 2015.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)  
 Pow Juliet (MAICSA 7020821)  
 Company Secretaries  
 Johor Bahru  
 Date: 27 March 2015  
 c.c. Securities Commission