

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

NOTES TO THE INTERIM FINANCIAL REPORT – 3RD QUARTER ENDED 30 APRIL 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:

MFRS, Amendments to MFRS and IC Interpretation		Effective for annual periods beginning on or after
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 30 April 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 30 April 2015.

A8. Dividends Paid

No dividend has been paid during the financial period ended 30 April 2015.

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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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 30 April 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 third quarter ended 30 April 2015, the Group achieved consolidated revenue of RM25.32 million which was approximately 11.11% higher than the preceding year corresponding quarter. The increase in revenue was mainly due to higher demand for Original Equipment Manufacturer (OEM) products in the current quarter. The Group recorded a profit after tax of RM0.84 million for the current quarter as compared to a loss of RM0.50 million (excluding the unusual contribution) in the preceding year corresponding quarter mainly due to increase in revenue in the current quarter.

Comparison to preceding year corresponding period

For the 9-month cumulative period ended 30 April 2015, the Group achieved consolidated revenue of RM69.24 million which was approximately 11.81% 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 RM0.11 million for the current period as compared to a profit of RM2.16 million (excluding the unusual contribution) 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 attributable to weakened Ringgit Malaysia and operational costs in the current period.

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

	Current Quarter 30 Apr 2015 RM'000	Preceding Quarter 31 Jan 2015 RM'000
Revenue	25,321	23,590
Pre-tax profit before non-controlling interests	944	1,404

For the current quarter, the Group achieved revenue of RM25.32 million, representing an increase of 7.34% as compared to the preceding quarter ended 31 January 2015. The increase was attributable to higher demand for OEM products in the current quarter. The Group recorded a pre-tax profit before non-controlling interests of RM0.94 million for the quarter under review as compared to a pre-tax profit of RM1.40 million for the preceding quarter as a result of increase in costs of materials attributable to weakened Ringgit Malaysia and 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 compounded by the weakening Ringgit Malaysia and the implementation of Goods and Services Tax (GST).

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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NOTES TO THE INTERIM FINANCIAL REPORT – 3RD QUARTER ENDED 30 APRIL 2015

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

B5 Taxation

	3 months ended		9 months ended	
	30-Apr-15	30-Apr-14	30-Apr-15	30-Apr-14
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- current year	71	284	152	1,010
- Under/(over) provision in prior years	14	(88)	(52)	(88)
	85	196	100	922
Deferred tax	20	(515)	153	(270)
Tax expense/ (income)	105	(319)	253	652

The effective tax rate for the current quarter and current period is lower than the statutory rate mainly in part due to crystallisation of prevailing tax rate of certain deferred tax asset provided at preferential rate in a subsidiary.

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 30 April 2015:

	<u>RM'000</u>
(a) Secured borrowings	10,091
Unsecured borrowings	-
	<u>10,091</u>
(b) Short term	
- term loans (secured)	3,580
- hire purchase payable	219
	<u>3,799</u>
Long term	
- term loans (secured)	5,757
- hire purchase payable	535
	<u>6,292</u>
Total borrowings	<u>10,091</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 30 April 2015.

B9 Changes in Material Litigation

There were no pending material litigation as at 23 June 2015 being a date not earlier than 7 days from the date of this quarterly report.

B10 Dividends

(a) No dividend is recommended for the current quarter.

(b) Total dividend for the current financial period: Nil (30 April 2014: 3.0 sen per share under single-tier system).

B11 Earnings/ (loss) per Share

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

	3 months ended		9 months ended	
	30.04.2015	30.04.2014	30.04.2015	30.04.2014
Profit/ (loss) for the period attributable to ordinary equity holders of the company (RM'000)	852	4,720	(69)	7,373
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)	1.92	10.63	(0.16)	16.60

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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 30.04.2015 RM'000	As at 30.04.2014 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	53,704	57,683
- Unrealised	(3,385)	(4,451)
	50,319	53,232
Less: Consolidation adjustments	(982)	(2,014)
Total group retained profits	49,337	51,218

B13 Authorised for issue

The interim financial statements were authorised by the Board of Directors in accordance with the resolution of the Directors on 29 June 2015.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)
Pow Juliet (MAICSA 7020821)
Company Secretaries
Johor Bahru
Date: 29 June 2015
c.c. Securities Commission