

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

**NOTES TO THE INTERIM FINANCIAL REPORT – 4TH QUARTER ENDED 31 JULY 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 year:

<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 year ended 31 July 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 year ended 31 July 2015.

**A8. Dividends Paid**

No dividend has been paid during the current quarter ended 31 July 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**

On 29 September 2015, the Company (“MCE”) had entered into a conditional scheme agreement with MCE Holdings Berhad (“Newco”) to implement a proposed internal reorganisation under Section 176 of the Companies Act, 1965 comprising the following proposals:

- a) proposed exchange of the entire 44,404,700 issued and fully paid-up ordinary shares of RM1.00 each in MCE (“MCE Shares”) with 44,404,700 new ordinary shares of RM1.00 each in Newco (“Newco Shares”) on the basis of one (1) Newco Share for every one (1) existing MCE Share held as at an entitlement date to be determined and announced by the Board; and
- b) proposed assumption of the listing status of MCE by Newco and the admission of Newco to and withdrawal of MCE from Official List of Bursa Malaysia Securities Berhad (“Bursa Securities”) with the listing of and quotation for new Newco Shares on the Main Market of Bursa Securities.

**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 July 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 fourth quarter ended 31 July 2015, the Group achieved consolidated revenue of RM20.79 million which was approximately 20.82% lower than the preceding year corresponding quarter. The decrease in revenue was mainly due to lower demand for Original Equipment Manufacturer (OEM) products in the current quarter. The Group recorded a loss after tax of RM1.01 million for the current quarter as compared to a profit of RM1.73 million (excluding the unusual contribution) in the preceding year corresponding quarter mainly due to decrease in revenue in the current quarter.

Comparison to preceding year corresponding period

For the 12-month cumulative year ended 31 July 2015, the Group achieved consolidated revenue of RM90.03 million which was approximately 14.07% lower than the preceding year. The decrease in revenue was mainly attributable to drop in demand for OEM products in the current year. The Group recorded a loss after tax of RM1.13 million for the current year as compared to a profit of RM3.89 million (excluding the unusual contribution) for the 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 year.

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

	<b>Current Quarter 31 July 2015 RM'000</b>	<b>Preceding Quarter 30 April 2015 RM'000</b>
Revenue	20,791	25,321
Pre-tax profit/(loss) before non-controlling interests	(371)	944

For the current quarter, the Group achieved revenue of RM20.79 million, representing a decrease of 17.89% as compared to the preceding quarter ended 30 April 2015. The decrease was attributable to lower demand for OEM products in the current quarter. The Group recorded a pre-tax loss before non-controlling interests of RM0.37 million for the quarter under review as compared to a pre-tax profit of RM0.94 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 year.

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**B5 Taxation**

	3 months ended		12 months ended	
	31-Jul-15	31-Jul-14	31-Jul-15	31-Jul-14
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- current year	148	792	300	1,802
- Under/(over) provision in prior years	(19)	-	(71)	(88)
	<u>129</u>	<u>792</u>	<u>229</u>	<u>1,714</u>
Deferred tax	514	(263)	667	(533)
Tax expense/ (income)	<u>643</u>	<u>529</u>	<u>896</u>	<u>1,181</u>

The effective tax rate for the current quarter and current year is higher than the statutory rate mainly due to under-provision of deferred tax.

**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 July 2015:

	<u>RM'000</u>
(a) Secured borrowings	9,169
Unsecured borrowings	-
	<u>9,169</u>
(b) Short term	
- term loans (secured)	3,400
- hire purchase payable	219
	<u>3,619</u>
Long term	
- term loans (secured)	5,061
- hire purchase payable	489
	<u>5,550</u>
Total borrowings	<u>9,169</u>

All the above borrowings are denominated in Ringgit Malaysia.

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

**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 July 2015.

**B9 Dividends**

- (a) No dividend is recommended for the current quarter.
- (b) Total dividend for the current financial year: Nil (financial year 2014: 8.0 sen per share under single-tier system).

**B10 Earnings/ (loss) per Share**

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

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.07.2015</b>	<b>31.07.2014</b>	<b>31.07.2015</b>	<b>31.07.2014</b>
Profit/ (loss) for the period attributable to ordinary equity holders of the company (RM'000)	(1,005)	1,740	(1,074)	9,113
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)	(2.26)	3.92	(2.42)	20.52

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**B11 Disclosure of Realised and Unrealised Profits**

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

	<b>As at 31.07.2015</b>	<b>As at 31.07.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	52,702	58,375
- Unrealised	(3,619)	(4,626)
	<u>49,083</u>	<u>53,749</u>
Less: Consolidation adjustments	(751)	(2,123)
<b>Total group retained profits</b>	<b><u>48,332</u></b>	<b><u>51,626</u></b>

**B12 Authorised for issue**

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

By Order of the Board,

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