

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(THE FIGURES HAVE NOT BEEN AUDITED)**

	As at 31.01.2016 Unaudited RM'000	As at 31.07.2015 Audited RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	61,220	62,892
Investment property	2,015	2,023
Intangible asset	1,629	2,173
	<u>64,864</u>	<u>67,088</u>
<b>Current Assets</b>		
Inventories	18,022	18,284
Trade receivables	18,224	18,205
Other receivables	1,202	989
Tax recoverable	915	619
Cash and bank balances	11,797	13,672
	<u>50,160</u>	<u>51,769</u>
<b>TOTAL ASSETS</b>	<u>115,024</u>	<u>118,857</u>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to equity holders of the company		
Share capital	44,405	44,405
Reserves	48,272	49,318
	<u>92,677</u>	<u>93,723</u>
Non-controlling Interests	(87)	(87)
<b>Total Equity</b>	<u>92,590</u>	<u>93,636</u>
<b>Non-Current Liabilities</b>		
Borrowings	4,463	5,579
Deferred tax liabilities	143	364
	<u>4,606</u>	<u>5,943</u>
<b>Current Liabilities</b>		
Borrowings	2,823	3,590
Trade payables	9,061	7,948
Other payables	5,944	7,740
	<u>17,828</u>	<u>19,278</u>
<b>Total Liabilities</b>	<u>22,434</u>	<u>25,221</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>115,024</u>	<u>118,857</u>
Net assets per stock unit attributable to ordinary equity holders of the company	<u>2.0871</u>	<u>2.1106</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 July 2015.

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 31 JANUARY 2016**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	3 Months Ended	31-Jan-15	6 Months Ended	31-Jan-15
	31-Jan-16	31-Jan-15	31-Jan-16	31-Jan-15
	RMT'000	RMT'000	RMT'000	RMT'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	20,403	23,590	42,809	43,916
Cost of sales	(19,700)	(19,441)	(38,934)	(39,462)
Gross profit	703	4,149	3,875	4,454
Other income	127	163	295	387
Selling and administrative expenses	(2,185)	(2,758)	(5,084)	(5,330)
Finance costs	(105)	(150)	(224)	(313)
Profit/ (loss) before tax	(1,460)	1,404	(1,138)	(802)
Taxation	271	(496)	92	(148)
Profit/ (loss) for the period	(1,189)	908	(1,046)	(950)
Other comprehensive income/ (loss):				
Foreign currency translation difference from a subsidiary	-	(12)	-	(13)
Other comprehensive income/ (loss) for the period	-	(12)	-	(13)
Total comprehensive income/ (loss) for the period	(1,189)	896	(1,046)	(963)
Profit/ (loss) attributable to:				
Equity holders of the company	(1,189)	923	(1,046)	(921)
Non-controlling interests	-	(15)	-	(29)
Total comprehensive income/ (loss) attributable to:				
Equity holders of the company	(1,189)	911	(1,046)	(934)
Non-controlling interests	-	(15)	-	(29)
Earnings/ (loss) per share attributable to equity holders of the company:				
Basic and diluted (sen)	(2.68)	2.08	(2.36)	(2.07)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 July 2015.

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

**NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

The following amounts have been charged/ (credited) in arriving at profit/ (loss) before tax:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	3 Months Ended		6 Months Ended	
	31-Jan-16 RM'000	31-Jan-15 RM'000	31-Jan-16 RM'000	31-Jan-15 RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	(99)	(121)	(196)	(268)
Interest expenses	105	150	224	313
Depreciation	1,168	1,150	2,327	2,276
Amortisation of development costs	272	272	544	544
Impairment of golf club membership	1	1	1	1
Provision for warranties	404	(677)	991	717
Obsolete inventories written off	461	-	461	-
Loss/ (gain) on disposal of plant and equipment	-	179	-	179
Loss/ (gain) on foreign exchange	-	-	-	-
- realised	(115)	175	313	21
- unrealised	4	(47)	(102)	12
Plant and equipment written off	1	-	1	-

Save as disclosed above and in the Condensed Consolidated Statement of Comprehensive Income, the other items required by Bursa Malaysia Securities Berhad Main Market Listing Requirements, Chapter 9, Appendix 9B are not applicable to the Group.

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED 31 JANUARY 2016**  
(The figures have not been audited)

	Attributable to Equity Holders of the Company					Non-controlling Interests	Total Equity	
	Share capital RM/000	Share premium RM/000	Share buy-back reserve RM/000	Foreign Currency Translation RM/000	Retained profits RM/000			Total RM/000
<b>At 1 Aug 2015</b>	44,405	654	352	(20)	48,332	93,723	(87)	93,636
Loss for the period	-	-	-	-	(1,046)	(1,046)	-	(1,046)
Total comprehensive loss for the period	-	-	-	-	(1,046)	(1,046)	-	(1,046)
<b>At 31 Jan 2016</b>	44,405	654	352	(20)	47,286	92,677	(87)	92,590
<b>At 1 Aug 2014</b>	44,405	654	352	(1)	51,626	97,036	(36)	97,000
Foreign currency translation differences from a subsidiary	-	-	-	(13)	-	(13)	-	(13)
Other comprehensive loss	-	-	-	(13)	-	(13)	-	(13)
Loss for the period	-	-	-	-	(921)	(921)	(29)	(950)
Total comprehensive loss for the period	-	-	-	(13)	(921)	(934)	(29)	(963)
Dividend paid	-	-	-	-	(2,220)	(2,220)	-	(2,220)
<b>At 31 Jan 2015</b>	44,405	654	352	(14)	48,485	93,882	(65)	93,817

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 July 2015.

**MULTI-CODE ELECTRONICS INDUSTRIES (MD) BERHAD (193094-K)**

*(Incorporated in Malaysia)*

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE QUARTER ENDED 31 JANUARY 2016**

(The figures have not been audited)

	6 months ended 31-Jan-16 RM'000 (Unaudited)	6 months ended 31-Jan-15 RM'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/ (loss) before taxation	(1,138)	(802)
Adjustments for :		
Depreciation	2,327	2,276
Amortisation of development costs	544	544
Impairment of golf club membership	1	1
Interest income	(196)	(268)
Interest expense	224	313
Short term accumulated compensated absences	69	120
Obsolete inventories written off	461	-
Provision for warranties	991	717
Loss/ (gain) on disposal of plant and equipment	-	179
Plant and equipment written off	1	-
Unrealised (gain)/ loss on foreign exchange	(102)	12
Operating profit before working capital changes	3,182	3,092
Receivables	(233)	1,571
Inventories	(199)	1,571
Payables	(1,642)	(4,456)
Cash generated from operations	1,108	1,778
Tax paid	(426)	(451)
Interest paid	(224)	(313)
Net cash from operating activities	458	1,014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	196	268
Purchase of property, plant and equipment	(647)	(2,287)
Proceeds from disposal of plant and equipment	-	310
Net cash used in investing activities	(451)	(1,709)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(1,883)	(1,964)
Dividend paid	-	(2,220)
Net cash used in financing activities	(1,883)	(4,184)
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,876)	(4,879)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	13,672	18,713
<b>CURRENCY TRANSLATION DIFFERENCE</b>	1	(11)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	11,797	13,823

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 July 2015.

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**MULTI-CODE ELECTRONICS INDUSTRIES (M) BERHAD (193094-K)**  
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**NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2016**

**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 2015. 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 2015.

**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 2015, except for the adoption of the following MFRSs, amendments to MFRSs and IC Interpretations (“IC Int<sup>ns</sup>”) during the current financial period:

<b>MFRS, Amendments to MFRS and IC Interpretation</b>	<b>Effective for annual periods beginning on or after</b>
Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138	1 January 2016
Amendments to MFRS 116 and MFRS 141	1 January 2016
Amendments to MFRS 10 and MFRS 128	1 January 2016
Amendments to MFRS 11	1 January 2016
Amendments to MFRS 127	1 January 2016
Amendments to MFRS 101	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	1 January 2016

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

**NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2016**

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

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

MFRS, Amendments to MFRS and IC Interpretation	Effective for annual periods beginning on or after
MFRS 14	1 January 2016
MFRS 15	1 January 2018
MFRS 9	1 January 2018

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 2016.

**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 2015 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 2016.

**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 2016.

**A8. Dividends Paid**

No dividend has been paid during the financial period ended 31 January 2016.

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

**NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2016**

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

**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.

**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 2016.



**MULTI-CODE ELECTRONICS INDUSTRIES (M) BERHAD (193094-K)**  
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**NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2016**

**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 2016, the Group achieved consolidated revenue of RM20.40 million which was approximately 13.51% lower than the preceding year corresponding quarter. The decrease in revenue was mainly due to low demand for Original Equipment Manufacturer (OEM) products in the current quarter. The Group recorded a loss after tax of RM1.19 million for the current quarter as compared to a profit after tax of RM0.91 million in the preceding year corresponding quarter mainly due to lower revenue for current quarter.

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

	<u>Current Quarter 31 Jan 2016 RM'000</u>	<u>Preceding Quarter 31 Oct 2015 RM'000</u>
Revenue	20,403	22,406
Pre-tax (loss)/profit before non-controlling interests	(1,460)	322

For the current quarter, the Group achieved revenue of RM20.40 million, representing a decrease of 8.94% as compared to the preceding quarter ended 31 October 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 RM1.46 million for the quarter under review as compared to a pre-tax profit of RM0.32 million for the preceding quarter as a result of lower revenue and increase in costs of materials partly due to weakening in Ringgit Malaysia 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 due to weakening Ringgit Malaysia.

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.

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

NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY  
2016

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

B5 Taxation	3 months ended		6 months ended	
	31.01.16	31.01.15	31.01.16	31.01.15
	RMT'000	RMT'000	RMT'000	RMT'000
Income tax:				
- current year	(99)	(84)	129	81
- Under/(over) provision in prior years	-	(66)	-	(66)
	(99)	(150)	129	15
Deferred tax	(172)	646	(221)	133
Tax expense/(income)	(271)	496	(92)	148

The tax income for the current quarter arose from the tax loss position.

**B6  
Status of Corporate Proposals**

On 29 September 2015, the Company had entered into a conditional scheme agreement with MCE Holdings Berhad (“Newco”) to implement a proposed internal reorganisation under Section 176 of the requirements 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 the Company (“MCE Share”) with 44,404,700 new ordinary shares of RM1.00 each in Newco (“Newco Share”) 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 of the Company; and
- b) proposed assumption of the listing status of the Company by Newco and the admission of Newco to and withdrawal of the Company 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.

The Company convened the Court Convened Meeting (“CCM”) and Extraordinary General Meeting (“EGM”) on 26 February 2016 where the Scheme of Arrangement pertaining to the Proposed Internal Reorganisation had been approved by the shareholders of MCE.

As at the date of the report, the proposals are still pending sanction from the High Court of Malaya.

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

NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2016

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

<b>B7</b>	<b>Group Borrowings and Debt Securities</b>	
	Group borrowings as at 31 January 2016:	<u>RM'000</u>
	(a) Secured borrowings	7,286
	Unsecured borrowings	<u>-</u>
	(b) Short term	<u>7,286</u>
	- term loans (secured)	2,628
	- hire purchase payable	195
	Long term	<u>2,823</u>
	- term loans (secured)	4,044
	- hire purchase payable	419
	Total borrowings	<u>7,286</u>

All the above borrowings are denominated in Ringgit Malaysia.

**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 2016.

**B9 Dividends**

No dividend is recommended for the current quarter (31 January 2015: Nil).

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

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

	<b>3 months ended</b>		<b>6 months ended</b>	
Profit/ (loss) for the period attributable to ordinary equity holders of the company (RM'000)	31.01.2016	31.01.2015	31.01.2016	31.01.2015
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)	(2.68)	2.08	(2.36)	(2.07)

(1,189)

923

(1,046)

(921)

44,405

44,405

44,405

44,405

(2.68)

2.08

(2.36)

(2.07)

**MULTI-CODE ELECTRONICS INDUSTRIES (M) BERHAD (193094-K)**  
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NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2016

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

**B11 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 31.01.2016	As at 31.01.2015
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	51,083	53,295
- Unrealised	(3,047)	(3,794)
	48,036	49,501
Less: Consolidation adjustments	(750)	(1,016)
<b>Total group retained profits</b>	<b>47,286</b>	<b>48,485</b>

**B12 Memorandum of Understanding (“MOU”)**

The Company had entered into a Memorandum of Understanding (“MOU”) with PT GARUDA MULTI INVESTAMA (“GMT”) on 22 September 2015 for the purpose of setting forth a framework for the consultation and exchange of information and technology. The cooperation in the current stage shall focus on the development, production, marketing and supply of the Company’s existing products for automobile manufacturers located in Indonesia and if so desired and mutually agreed by both parties be extended to other electronic and mechatronic parts and systems.

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

**B13 Authorised for issue**

The interim financial statements were authorised by the Board of Directors in accordance with the resolution of the Directors on 28 March 2016.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)  
Pow Juliet (MAICSA 7020821)  
Company Secretaries  
Johor Bahru  
Date: 28 March 2016  
c.c. Securities Commission