

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

**NOTES TO THE INTERIM FINANCIAL REPORT – 1ST QUARTER ENDED 31 OCTOBER 2012**

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

**A1. First-Time Adoption Of Malaysian Financial Reporting Standards (MFRS)**

This condensed consolidated interim financial statement (Condensed Report) has been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Condensed Report also complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board (IASB). For the periods up to and including the year ended 31 July 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRSs). This Condensed Report is the Group's first MFRS compliant Condensed Report and hence First-Time Adoption of Malaysian Financial Reporting Standards (MFRS 1) has been applied.

The date of transition to the MFRS framework is 1 August 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The impact of the transition from FRS to MFRS is described in Note A2.1 below.

**A2. Significant Accounting Policies**

**A2.1 Application of MFRS 1**

The audited financial statements of the Group for the year ended 31 July 2012 were prepared in accordance with FRSs. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this Condensed Report are consistent with those of the audited financial statements for the year ended 31 July 2012 except as discussed below:

The Group has adopted the revaluation model under FRS 116, Property, plant and equipment. Last revaluation was performed on these properties on 31 July 2012.

Upon transition to MFRSs, the Group elected to apply the optional exemption to use that fair value at transition date as deemed cost under MFRSs. The revaluation reserve of RM1.07 mil at 1 August 2011 was reclassified to retained earnings.

The reconciliation of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided as below:

Reconciliation of equity as at 1 August 2011:

	<b>FRS as at 01.08.2011 RM'000</b>	<b>Reclassifications RM'000</b>	<b>MFRS as at 01.08.2011 RM'000</b>
<b>Property, plant &amp; equipment</b>	32,731	385	33,116
<b>Revaluation reserve</b>	1,070	(1,070)	-
<b>Deferred tax liabilities</b>	284	96	380
<b>Retained earnings</b>	11,793	1,359	13,152

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

**A2.1 Application of MFRS 1 (Cont'd)**

Reconciliation of equity as at 31 October 2011:

	FRS as at 31.10.2011 RM'000	Reclassifications RM'000	MFRS as at 31.10.2011 RM'000
Property, plant & equipment	34,538	374	34,912
Revaluation reserve	1,062	(1,062)	-
Deferred tax liabilities/ (assets)	(118)	93	(25)
Retained earnings	14,990	1,343	16,333

Reconciliation of equity as at 31 July 2012:

	FRS as at 31.07.2012 RM'000	Reclassifications RM'000	MFRS as at 31.07.2012 RM'000
Property, plant & equipment	37,386	(708)	36,678
Revaluation reserve	1,618	(1,618)	-
Deferred tax liabilities/ (assets)	467	(206)	261
Retained earnings	20,510	1,116	21,626

The effects of adopting MFRS 1 to the profit or loss are summarised as follows:

Reconciliation for period ended 31 October 2011:

	FRS for period ended 31.10.2011 RM'000	Effects of adopting MFRS 1 RM'000	MFRS for period ended 31.10.2011 RM'000
Depreciation	445	11	456
Deferred tax income	(401)	(3)	(404)

Reconciliation for year ended 31 July 2012:

	FRS for year ended 31.07.2012 RM'000	Effects of adopting MFRS 1 RM'000	MFRS for year ended 31.07.2012 RM'000
Depreciation	2,690	46	2,736
Impairment losses on property, plant & equipment	298	194	492
Deferred tax income	(35)	(60)	(95)

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

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

**A2.2 MFRS, Amendments to MFRS and IC Interpretation issued but not yet effective**

At the date of authorisation of these interim financial statements, the following MFRS, Amendments to MFRS and IC Interpretation were issued but not yet effective and have not been applied by the Group:

<b>MFRS, Amendments to MFRS and IC Interpretation</b>		<b>Effective for annual periods beginning on or after</b>
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

**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 2012 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.

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**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 October 2012.

**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 October 2012.

**A8. Dividends Paid**

No dividend has been paid during the financial period ended 31 October 2012.

**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 the current quarter.

**A12. Contingent Liabilities and Contingent Assets**

The Group has no contingent liabilities or contingent assets as at 31 October 2012.

**A13. Capital Commitment**

Capital commitment for the purchases of property, plant and equipment and intangible assets not provided for in the interim financial statements as at 31 October 2012 were as follows:

	<u>Approved and Contracted for (RM)</u>
Property, plant and equipment	1,974,000
Intangible assets	239,000
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	2,213,000
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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 2012, the Group achieved consolidated revenue of RM30.00 million which was approximately 4.62% higher than the preceding year corresponding quarter. The increase in revenue was mainly attributable to the new automotive lightings sales more than offset the general drop in sales in the current quarter. The Group recorded a profit after tax of RM3.09 million for the current quarter as compared to RM3.14 million in the preceding year corresponding quarter. The decrease in profit after tax was mainly due to increase in operational costs and write-off of inventories in the current quarter.

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

	<b>Current Quarter 31 Oct 2012 RM'000</b>	<b>Preceding Quarter 31 Jul 2012 RM'000 (Restated)*</b>
Revenue	29,944	30,996
Pre-tax profit before non-controlling interests and after share of profit after tax of associate company	3,962	4,580

\* Restated with adoption of MFRS.

For the current quarter, the Group achieved revenue of RM30.00 million, representing a decrease of 3.39% as compared to the preceding quarter ended 31 July 2012. The decrease was mainly caused by the decrease in sales of automotive lightings in the current quarter. The Group recorded pre-tax profit before non-controlling interests and after share of profit after tax of associate company of RM3.96 million for the quarter under review as compared to RM4.58 million for the preceding quarter mainly due to increase in operational costs and write-off of inventories in the current quarter.

**B3 Prospects Commentary**

The Group, in its drive to build its revenue base through product enhancements and differentiations, has the added product of automotive lightings from its wholly owned subsidiary, Multi-Code Technologies (M) Sdn. Bhd. and this has started to contribute positively to the Group. The Group is actively taking various product design and development initiatives and seeking opportunities to secure new businesses.

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

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**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.

**B5 Taxation**

	3 months ended		3 months ended	
	31-Oct-12	31-Oct-11	31-Oct-12	31-Oct-11
	RM'000	RM'000	RM'000	RM'000
		(Restated)*		(Restated)*
Income tax:				
- current year	885	1,689	885	1,689
Deferred tax	(12)	(404)	(12)	(404)
<b>Tax expense</b>	<b>873</b>	<b>1,285</b>	<b>873</b>	<b>1,285</b>

\* Restated with adoption of MFRS.

The effective tax rate for the current quarter is lower than the statutory rate due to tax incentive of the pioneer status enjoyed by a subsidiary company.

**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 October 2012:

		<b>RM'000</b>
(a)	Secured borrowings	6,092
	Unsecured borrowings	-
		6,092
(b)	Short term	
	- term loan (secured)	1,440
	- hire purchase payable	104
		1,544
	Long term	
	- term loan (secured)	4,189
	- hire purchase payable	359
		4,548
	Total borrowings	6,092

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.

As at 31 October 2012, there were no any outstanding derivative financial instruments for the Group.

**B9 Changes in Material Litigation**

There were no pending material litigation as at 15 December 2012 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 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. The appeal is now fixed for hearing before the Court of Appeal on 9 January 2013.

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**B9 Changes in Material Litigation (Continued)**

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

On 31 July 2012, the High Court delivered its Judgment with the following orders:-

As against the 1<sup>st</sup> Defendant:

The Court found the 1<sup>st</sup> Defendant liable for fraud. The Court also found that the 1<sup>st</sup> Defendant had breached his fiduciary, statutory and common law duties as a director of the Plaintiffs.

Judgment was entered against the 1<sup>st</sup> Defendant for, amongst others, the total sum of RM44,188,262.82 with pre-judgment and post-judgment interest at 4% per annum and cost of RM300,000.

As against the 2<sup>nd</sup> Defendant

The Court found the 2<sup>nd</sup> Defendant liable for fraud in respect of the RM31,009,917.80 that was uplifted and remitted out of the Plaintiffs' funds. The Court also found that the 2<sup>nd</sup> Defendant had breached his fiduciary, statutory and common law duties as a director of the 1<sup>st</sup> Plaintiff and that he had breached his fiduciary duties as a bank signatory of the 2<sup>nd</sup> Plaintiff. Judgment was entered against the 2<sup>nd</sup> Defendant for, amongst others, RM31,009,917.80 with pre-judgment and post-judgment interest at 4% per annum and cost of RM200,000.

As against the 3<sup>rd</sup> Defendant

The Court dismissed the Plaintiffs' claim against the 3<sup>rd</sup> Defendant, however the Court did not order costs in favor of the 3<sup>rd</sup> Defendant as the Court found that the 3<sup>rd</sup> Defendant had compromised his employment with the 1<sup>st</sup> Plaintiff.

As against the 4<sup>th</sup> Defendant

The Court entered judgment against the 4<sup>th</sup> Defendant for fraud, conspiracy to defraud, the tort of knowing assistance and the tort of knowing receipt. Judgment was entered against the 4<sup>th</sup> Defendant for, amongst others, the sum of RM44,188,262.82, pre-judgment and post-judgment interests at 4% per annum and costs of RM50,000.

As against the 5<sup>th</sup> Defendant

The Court entered judgment against the 5<sup>th</sup> Defendant for fraud, conspiracy to defraud, the tort of knowing assistance and the tort of knowing receipt. Judgment was entered against the 5<sup>th</sup> Defendant for, amongst others, the sum of RM44,188,262.82, pre-judgment and post-judgment interests at 4% per annum and costs of RM50,000.

As against the 6<sup>th</sup> Defendant

The Court entered judgment against the 6<sup>th</sup> Defendant for fraud, conspiracy to defraud, the tort of knowing assistance and the tort of knowing receipt. Judgment was entered against the 6<sup>th</sup> Defendant for, amongst others, the sum of RM44,188,262.82, pre-judgment and post-judgment interests at 4% per annum and costs of RM50,000.

As against the 7<sup>th</sup> Defendants

The Court found the 7<sup>th</sup> Defendant liable for the tort of knowing assistance and the tort of knowing receipt. Accordingly, judgment was entered against the 7<sup>th</sup> Defendant in favor of the 1<sup>st</sup> Plaintiff for, amongst others, the sum of RM 2.55 million with pre-judgment and post-judgment interest at 4% per annum and costs of RM70,000.



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**B9 Changes in Material Litigation (Continued)**

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

As against the 8<sup>th</sup> Defendant

The Court found the 8<sup>th</sup> Defendant liable for the tort of knowing assistance and the tort of knowing receipt. Accordingly, judgment was entered against the 8<sup>th</sup> Defendant in favor of the Plaintiffs for, amongst others, the sum of RM 2.56 million with pre-judgment and post-judgment interest at 4% per annum and costs of RM70,000.

As against the 9<sup>th</sup> Defendant

The Court entered judgment against the 9<sup>th</sup> Defendant for fraud, conspiracy to defraud, the tort of knowing assistance and the tort of knowing receipt. Judgment was entered against the 9<sup>th</sup> Defendant for, amongst others, the sum of RM44,188,262.82, pre-judgment and post-judgment interests at 4% per annum and costs of RM50,000.

As against the 10<sup>th</sup> Defendant

The Court entered judgment against the 10<sup>th</sup> Defendant for fraud, conspiracy to defraud, the tort of knowing assistance and the tort of knowing receipt. Judgment was entered against the 10<sup>th</sup> Defendant for, amongst others, the sum of RM44,188,262.82, pre-judgment and post-judgment interests at 4% per annum and costs of RM50,000.

As against the 11<sup>th</sup> Defendant

The Court entered judgment against the 11<sup>th</sup> Defendant for fraud, conspiracy to defraud, the tort of knowing assistance and the tort of knowing receipt. Judgment was entered against the 11<sup>th</sup> Defendant for, amongst others, the sum of RM44,188,262.82, pre-judgment and post-judgment interests at 4% per annum and costs of RM50,000.

As against the 12<sup>th</sup> Defendant

The suit was withdrawn against the 12<sup>th</sup> Defendant.

Further, the Court also made ancillary orders for purposes of enquiry, assessment and tracing.

Mareva Injunction

The Court also ordered that the interim Mareva Injunction dated 20 May 2009 that was obtained against 1<sup>st</sup>, 2<sup>nd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> Defendants be extended and thus continue until full execution of the judgment sum or satisfaction of the judgment sum and/or tracing orders. However, the applicable amounts restrained under the Mareva Injunction were varied in respect of the 2<sup>nd</sup> Defendant, 7<sup>th</sup> Defendant and the 8<sup>th</sup> Defendant. For the 2<sup>nd</sup> Defendant, the amount restrained under the Mareva Injunction is reduced to RM31,009,917.80. As for the 7<sup>th</sup> Defendant the amount restrained under the Mareva Injunction is reduced to RM2.55 million and for the 8<sup>th</sup> Defendants the amount restrained under the Mareva Injunction is reduced RM2.56 million respectively.

Application for Stay of Execution of Judgment

The 2<sup>nd</sup> Defendant had applied to the High Court for a stay of execution of the Judgment dated 31 July 2012. The Plaintiffs have since filed and served their affidavits opposing the 2<sup>nd</sup> Defendant's application. In the interim, the Plaintiffs obtained leave from Court on 12 September 2012 to apply for an order *inter alia*, that the 2<sup>nd</sup> Defendant be committed to prison and/or penalised for his contempt conduct for breaching and/or refusing to comply with the Ex Parte Mareva Injunction Order dated 8 April 2008 and Mareva Injunction Order dated 20 May 2009. These applications are now fixed for hearing on 18 December 2012.

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**B9 Changes in Material Litigation (Continued)**

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

Committal Proceedings Against the 2<sup>nd</sup> Defendant

Subsequent to the Court Order dated 12 September 2012, the Plaintiffs had, on 24 September 2012, applied to the Court for an order *inter alia*, that the 2<sup>nd</sup> Defendant be committed to prison and/or penalty for his contempt conduct in breaching and/or refusing to comply with the Ex Parte Mareva Injunction Order dated 8 April 2008 and Mareva Injunction Order dated 20 May 2009 thus impeding, obstructing or prejudicing the enforcement of the Ex Parte Mareva Injunction Order dated 8 April 2008 and Mareva Injunction Order dated 20 May 2009. The 2<sup>nd</sup> Defendant has since opposed the Plaintiffs' application and denied the Plaintiffs' abovementioned claim against him. The said application is now fixed for hearing on 18 December 2012.

The Appeals to the Court of Appeal

Dissatisfied with the High Court's decision given on 31 July 2012, the 1<sup>st</sup>, 2<sup>nd</sup>, 7<sup>th</sup> and 8<sup>th</sup> Defendants had filed their respective appeals to the Court of Appeal. The appeals of the 2<sup>nd</sup>, 7<sup>th</sup> and 8<sup>th</sup> Defendants have been fixed for hearing on 20 March 2013.

With regards to the appeal by the late 1<sup>st</sup> Defendant, the Plaintiffs were informed that the 1<sup>st</sup> Defendant had passed away on 27 August 2012. In view thereof, the Plaintiffs had sought an appointment with the Court of Appeal to seek further directions with a view to dispose off the appeal. The Court of Appeal had fixed a case management on 27 November 2012 and at that case management, the late 1<sup>st</sup> Defendant's solicitors had informed the Court that they are still in the midst of obtaining instructions from the late 1<sup>st</sup> Defendant's estate. The Court of Appeal fixed a next case management date on 15 January 2013. If the late 1<sup>st</sup> Defendant's solicitors are still unable to obtain instructions by that date, the Court will fix this appeal for disposal.

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**B9 Changes in Material Litigation (Continued)**

**(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 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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**B9 Changes in Material Litigation (Continued)**

**(iii) 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 and obtained 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 Court proceedings commenced on 8 November 2011 and ended on 13 January 2012. On 20 March 2012, the High Court in allowing the Plaintiff’s claim, pronounced, in open Court that (i) the 1st, 2nd and 3rd Defendants breached their fiduciary duties as directors to act in good faith and in the best interest of the Plaintiff, (ii) that the 1st, 2nd and 3rd Defendants had conspired to defraud the Plaintiff (iii) that the 1st, 2nd and 3rd Defendants committed fraud on the Plaintiff. The High Court further made the following orders:-

1. A declaration that the 1st, 2nd and 3rd Defendants had acted in breach of their directors’ duties and their fiduciary duties as directors to act in good faith and in the best interest of the Plaintiff;
2. That the 1st, 2nd and 3rd Defendants pay the sum of RM1,114,750 payable to Hong Leong Bank Berhad under the Hire-Purchase Agreement dated 14.11.2007 to the Plaintiff, and within 1 month upon receipt of RM1,114,750.00, Plaintiff shall transfer, surrender ownership and the possession of the Mercedes-Benz, model S350L bearing the registration number “JLE 2323” to the the 1st, 2nd and 3rd Defendants;
3. That the 1st, 2nd and 3rd Defendants pay the sum of RM470,000 to the Plaintiff;
4. That the 6th and 7th Defendants had knowingly received payments of RM30,000 out of the funds and property of the Plaintiff procured by the 1st, 2nd and 3rd Defendants in breach of their duties as directors to the Plaintiff;
5. That the 6th and 7th Defendants are liable to account to the Plaintiff as constructive trustees;
6. That the 6th and 7th Defendants pay the sum of RM30,000 to the Plaintiff;

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

**B9 Changes in Material Litigation (Continued)**

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

7. That damages be assessed by the Deputy Registrar for breach of directors' duties and fiduciary duties by the 1st, 2nd and 3rd Defendants;
8. An account and inquiry as to all the funds of the Plaintiff received by and paid on account of the 1st, 2nd and 3rd Defendants pursuant to the breach of the their directors' duties and fiduciary duties, and for such tracing orders as may be necessary in aid thereof;
9. That the 1st, 2nd and 3rd Defendants pay to the Plaintiff those sums found to be due on the taking of the account pursuant to prayer (8) above.
10. An account and inquiry as to all funds of the Plaintiff received by or paid on account of the 6th and 7th Defendants and each of them, and for such tracing orders as may be necessary in aid thereof;
11. That the 6th and 7th Defendants pay to the Plaintiff those sums found to be due on the taking of the account pursuant to prayer (10) above;
12. That damages be assessed by the Deputy Registrar for fraud and conspiracy to defraud the Plaintiff by the 1st, 2nd and 3rd Defendants;
13. Pre-judgment interest on all amounts adjudged to be due to the Plaintiff at the rate of 4% per annum pursuant to section 11 of the Civil Law Act 1956 from the date of the Amended Writ of Summons (26 August 2009) until the date of judgment;
14. Post-judgment interest on all amounts adjudged to be due to the Plaintiff at the rate of 4% per annum pursuant to Order 42 rule 12 of the Rules of the High Court 1980 from the date of judgment (20 March 2012) until full and final settlement thereof; and
15. Costs in the sum of RM100,000 to be paid by the Defendants to the Plaintiff, forthwith and in accordance with the following apportionments:-
  - 15.1 that the 1st, 2nd and 3rd Defendants jointly and severally pay the sum of RM90,000 to the Plaintiff as costs of this action; and
  - 15.2 that the 6th and 7th Defendants jointly and severally pay the sum of RM10,000 as costs of this action.

The sealed Judgment dated 20 March 2012 has been extracted from the High Court and served on the 1st, 2nd, 3rd, 6th and 7th Defendants. The Plaintiff had on 12 June 2012 served the sealed Judgment dated 20 March 2012 to the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 6<sup>th</sup> and 7<sup>th</sup> Defendants. On 16 July 2012, the 6<sup>th</sup> and 7<sup>th</sup> Defendants paid the sum of RM30,000 as stated in paragraph 6 above, the accrued interest on the RM30,000 together with costs of RM10,000 to the Plaintiff.

Only the 1<sup>st</sup> Defendant had appealed to the Court of Appeal against the decision of the High Court. However, the Plaintiff was informed that the 1<sup>st</sup> Defendant had passed away on 27 August 2012. In view thereof, the Plaintiff had sought an appointment with the Court of Appeal to seek further directions with a view to dispose off the appeal. The Court of Appeal had fixed a case management on 27 November 2012 and at that case management, the late 1<sup>st</sup> Defendant's solicitors had informed the Court that they are still in the midst of obtaining instructions from the late 1<sup>st</sup> Defendant's estate. The Court of Appeal fixed a next case management date on 15 January 2013. If the late 1<sup>st</sup> Defendant's solicitors are still unable to obtain instructions by that date, the Court will fix this appeal for disposal.

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

**B10 Dividends**

No dividend is recommended for the current quarter (31 October 2011: Nil).

**B11 Earnings per Share**

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

	3 months ended		3 months ended	
	31.10.2012	31.10.2011 (Restated)*	31.10.2012	31.10.2011 (Restated)*
Profit for the year attributable to ordinary equity holders of the company (RM'000)	3,132	3,181	3,132	3,181
Weighted average number of ordinary shares in issue (RM'000)	44,405	44,405	44,405	44,405
Basic and diluted earnings per share (sen)	7.05	7.16	7.05	7.16

\* Restated with adoption of MFRS.

**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 31.10.2012 RM'000	As at 31.10.2011 RM'000 (Restated)*
	Total retained profits of the Company and its subsidiaries:	
- Realised	27,409	17,522
- Unrealised	(1,824)	(1,328)
	25,585	16,194
Total share of retained profits from associate		
- Realised	-	1,074
Less: Consolidation adjustments	(827)	(935)
<b>Total group retained profits</b>	<b>24,758</b>	<b>16,333</b>

\* Restated with adoption of MFRS.

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

**B13 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.

**B14 Authorised for issue**

The interim financial statements were authorised by the Board of Directors in accordance with the resolution of the Directors on 21 December 2012.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)  
Pow Juliet (MAICSA 7020821)  
Company Secretaries  
Johor Bahru  
Date: 21 December 2012  
c.c. Securities Commission