

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

NOTES TO THE INTERIM FINANCIAL REPORT – 3RD QUARTER ENDED 30 APRIL 2013

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:

	FRS as at 01.08.2011 RM'000	Reclassifications RM'000	MFRS as at 01.08.2011 RM'000
Property, plant & equipment	32,731	385	33,116
Revaluation reserve	1,070	(1,070)	-
Deferred tax liabilities	284	96	380
Retained earnings	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 30 April 2012:

	FRS as at 30.04.2012 RM'000	Reclassifications RM'000	MFRS as at 30.04.2012 RM'000
Property, plant & equipment	35,511	350	35,861
Revaluation reserve	1,048	(1,048)	-
Deferred tax liabilities	307	87	394
Retained earnings	18,145	1,311	19,456

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	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 30 April 2012:

	FRS for period ended 30.04.2012 RM'000	Effects of adopting MFRS 1 RM'000	MFRS for period ended 30.04.2012 RM'000
Depreciation	1,762	34	1,796
Deferred tax expense	23	(8)	15

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:

MFRS, Amendments to MFRS and IC Interpretation	Effective for annual periods beginning on or after	
MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
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 (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (IAS 127 as amended by IASB in May 2011)	1 January 2013
MFRS 127	Consolidated and Separate Financial Statements (IAS 127 as revised by IASB in December 2003)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 128 as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 1	Annual Improvements 2009 – 2011 Cycle	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 101	Annual Improvements 2009 – 2011 Cycle	1 January 2013

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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
(Cont'd)**

MFRS, Amendments to MFRS and IC Interpretation		Effective for annual periods beginning on or after
Amendments to MFRS 116	Annual Improvements 2009 – 2011 Cycle	1 January 2013
Amendments to MFRS 132	Annual Improvements 2009 – 2011 Cycle	1 January 2013
Amendments to MFRS 134	Annual Improvements 2009 – 2011 Cycle	1 January 2013
Amendment to IC Interpretation 2	Annual Improvements 2009 – 2011 Cycle	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 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 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.

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 2013 except for the full payment pursuant to the Deed of Settlement and Discharge as disclosed in Note B9(i).

A6. Material Changes in Estimates

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

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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 2013.

A8. Dividends Paid

No dividend has been paid during the quarter under review.

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.

On 22 May 2013, the Group has acquired a wholly-owned subsidiary under the name of Vantage Realm Sdn. Bhd. (“VR”) with an authorised capital of RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each and an issued and paid up capital of RM2.00 comprised of 2 ordinary shares of RM1.00 each fully paid. VR is presently dormant. The acquisition is to provide the Group with a company to use for any future business venture that may be identified.

A12. Contingent Liabilities and Contingent Assets

The Group has no contingent liabilities and assets as at 30 April 2013.

A13. Capital Commitment

Capital commitment for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 April 2013 was as follows:

Property, plant and equipment

Approved and Contracted for

RM620,000

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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 third quarter ended 30 April 2013, the Group achieved consolidated revenue of RM23.91 million which was approximately 8.70% lower than the preceding year corresponding quarter. The decrease in revenue was mainly due to drop in demand and price reduction for Original Equipment Manufacturer (OEM) products in the current quarter. The Group recorded a profit after tax of RM20.75 million for the current quarter as compared to RM2.02 million in the preceding year corresponding quarter. The significant increase in profit after tax was mainly attributed by the recovery of doubtful debt of RM19.0 million from a former director; excluding this unusual contribution, profit after tax reduced by RM0.27 million as a result of lower revenue and profit margin for the current quarter.

Comparison to preceding year corresponding period

For the 9-month cumulative period ended 30 April 2013, the Group achieved consolidated revenue of RM81.0 million which was approximately 1.13% higher than the preceding year corresponding period. The increase in revenue was mainly attributable to higher contribution from automotive lightings offsetting the drop in demand and price reduction for OEM products in the current period. The Group recorded a profit after tax of RM27.22 million for the current period as compared to RM7.32 million for the same period in preceding year. The significant increase in profit after tax was mainly attributed by the recovery of doubtful debt net of related expense of RM20.94 million from a former director; excluding this unusual contribution, profit after tax dropped by RM1.04 million as a result of lower profit margin for the current period.

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

	Current Quarter 30 Apr 2013 RM'000	Preceding Quarter 31 Jan 2013 RM'000
Revenue	23,913	27,146
Pre-tax profit before non-controlling interests	21,172	3,856

For the current quarter, the Group achieved revenue of RM23.91 million, representing a decline of 11.91% as compared to the preceding quarter ended 31 January 2013. The decline was attributable to lower demand in the current quarter. The Group recorded pre-tax profit before non-controlling interests of RM21.17 million for the quarter under review as compared to RM3.86 million for the preceding quarter mainly attributed by the recovery of doubtful debt of RM19.0 million in current quarter versus RM1.94 million in immediate preceding quarter from a former director.

B3 Prospects Commentary

The Group continues its drive to build its revenue base through product enhancements and differentiations amidst actively taking various product design and development initiatives and seeking opportunities to secure new businesses both locally and regionally.

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B3 Prospects Commentary (Cont'd)

The business operating conditions remain challenging with the backdrop of increasing costs and competitive environment. To mitigate increasing costs and sustain competitiveness, besides continuing efforts to improve productivity and operational effectiveness, the Group is also undertaking Value Analysis and Value Engineering (VAVE) to add value for cost competitiveness to its customers. The Board of Directors is cautious of the challenging market 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.

B5 Taxation

	3 months ended		9 months ended	
	30-Apr-13	30-Apr-12	30-Apr-13	30-Apr-12
	RM'000	RM'000 (Restated)*	RM'000	RM'000 (Restated)*
Income tax:				
- current year	45	793	1,525	2,826
- over-provision in prior years	(106)	-	(106)	(36)
	(61)	793	1,419	2,790
Deferred tax	484	2	348	15
Tax expense	423	795	1,767	2,805

* Restated with adoption of MFRS.

The effective tax rate for the current quarter and current period is lower than the statutory rate mainly due to the net doubtful debt recovered from a former director which is not subject to income tax and over-provision of income tax in prior year.

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 2013:

	RM'000
(a) Secured borrowings	5,326
Unsecured borrowings	-
	<u>5,326</u>
(b) Short term	
- term loan (secured)	1,492
- hire purchase payable	108
	<u>1,600</u>
Long term	
- term loan (secured)	3,423
- hire purchase payable	303
	<u>3,726</u>
Total borrowings	<u>5,326</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.

As at 30 April 2013, the Group has the following outstanding derivative financial instruments:

Type of derivatives	Contract amount RM'000	Fair value RM'000	Fair Value net gain/(loss) RM'000
Currency forward contracts - less than 1 year	1,360	1,360	-

B9 Changes in Material Litigation

There were no pending material litigation as at 18 June 2013 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 (“1st Plaintiff”), Plasmnet Industries (M) Sdn Bhd (“2nd Plaintiff”), Gordon Toh Chun Toh (“1st Defendant”), Dato’ Abul Hasan Bin Mohamed Rashid (“2nd Defendant”), Kalwant Singh (“3rd Defendant”), Elliott Gordon Singapore Private Limited (“4th Defendant”), Elliott Gordon & Company International Limited (“5th Defendant”), Ace Prelude Holdings Sdn Bhd, formerly known as Ace Prelude Sdn Bhd (“6th Defendant”), Lily Chong Kui Foh (“7th Defendant”), Teng Sin Pyng (“8th Defendant”), Westcape Investments Limited (“9th Defendant”), Wong Jit Kiang (“10th Defendant”), Liew Then Boh (“11th Defendant”) and Paul Ong & Associates (Sued as a Firm) (“12th 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, Plasmnet Industries (M) Sdn Bhd (“Plasmnet”) (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 was heard and dismissed by 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 1st Defendant:

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

Judgment was entered against the 1st 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 2nd Defendant

The Court found the 2nd 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 2nd Defendant had breached his fiduciary, statutory and common law duties as a director of the 1st Plaintiff and that he had breached his fiduciary duties as a bank signatory of the 2nd Plaintiff. Judgment was entered against the 2nd 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 3rd Defendant

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

As against the 4th Defendant

The Court entered judgment against the 4th Defendant for fraud, conspiracy to defraud, the tort of knowing assistance and the tort of knowing receipt. Judgment was entered against the 4th 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 5th Defendant

The Court entered judgment against the 5th Defendant for fraud, conspiracy to defraud, the tort of knowing assistance and the tort of knowing receipt. Judgment was entered against the 5th 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 6th Defendant

The Court entered judgment against the 6th Defendant for fraud, conspiracy to defraud, the tort of knowing assistance and the tort of knowing receipt. Judgment was entered against the 6th 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 7th Defendants

The Court found the 7th Defendant liable for the tort of knowing assistance and the tort of knowing receipt. Accordingly, judgment was entered against the 7th Defendant in favor of the 1st 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 8th Defendant

The Court found the 8th Defendant liable for the tort of knowing assistance and the tort of knowing receipt. Accordingly, judgment was entered against the 8th 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 9th Defendant

The Court entered judgment against the 9th Defendant for fraud, conspiracy to defraud, the tort of knowing assistance and the tort of knowing receipt. Judgment was entered against the 9th 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 10th Defendant

The Court entered judgment against the 10th Defendant for fraud, conspiracy to defraud, the tort of knowing assistance and the tort of knowing receipt. Judgment was entered against the 10th 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 11th Defendant

The Court entered judgment against the 11th Defendant for fraud, conspiracy to defraud, the tort of knowing assistance and the tort of knowing receipt. Judgment was entered against the 11th 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 12th Defendant

The suit was withdrawn against the 12th 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 1st, 2nd, 4th, 5th, 6th, 7th, 8th, 10th and 11th 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 2nd Defendant, 7th Defendant and the 8th Defendant. For the 2nd Defendant, the amount restrained under the Mareva Injunction is reduced to RM31,009,917.80. As for the 7th Defendant the amount restrained under the Mareva Injunction is reduced to RM2.55 million and for the 8th Defendants the amount restrained under the Mareva Injunction is reduced RM2.56 million respectively.

Settlement Agreement

On 2 January 2013, the Plaintiffs and the 2nd Defendant had entered into a Deed of Settlement and Discharge (“the Deed”). Briefly, the terms of the settlement are inter-alia as follows:-

1. 2nd Defendant agrees to pay the Company the sum of Ringgit Malaysia Twenty Two Million (RM22,000,000.00) (“the Settlement Sum”) which sum has been agreed upon between the Plaintiffs and 2nd Defendant as being in full and final settlement of the Judgment and/or any claims arising out of or in any way connected with the subject matter of the above Suit against 2nd Defendant upon the terms and conditions stated within the Deed.

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B9 Changes in Material Litigation (Continued)

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

2. The initial sum of Ringgit Malaysia Three Million (RM3,000,000.00) had been paid to the Company with the balance sum of Ringgit Malaysia Nineteen Million (RM19,000,000.00) payable in accordance with terms and conditions of the Deed
3. On 4 January 2013, 2nd Defendant discontinued his appeal under Court of Appeal Civil Appeal No. W-02-1998-08/2012 without any order for costs.
4. On 10 January 2013, the Committal Proceedings against 2nd Defendant was discontinued. On the same day, 2nd Defendant withdrew his application for an order to stay the execution of the Judgment dated 31 July 2012.
5. The Post Judgment Mareva Injunction will remain in force, however 2nd Defendant shall be at liberty to apply to vary the Post Judgment Mareva Injunction to sell specific asset (“the Asset”) strictly to pay the Balance Sum (subject to certain terms and conditions within the Deed).
6. 2nd Defendant hereby irrevocably agrees and acknowledges that the Company shall be entitled to execute the Judgment in full, together with interest, and all orders for costs in the Court of Appeal and in the Federal Court that have been awarded to the Company in the event 2nd Defendant breaches the terms of this Deed or in the event of non payment of the Settlement Sum or any part thereof in accordance with the terms of this Deed upon expiry of the Finally Extended Period of Payment. Any amounts paid by 2nd Defendant to the Company under this Deed up to the point of breach or as at the expiry of the Finally Extended Period of Payment shall be retained by the Company towards the settlement of the Judgment.

The balance sum of Ringgit Malaysia Nineteen Million (RM19,000,000.00) mentioned in paragraph 2 above had been paid on 10 April 2013. With these payments, DAH had fully complied with the Deed and consequently discharged all liability under the Judgment. DAH’s application to set aside the Post Judgment Mareva Injunction was granted on 15 April 2013 via his Notice of Application dated 11 April 2013.

The Appeals to the Court of Appeal

Dissatisfied with the High Court’s decision given on 31 July 2012, the 1st, 2nd, 7th and 8th Defendants had filed their respective appeals to the Court of Appeal. The 2nd Defendant’s appeal was discontinued on 4 January 2013 and the appeals of the 7th and 8th Defendants have been fixed for hearing on 16 July 2013. 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 7th and 8th Defendants. The Court allowed the same and ordered that the 7th and 8th Defendant pay the sum of RM30,000 each as security for costs of the appeal. On 15 March 2013, the 7th and 8th Defendants paid the sum of RM30,000 being security for costs of their appeals.

With regards to the appeal by the 1st Defendant, the Plaintiffs were informed that the 1st Defendant had passed away on 27 August 2012. In view thereof, the late 1st Defendant’s appeal was called on 28 February 2013 and accordingly the Court of Appeal struck out the 1st Defendant’s appeal.

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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 (“1st Plaintiff”), Plasmet Industries (M) Sdn Bhd (“2nd Plaintiff”), Gordon Toh Chun Toh (“1st Defendant”), Dato’ Abul Hasan Bin Mohamed Rashid (“2nd Defendant”), Kalwant Singh (“3rd Defendant”), Elliott Gordon Singapore Private Limited (“4th Defendant”), and Westcape Investments Limited (“5th 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. On 6 June 2013, the Singapore proceedings were discontinued against the 2nd Defendant by mutual agreement with no order as to costs as the 2nd Defendant had fully complied with the Deed of Settlement and Discharge and consequently discharged all liability to the Plaintiffs as mentioned in Note B9(i).

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 5th 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.

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.

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NOTES TO THE INTERIM FINANCIAL REPORT – 3RD QUARTER ENDED 30 APRIL 2013

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

Between Beucar Accessories (M) Sdn Bhd (“Plaintiff”), Gordon Toh Chun Toh (“1st Defendant”), Khoo Ah Kiow @ Koo Teck Hing (“2nd Defendant”), Mohd Noor Bin Ibrahim (“3rd Defendant”), Elliott Gordon Singapore Private Limited (“4th Defendant”), Ace Prelude Freight Logistics Sdn Bhd (“5th Defendant”), Foo Chee Pang (sued as a Partner of WGSB Management Services) (“6th Defendant”) and Mohammad Zulkifli Bin Abdullah (sued as a Partner of WGSB Management Services) (“7th 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 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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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 1st, 2nd, 3rd, 6th and 7th Defendants. On 16 July 2012, the 6th and 7th 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 1st Defendant had appealed to the Court of Appeal against the decision of the High Court. With regards to the appeal by the 1st Defendant, the Plaintiffs were informed that the 1st Defendant had passed away on 27 August 2012. In view thereof, the late 1st Defendant's appeal was called on 28 February 2013 and accordingly the Court of Appeal struck out the 1st Defendant's appeal.

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B10 Dividends

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

B11 Earnings per Share

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

	3 months ended		9 months ended	
	30.04.2013	30.04.2012 (Restated)*	30.04.2013	30.04.2012 (Restated)*
Profit for the period attributable to ordinary equity holders of the company (RM'000)	20,349	2,057	26,877	7,414
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)	45.83	4.63	60.53	16.70

* 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 30.04.2013 RM'000	As at 30.04.2012 RM'000 (Restated)*
	Total retained profits of the Company and its subsidiaries:	
- Realised	50,201	22,253
- Unrealised	(1,786)	(1,843)
	48,415	20,410
Less: Consolidation adjustments	(1,244)	(954)
Total group retained profits	47,171	19,456

* Restated with adoption of MFRS.

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B13 Memorandum of Understanding (“MOU”)

The Company had 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 24 June 2013.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)
Pow Juliet (MAICSA 7020821)
Company Secretaries
Johor Bahru
Date: 24 June 2013
c.c. Securities Commission