

**NAKAMICHI CORPORATION BERHAD**  
**(Company No: 301384-H)**  
**(Incorporated in Malaysia)**

**QUARTERLY UNAUDITED FINANCIAL REPORT**  
**FOR THE PERIOD ENDED 31 MARCH 2012**

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**Nakamichi Corporation Berhad**  
**Condensed unaudited consolidated statements of profit or loss and other comprehensive income for the period ended 31 March 2012**

	Current year quarter 31.3.2012 RM'000	Preceding year corresponding quarter 31.3.2011 RM'000	Current period 31.3.2012 RM'000	Preceding year corresponding period 31.3.2011 RM'000
Revenue	2,539	3,842	2,539	3,842
Operating expenses	(3,165)	(3,871)	(3,165)	(3,871)
Other operating income	-	-	-	-
<b>Loss from operations</b>	<b>(626)</b>	<b>(29)</b>	<b>(626)</b>	<b>(29)</b>
Finance costs	(239)	(265)	(239)	(265)
<b>Loss before taxation</b>	<b>(865)</b>	<b>(294)</b>	<b>(865)</b>	<b>(294)</b>
Tax expense	(123)	(144)	(123)	(144)
<b>Loss for the period</b>	<b>(988)</b>	<b>(438)</b>	<b>(988)</b>	<b>(438)</b>
<b>Other comprehensive loss, net of tax</b>				
- Foreign currency translation differences for foreign operations	-	(11)	-	(11)
<b>Total comprehensive loss for the period</b>	<b>(988)</b>	<b>(449)</b>	<b>(988)</b>	<b>(449)</b>
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	(894)	(650)	(894)	(650)
Non-controlling interests	(94)	212	(94)	212
<b>Loss for the period</b>	<b>(988)</b>	<b>(438)</b>	<b>(988)</b>	<b>(438)</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	(894)	(661)	(894)	(661)
Non-controlling interests	(94)	212	(94)	212
<b>Total comprehensive loss for the period</b>	<b>(988)</b>	<b>(449)</b>	<b>(988)</b>	<b>(449)</b>
Basic loss per ordinary share (sen)	(1.61)	(1.17)	(1.61)	(1.17)
Diluted earnings per ordinary share (sen)	N/A	N/A	N/A	N/A

**(The condensed unaudited consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011)**

**Nakamichi Corporation Berhad**

**Condensed unaudited consolidated statement of financial position as at 31 March 2012**

	<b>31.3.2012</b>	<b>(Audited) 31.12.2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non current assets</b>		
Property, plant and equipment	1,160	1,279
Intangible asset	97,596	98,023
<b>Total non current assets</b>	<u>98,756</u>	<u>99,302</u>
<b>Current assets</b>		
Assets held for sale	18,300	18,300
Receivables, deposits and prepayments	2,922	2,482
Inventories	3,140	2,688
Cash and cash equivalents	19	5
<b>Total current assets</b>	<u>24,381</u>	<u>23,475</u>
<b>TOTAL ASSETS</b>	<u>123,137</u>	<u>122,777</u>
<b>Equity attributable to owners of the Company</b>		
Share capital	55,410	55,410
Reserves	(27,377)	(26,483)
	28,033	28,927
Non-controlling interests	38,569	38,663
<b>Total equity</b>	<u>66,602</u>	<u>67,590</u>
<b>Long term and deferred liabilities</b>		
Borrowings	226	336
Deferred tax liabilities	24,456	24,563
<b>Total long term and deferred liabilities</b>	<u>24,682</u>	<u>24,899</u>
<b>Current liabilities</b>		
Payables and accruals	26,017	24,604
Tax liabilities	5,359	5,188
Borrowings	477	497
<b>Total current liabilities</b>	<u>31,853</u>	<u>30,289</u>
<b>Total liabilities</b>	<u>56,535</u>	<u>55,188</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>123,137</u>	<u>122,778</u>
Net assets per share attributable to owners of the Company (RM)	0.51	0.52

**(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011)**

**Nakamichi Corporation Berhad**

**Condensed unaudited consolidated statements of changes in equity for the period ended 31 March 2012**

	← Attributable to owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserves RM'000	Accumulated losses RM'000			
At 1 January 2012	55,410	38,452	-	(64,935)	28,927	38,663	67,590
Total comprehensive loss for the period	-	-	-	(894)	(894)	(94)	(988)
<b>At 31 March 2012</b>	<b>55,410</b>	<b>38,452</b>	<b>-</b>	<b>(65,829)</b>	<b>28,033</b>	<b>38,569</b>	<b>66,602</b>

	← Attributable to owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserves RM'000	Accumulated losses RM'000			
At 1 January 2011	55,410	38,452	(7)	(61,305)	32,550	39,241	71,791
Total comprehensive (loss)/income for the period	-	-	(11)	(650)	(661)	212	(449)
<b>At 31 March 2011</b>	<b>55,410</b>	<b>38,452</b>	<b>(18)</b>	<b>(61,955)</b>	<b>31,889</b>	<b>39,453</b>	<b>71,342</b>

**The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011)**

**Nakamichi Corporation Berhad**

**Condensed unaudited consolidated statements of cash flow for the period ended 31 March 2012**

	Period ended	
	31.3.2012	31.3.2011
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Loss before taxation	(865)	(294)
Adjustments for:		
Amortisation of intangible asset	427	532
Depreciation	123	122
Interest expense	239	265
Other non-cash items	-	(12)
Operating (loss)/profit before working capital changes	(76)	613
Changes in working capital:		
Inventories	(452)	(61)
Receivables, deposits and prepayment	(439)	(2)
Payables and accruals	1,413	2,446
Cash generated from operations	446	2,996
Tax paid	(58)	(65)
<b>Net cash generated from operating activities</b>	388	2,931
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(4)	(3)
<b>Net cash used in investing activities</b>	(4)	(3)
<b>Cash flows from financing activities</b>		
Interest paid	(239)	(265)
Repayment of bank borrowings – net	(130)	(2,604)
<b>Net cash used in financing activities</b>	(369)	(2,869)
Net increase in cash and cash equivalents	15	59
Cash and cash equivalents at beginning of year	4	(530)
<b>Cash and cash equivalents at end of period</b>	19	(471)
<b>Cash and cash equivalents at end of period comprise:</b>		
Cash and bank balances	19	529
Bank overdraft	-	(1,000)
	19	(471)

**(The condensed unaudited consolidated statements of cash flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011)**

**Explanatory notes**

**1. Basis of preparation**

The quarterly financial report is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard (“MFRS”) 134, *Interim Financial Reporting* in Malaysia, International Accounting Standards 34, *Interim Financial Reporting* and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

These are the Group’s condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS framework annual financial statements and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

The Group had early adopted MFRS 101, *Presentation of Financial Statements* which is originally effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

The quarterly financial report do not include all the information required for the full annual financial statements and should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2011.

**2. Significant Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2011.

**3. Qualified audit report**

The preceding annual audited financial statements of the Group were reported on without any qualification.

**4. Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter.

**5. Changes in estimates**

There were no changes in the estimates of amounts which give a material effect for the current quarter.

**6. Taxation**

The tax expense for the current quarter is as follows:

	<b>Current quarter 31.3.2012 RM’000</b>
Tax expense, Malaysia- current	230
Deferred tax – current	<u>(107)</u>
Total	<u>123</u>

The tax expense for the Group for the current quarter relates to the taxable income from our timber segment.

The effective tax rate of the Group for the current quarter is higher than the statutory tax rate due mainly to the losses incurred by the investment holding segment and certain charges not allowable for tax purposes.

#### **7. Valuation of property, plant and equipment**

There is no revaluation of property, plant and equipment brought forward from the previous audited financial statements.

#### **8. Borrowings**

The Group borrowings as at the end of the reporting period are as follows:

	<b>RM'000</b>
Non-current	226
Current	<u>477</u>
Total Group borrowings	<u>703</u>

As at 31 March 2012, all the borrowings are secured and there are no foreign currency denominated borrowings.

#### **9. Debt and equity securities**

There were no issuances, cancellations, repurchases and repayments of the Company's debt or equity securities for the period ended 31 March 2012.

#### **10. Changes in composition of the Group**

There was no change in the composition of the Group for the financial period and up to the date of this report.

#### **11. Corporate proposals**

Save as disclosed below, there are no corporate proposals that were announced but not completed within 7 days from the date of this quarterly report.

On 28 March 2012, M&A Securities Sdn Bhd had announced on behalf of the Company that Nakamichi Malaysia Sdn Bhd ("NMSB"), a wholly owned subsidiary of the Company had on even date entered into a sale and purchase agreement with Century Advance Technology Sdn Bhd ("CAT") for the proposed disposal of a property bearing the postal address of Lot 4A, Jalan Sultan Mohamed 3, Kawasan Perindustrian Bandar Sultan Sulaiman, 42000 Pelabuhan Klang, Selangor Darul Ehsan by NMSB to CAT for a cash consideration of RM19,000,000 ("Proposed Disposal"). The Proposed Disposal is conditional on the state authorities consent/approval for the transfer of the Property from NMSB to CAT and the approval of the shareholders of the Company.

#### **12. Material events subsequent to the period end**

There are no material events subsequent to the period end that have not been reflected in the financial statements of the Group.

**13. Contingent liabilities/assets**

The contingent liabilities of the Group as at 31 March 2012 comprises corporate guarantees totaling RM1.7 million, executed by the Company for loan/hire purchase facilities granted to subsidiaries. Out of the total loan/hire purchase facilities secured by corporate guarantees, a total of RM1.1 million was outstanding at the period end.

**14. Capital commitments**

There were no capital commitments as at 31 March 2012.

**15. Seasonal and cyclical factors**

There are no material seasonal or cyclical factors affecting the income and performance of the Group.

**16. Notes to the statement of profit or loss and other comprehensive income**

Other than interest income and finance costs, included in the statement of profit or loss and other comprehensive income are the following charges:

	<b>Current quarter 31.3.2012 RM'000</b>	<b>Preceding year corresponding quarter 31.3.2011 RM'000</b>	<b>Current period 31.3.2012 RM'000</b>	<b>Preceding year corresponding period 31.3.2011 RM'000</b>
Amortisation of intangible asset	(427)	(532)	(427)	(532)
Depreciation	(123)	(122)	(123)	(122)
Foreign exchange loss	(64)	(12)	(64)	(12)

**17. Segmental information**

Analysis by business segments being the primary basis of the Group's segment reporting for the financial period ended 31 March 2012 is as follows:



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	Investment holding RM'000	Timber RM'000	Total RM'000
<b>Turnover</b>			
External turnover	-	2,539	2,539
Internal turnover	-	-	-
Total turnover	-	2,539	2,539
<b>Results</b>			
Segment results	(672)	46	(626)
Finance costs			(239)
Loss before taxation			(865)
Taxation			(123)
Loss for the period			(988)
Other comprehensive loss for the period, net of tax			-
Total comprehensive loss for the period			(988)
Non-controlling interests			94
Total comprehensive loss attributable to owners of the Company			(894)

	Investment holding RM'000	Timber RM'000	Elimination RM'000	Group RM'000
<b>Assets</b>				
Segment assets	18,480	24,749	(17,688)	25,541
Intangible asset				97,596
Total				123,137
<b>Liabilities</b>				
Segment liabilities	30,589	13,819	(17,688)	26,720
Tax liabilities				5,359
Deferred tax liabilities				24,456
Total				56,535
<b>Other segment information</b>				
Amortisation of intangible asset	427	-	-	427
Capital expenditure	-	4	-	4
Depreciation	9	114	-	123

## **18. Material litigation**

On 5 October 2010, the Company had announced that Tamabina Sdn Bhd ("TSB"), a 51% owned and major subsidiary had on 4 October 2010 received a Writ of Summons Suit No. S-22-59 and Statement of Claim dated 17 September 2010 and 14 September 2010 respectively, from KKS Timber Trading ("KKS") filed through their solicitors, Messrs Ngui & Associates ("the Action") in the High Court of Sabah and Sarawak at Sandakan ("Court"). The Action arises from the claim by KKS against TSB for non-payment for logging work performed by KKS at Coupe YS1/07(3) at the Pinangah Forest Reserve in the Yayasan Sabah Concession Area. On 30 November 2011, the Company announced that a judgment was obtained against TSB on even date. TSB was adjudged by the Court to pay KKS:

- i) RM1,448,173.07, being the unpaid balance owed for the logging works performed or in the alternative for remedy of quantum meruit;
- ii) Interest at the rate of 8% per annum on the unpaid balance calculated from 27 July 2010 to the date of judgment;
- iii) Interest at 8% per annum on the judgment sum from the date of judgment to the date of full settlement; and
- iv) Cost, on solicitors-clients basis.

TSB had filed an appeal to the Court of Appeal on 23 December 2011. On 27 February 2012, pending the outcome of the appeal, TSB was granted stay of execution.

In the event TSB loses the appeal, the expected losses attributable to the owners of the Company is RM372,941 before interest and legal cost. An amount of RM473,165 has been provided for under trade payables in the books of TSB. The Action will not have any operational impact on NCB group.

## **19. Review of performance**

### **19.1 Current quarter versus preceding year corresponding quarter - Revenue**

#### Analysis on Group basis

The Group's revenue for the current quarter of RM2.5 million is lower than the revenue for the preceding year corresponding quarter of RM3.8 million. This was due to the lower revenue reported by the timber segment as a result of lower logs production. The lower logs production for the current quarter was attributable to the implementation of Reduce Impact Logging ("RIL") and rainy weather hampering logging activities.

### **19.2 Current quarter versus preceding year corresponding quarter - Results**

#### Analysis on Group basis

The Group's net loss increased from RM0.7 million in the preceding year corresponding quarter to RM0.9 million in the current quarter. This was due mainly to a drop in the results contributed by the timber segment.

#### Segmental analysis

- a) In tandem with the decrease in its revenue, the timber segment in the current quarter registered a net loss contribution of RM0.1 million versus a net profit contribution of RM0.2 million in the preceding year corresponding quarter. The decline was mainly due to the drop in its revenue and a decrease in margins.

- b) The investment holding segment recorded a lower net loss of RM0.8 million for the current quarter as compared to a net loss of RM0.9 million in the preceding year corresponding quarter due mainly to lower finance costs as a result of lower balances of bank borrowings.

## 20. Quarterly analysis

### Revenue

#### Analysis on Group basis

Comparing quarter on quarter, the Group's revenue declined by RM1.1 million to RM2.5 million for the current quarter. This was mainly due to lower average selling prices of the timber logs.

### Results

#### Analysis on Group basis

The Group registered a net loss of RM0.9 million in the current quarter as compared to a net loss of RM6.8 million in the previous quarter. Included in the previous quarter was an impairment loss on the asset held for sale of RM6.2 million. Excluding the impairment loss, the Group's net losses increased by RM0.3 million from RM0.6 million in the previous quarter to RM0.9 million in the current quarter. This decline was due mainly to lower margins earned on the timber sold.

#### Segmental analysis

- a) Quarter on quarter, the timber segment's results declined from a net profit contribution of RM0.2 million in the preceding quarter to a net loss of RM0.1 million for the current quarter. This was attributable to the lower margins earned as a result of the lower average selling prices.
- b) Excluding the impairment loss for the previous quarter, no significant variance was noted in respect of the investment holding segment's results. The investment holding segment registered a net loss contribution of RM0.8 million for the current quarter.

## 21. Prospects

Due to the current sovereign debt and financial crisis in Europe, the slowing pace of the global economy, the Board is of the view that the year 2012 to be challenging.

## 22. Profit forecast and profit guarantee

The Group did not publish any profit forecast.

On 30 December 2009, the shareholders of the Company had at an extraordinary general meeting approved the variation in the profit guarantee from the vendors of TSB. The variation entailed the joint and several guarantee from the vendors of TSB on the achievement by TSB of an audited consolidated profit after taxation of not less than RM12 million for each of the three (3) financial periods of twelve (12) months each ending 30 June 2010, 30 June 2011 and 30 June 2012. In addition, any excess of the amount of the profit guarantee in any of the relevant financial period under guarantee shall be carried forward to the subsequent financial period under guarantee for the purposes of computing the guaranteed profit for such subsequent financial period.

For the twelve (12) months financial period ended 30 June 2010, TSB registered an audited consolidated profit after taxation of RM12.02 million which is above the profit guarantee of RM12 million.

For the twelve (12) months financial period ended 30 June 2011, TSB registered an audited consolidated profit after taxation of RM3.0 million which when aggregated with the excess over the profit guarantee for the previous financial period under guarantee of RM0.02 million, is less than the profit guarantee by RM8.98 million. The Vendors have on 15 September 2011 compensated the Company for the Company's share of the shortfall of the profit guarantee amounting to RM4.58 million. The compensation received will be treated as a reduction in the investment cost in TSB in the Company's financial statements and will result in a negative goodwill of equivalent amount in the Group's financial statements.

### 23. Assets held for sale

The Group had in 2009 expressed its intention to sell its leasehold land and building. As such, the leasehold land and building has been reclassified in 2009 as "Assets held for sale" in accordance with MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The asset held for sale is now the subject of the Proposed Disposal mentioned in Note 11 above.

The assets held for sale as at 31 March 2012 comprise as follows:

	<b>Amount</b> <b>RM'000</b>
Leasehold land	3,064
Leasehold buildings	15,236
Total	18,300

### 24. Loss per share

#### Loss per share

The basic loss per share for the current quarter was arrived at as follows:

	<b>Loss attributable to owners of the Company RM'000</b>	<b>Weighted average number of ordinary shares '000</b>	<b>Basic loss per share sen</b>
Current quarter	894	55,410	1.61

#### Diluted earnings per share

Diluted earnings per share are not applicable as there are no potentially dilutive instruments.

### 25. Dividends

The Board of Directors does not recommend any dividend in respect of the financial period ended 31 March 2012.

**26. Realised and unrealised profits/losses**

The breakdown of the accumulated losses of the Group into realised and unrealised losses as follows:

	<b>As at 31.3.2012 RM'000</b>	<b>As at 31.12.2011 RM'000</b>
Realised	(115,904)	(100,343)
Unrealised	(29)	(78)
	<hr/>	<hr/>
	(115,933)	(112,648)
Consolidation adjustments	50,104	47,713
	<hr/>	<hr/>
Total accumulated losses	(65,829)	(64,935)