

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

QUARTERLY UNAUDITED FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2012

Contents

	Page
Condensed unaudited consolidated statements of profit or loss and other comprehensive income.....	2
Condensed unaudited consolidated statement of financial position.....	3
Condensed unaudited consolidated statements of changes in equity.....	4
Condensed unaudited consolidated statements of cash flow.....	5
Explanatory notes.....	6

Nakamichi Corporation Berhad

Condensed unaudited consolidated statements of profit or loss and other comprehensive income for the period ended 30 June 2012

Revenue	4,246	7,553	6,785	11,395
Operating expenses	(4,296)	(5,862)	(7,461)	(9,733)
Other operating income	-	-	-	-
(Loss)/Profit from operations	(50)	1,691	(676)	1,662
Finance costs	(237)	(231)	(476)	(496)
(Loss)/Profit before taxation	(287)	1,460	(1,152)	1,166
Tax expense	(202)	(600)	(325)	(744)
(Loss)/Profit for the period	(489)	860	(1,477)	422
Other comprehensive loss, net of tax				
- Foreign currency translation differences for foreign operations	-	(2)	-	(13)
Total comprehensive (loss)/profit for the period	(489)	858	(1,477)	409
Loss/Profit attributable to:				
Owners of the Company	(489)	(22)	(1,591)	(672)
Non-controlling interests	208	882	114	1,094
(Loss)/profit for the period	(281)	860	(1,477)	422
Total comprehensive income/(loss) attributable to:				
Owners of the Company	(73)	(24)	(1,591)	(685)
Non-controlling interests	208	882	114	1,094
Total comprehensive profit/(loss) for the period	135	858	(1,477)	409
Basic loss per ordinary share (sen)	(0.88)	(0.04)	(2.87)	(1.21)
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 30 June 2012

	30.6.2012	(Audited) 31.12.2011
	RM'000	RM'000
Non current assets		
Property, plant and equipment	1,048	1,279
Intangible asset	96,970	98,023
Total non current assets	<u>98,018</u>	<u>99,302</u>
Current assets		
Assets held for sale	18,300	18,300
Receivables, deposits and prepayments	2,430	2,482
Inventories	3,407	2,688
Cash and cash equivalents	45	5
Total current assets	<u>24,182</u>	<u>23,475</u>
TOTAL ASSETS	<u>122,200</u>	<u>122,777</u>
Equity attributable to owners of the Company		
Share capital	55,410	55,410
Reserves	(28,074)	(26,483)
	<u>27,336</u>	<u>28,927</u>
Non-controlling interests	38,777	38,663
Total equity	<u>66,113</u>	<u>67,590</u>
Long term and deferred liabilities		
Borrowings	194	336
Deferred tax liabilities	24,299	24,563
Total long term and deferred liabilities	<u>24,493</u>	<u>24,899</u>
Current liabilities		
Payables and accruals	25,764	24,604
Tax liabilities	5,437	5,188
Borrowings	393	497
Total current liabilities	<u>31,594</u>	<u>30,289</u>
Total liabilities	<u>56,087</u>	<u>55,188</u>
TOTAL EQUITY AND LIABILITIES	<u>122,200</u>	<u>122,778</u>
Net assets per share attributable to owners of the Company (RM)	0.49	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 30 June 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	-	-	-	(1,591)	(1,591)	114	(1,477)
At 30 June 2012	55,410	38,452	-	(66,526)	27,336	38,777	66,113

	← 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	-	-	(13)	(672)	(685)	1,094	409
At 30 June 2011	55,410	38,452	(20)	(61,977)	31,865	40,335	72,200

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 30 June 2012

	Period ended	
	30.6.2012	30.6.2011
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/profit before taxation	(1,152)	1,166
Adjustments for:		
Amortisation of intangible asset	1,053	1,259
Depreciation	247	244
Interest expense	476	496
Other non-cash items	-	(13)
Operating profit before working capital changes	624	3,152
Changes in working capital:		
Inventories	(719)	(116)
Receivables, deposits and prepayment	52	25
Payables and accruals	1,161	2,974
Cash generated from operations	1,118	6,035
Tax paid	(339)	(85)
Net cash generated from operating activities	779	5,950
Cash flows from investing activities		
Purchase of property, plant and equipment	(16)	(15)
Net cash used in investing activities	(16)	(15)
Cash flows from financing activities		
Interest paid	(476)	(496)
Repayment of bank borrowings – net	(247)	(4,353)
Net cash used in financing activities	(723)	(4,849)
Net increase in cash and cash equivalents	40	1,086
Cash and cash equivalents at beginning of year	5	(530)
Cash and cash equivalents at end of period	45	556
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	45	1,556
Bank overdraft	-	(1,000)
	45	556

(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:

	Current quarter 30.6.2012 RM’000
Tax expense, Malaysia- current	588
Deferred tax – current	(263)
Total	<hr/> 325 <hr/>

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:

	RM'000
Non-current	194
Current	<u>393</u>
Total Group borrowings	<u>587</u>

As at 30 June 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 30 June 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.

The Board of Directors of NCB had announced the resolution in relating to the Proposal Disposal on 23rd July 2012 and was duly approved by the shareholders of NCB.

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 30 June 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 RM0.25 million was outstanding at the period end.

14. Capital commitments

There were no capital commitments as at 30 June 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:

	Current year quarter 30.6.2012 RM'000	Preceding year corresponding quarter 30.6.2011 RM'000	Current period 30.6.2012 RM'000	Preceding year corresponding period 30.6.2011 RM'000
Amortisation of intangible asset	(626)	(727)	(1,053)	(1,259)
Depreciation	(124)	(122)	(247)	(244)
Foreign exchange loss	-	1	(64)	(11)

17. Segmental information

Analysis by business segments being the primary basis of the Group's segment reporting for the financial period ended 30 June 2012 is as follows:

	Investment			
	Holding	Timber		Total
	RM'000	RM'000		RM'000
TURNOVER				
External turnover	-	6,785		6,785
Internal turnover	-	-		-
	-	6,785		6,785
RESULTS				
Segment results	(1,660)	984		(676)
Finance cost				(476)
Loss before taxation				(1,152)
Taxation				(325)
Loss for the period				(1,477)
Other comprehensive loss for the period, net of tax				-
Total comprehensive loss for the period				(1,477)
Non-controlling interests				(114)
Total comprehensive loss attributable to owners of the Company				(1,591)
ASSETS				
Segment assets	18,468	24,998	(18,236)	25,230
Intangible asset				96,970
Total				122,200
LIABILITIES				
Segment liabilities	31,491	13,096	(18,236)	26,351
Tax liabilities				5,437
Deferred tax liabilities				24,299
Total				56,087
OTHER SEGMENT INFORMATION				
Amortisation of intangible asset	1,053	-	-	1,053
Capital expenditure	-	16	-	16
Depreciation	18	229	-	247

18. Material litigation

Ko Kung Siong (Trading under the name and style of K.K.S. Timber Trading) (“Plaintiff”) vs Tamabina Sdn Bhd (“Defendant”)

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 (“K.K.S”) 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 2011, 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.

Kini Abadi Sdn Bhd (“Plaintiff”) vs Tamabina Sdn Bhd (“Defendant”)

NCB wishes to inform that Tamabina Sdn Bhd (“TSB”), a 51% owned and a major subsidiary of NCB had on 6 June 2011 received a Writ of Summons Suit No. SDK-22-16 (“Writ”) and Statement of Claim, both dated 25 May 2011, from Kini Abadi Sdn Bhd (“KASB”) filed through their solicitors, Messrs William Liaw, Chan & Co (“the Action”) in the High Court of Sabah and Sarawak at Sandakan. The Action arises from the claim by KASB against TSB for non-payment for transportation services of timber logs of TSB by KASB. The amount claimed is as follows:

- i) RM360,288.41, being the unpaid balance owed for the transportation services performed;
- ii) Discretionary interest at the rate of 8% per annum on the sum of RM360,288.41 pursuant to
- iii) Section 11 of the Civil Law Act 1956 from the date of the Writ to the date of judgment;
- iv) Statutory interest at the rate of 8% per annum on the total judgment sum from the date of judgment the date of actual full payment;
- v) Costs; and
- vi) Any other relief as the court deems fit.

In the event TSB loses the case, the expected losses arising from the Action is RM100,871.43 before any interest and legal cost. An amount of RM259,416.98 has been provided for in the books of TSB. The Action will not have any operational impact on the NCB group.

On a proforma basis, based on the latest audited financial statements of the Group, which is for the financial year ended 31 December 2010, in the event if TSB loses the case, the expected losses arising from the Action of RM100,871.43 (excluding interest and legal cost) will not have a material effect to the net assets of the Group (represents 0.3% of the net assets of the Group).

TSB will be defending the Action on the basis that the amount claimed has disputes.

The Company will announce further developments on the above matter as and when necessary.

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 RM4.2 million (2Q2012) is lower than the revenue for the preceding year corresponding quarter of RM7.5 million (2Q2011). 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 mainly attributable to logging activities which were hampered by adverse weather condition experience in Sabah.

19.2 Current quarter versus preceding year corresponding quarter - Results

Analysis on Group basis

The Group's net loss decline to RM0.5 million (2Q2012) in the current quarter compare to profit of RM0.86 million (2Q2011) in the preceding year corresponding 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 profit contribution of RM0.9 million (2Q2012) versus a net profit contribution of RM2.3 million (2Q2011) 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 net loss of RM1.06 million (2Q2012) for the current quarter as compared to a net loss of RM1.03 million (2Q2011) in the preceding year corresponding quarter.

20. Quarterly analysis

Revenue

Analysis on Group basis

Comparing quarter on quarter, the Group's revenue increased by RM1.7 million to RM4.2 million (2Q2012) for the current quarter. This was mainly due to improvement in sales of the timber logs.

Results

Analysis on Group basis

The Group registered a lower net loss of RM0.5 million (2Q2012) in the current quarter as compared to a net loss of RM1 million (1Q2012) in the previous quarter. This decline was mainly due to improvement of timber sales in the current quarter.

Segmental analysis

Quarter on quarter, the timber segment's results increased from a net profit contribution of RM0.6 million (2Q2012) for the current quarter compared to a net loss of RM0.2 million (1Q2012) in the preceding quarter. This was attributable to improvement of timber sales in the current quarter.

The investment holding segment registered a net loss contribution of RM1.06 million (2Q2012) 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.

For the twelve (12) months financial period ended 30 June 2012, TSB profit guarantee can only be determined after the accounts is audited. Currently, consolidated profit after taxation is still ongoing and will announce in the next Quarter results.

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 30 June 2012 comprise as follows:

	Amount RM'000
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:

	Loss attributable to owners of the Company RM'000	Weighted average number of ordinary shares '000	Basic loss per share Sen
Current quarter	1,591	55,410	0.88

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 30 June 2012.

26. Realised and unrealised profits/losses

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

	As at 30.6.2012 RM'000	As at 31.12.2011 RM'000
Realised	(116,362)	(100,343)
Unrealised	(29)	(78)
	<hr/>	<hr/>
	(116,391)	(112,648)
Consolidation adjustments	49,865	47,713
	<hr/>	<hr/>
Total accumulated losses	(66,526)	(64,935)