

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

QUARTERLY UNAUDITED FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

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Nakamichi Corporation Berhad

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

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current year quarter 30.9.2012 RM'000	Preceding year corresponding quarter 30.9.2011 RM'000	Current year-to-date 30.9.2012 RM'000	Preceding year corresponding period 30.9.2011 RM'000
Revenue	1,664	3,189	8,449	14,584
Operating expenses	(1,715)	(3,205)	(9,176)	(12,938)
Other operating (loss)/income	(26)	4,582	(26)	4,582
(Loss)/Profit from operations	(77)	4,566	(753)	6,228
Interest income	15	-	15	-
Finance costs	(226)	(269)	(702)	(765)
(Loss)/Profit before taxation	(288)	4,297	(1,440)	5,463
Tax expense	(129)	(225)	(454)	(969)
(Loss)/Profit for the period	(417)	4,072	(1,894)	4,494
Other comprehensive loss, net of tax				
- Foreign currency translation differences for foreign operations	-	4	-	(9)
Total comprehensive (loss)/profit for the period	(417)	4,076	(1,894)	4,485
Loss/Profit attributable to:				
Owners of the Company	(522)	3,834	(2,113)	3,162
Non-controlling interests	105	238	219	1,332
(Loss)/profit for the period	(417)	4,072	(1,894)	4,494
Total comprehensive income/(loss) attributable to:				
Owners of the Company	(522)	3,838	(2,113)	3,153
Non-controlling interests	105	238	219	1,332
Total comprehensive profit/(loss) for the period	(417)	4,076	(1,894)	4,485
Basic loss per ordinary share (sen)	(0.94)	6.92	(3.81)	5.71
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 September 2012

	UNAUDITED	AUDITED
	As at current year quarter 30.9.2012 RM'000	As at preceding financial year end 31.12.2011 RM'000
Non current assets		
Property, plant and equipment	934	1,279
Intangible asset	96,601	98,023
Total non current assets	97,535	99,302
Current assets		
Assets held for sale	-	18,300
Receivables, deposits and prepayments	17,953	2,482
Inventories	4,659	2,688
Cash and cash equivalents	573	5
Total current assets	23,185	23,475
TOTAL ASSETS	120,720	122,777
Equity attributable to owners of the Company		
Share capital	55,410	55,410
Reserves	(28,596)	(26,483)
	26,814	28,927
Non-controlling interests	38,882	38,663
Total equity	65,696	67,590
Long term and deferred liabilities		
Borrowings	165	336
Deferred tax liabilities	24,207	24,563
Total long term and deferred liabilities	24,372	24,899
Current liabilities		
Payables and accruals	25,142	24,603
Tax liabilities	5,159	5,188
Borrowings	351	497
Total current liabilities	30,652	30,288
Total liabilities	55,024	55,187
TOTAL EQUITY AND LIABILITIES	120,720	122,777
Net assets per share attributable to owners of the Company (RM)	0.48	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 September 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)/income for the period	-	-	-	(2,113)	(2,113)	219	(1,894)
At 30 September 2012	55,410	38,452	-	(67,048)	26,814	38,882	65,696

	← 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	-	-	(9)	3,162	3,153	1,332	4,485
Dividend	-	-	-	-	-	(735)	(735)
At 30 September 2011	55,410	38,452	(16)	(58,143)	35,703	39,838	75,541

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 September 2012

	UNAUDITED	UNAUDITED
	Current	Corresponding
	Year-to-date	Year-to-date
	30.9.2012	30.9.2011
	RM'000	RM'000
Cash flows from operating activities		
Loss before taxation	(1,440)	5,463
Adjustments for:		
Amortisation of intangible asset	1,422	1,480
Depreciation	371	367
Loss on disposal of Assets held for sale	26	-
Interest expense	702	765
Interest income	(15)	-
Negative goodwill	-	(4,578)
Other non-cash items	-	(9)
Operating (loss)/profit before working capital changes	<u>1,066</u>	<u>3,488</u>
Changes in working capital:		
Assets held for sale	(726)	-
Inventories	(1,971)	333
Receivables, deposits and prepayment	(15,472)	(55)
Payables and accruals	<u>539</u>	<u>7,932</u>
Cash generated from operations	(16,564)	11,698
Tax paid	<u>(838)</u>	<u>(85)</u>
Net cash generated from operating activities	<u>(17,402)</u>	<u>11,613</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(26)	(22)
Interest received	15	-
Compensation on profit guarantee received	-	4,578
Proceeds from disposal of Assets held for sale	<u>19,000</u>	<u>-</u>
Net cash used in investing activities	<u>18,989</u>	<u>4,556</u>
Cash flows from financing activities		
Interest paid	(702)	(765)
Dividend paid to non-controlling interest	-	(515)
Repayment of bank borrowings – net	<u>(317)</u>	<u>(15,324)</u>
Net cash used in financing activities	<u>(1,019)</u>	<u>(16,604)</u>
Net increase in cash and cash equivalents	568	(435)
Cash and cash equivalents at beginning of year	<u>5</u>	<u>(530)</u>
Cash and cash equivalents at end of period	<u><u>573</u></u>	<u><u>(965)</u></u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	573	35
Bank overdraft	-	(1,000)
	<u><u>573</u></u>	<u><u>(965)</u></u>

(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 30.9.2012 RM'000	Cumulative year-to-date 30.9.2012 RM'000
Tax expenses, Malaysia - current	221	809
Deferred tax - current	(92)	(355)
Total	<u>129</u>	<u>454</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:

	As at 30 September 2012 RM'000
Non-current	165
Current	<u>351</u>
Total Group borrowings	<u>516</u>

As at 30 September 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 September 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 (“the Purchaser”) 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 (“the Property”) by NMSB to the Purchaser 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 the Purchaser and the approval of the shareholders of the Company.

On 18 June 2012, M&A Securities had, on behalf of the Company announced that the State Authority had vide its letter dated 16 May 2012, approved the transfer of the property to the Purchaser.

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

On 10 October 2012, M&A Securities had on behalf of the Company announced that the solicitor for the sales and purchase agreement for the Proposed Disposal had vide its letter dated 9 October 2012 informed that the Proposed Disposal has been completed with the receipt of the balance disposal consideration on 28 September 2012.

12. Status of utilisation of proceeds

The proceeds from the Proposed Disposal (as stated in Note 11) of RM19 million are to be utilised as follows:

<u>Purposed</u>	<u>Purposed utilisation</u>	<u>Actual utilisation as at 30.9.2012</u>	<u>Intended timeframe for utilisation</u>	<u>Balance unutilised</u>	
	RM'000	RM'000		RM'000	%
Operating expenses (Including salaries and marketing activities)	6,374	852	30.06.2013	5,522	86.64%
Trade and other payables	11,926	1,640	30.06.2013	10,286	86.25%
Estimated expenses relating to the Proposed Disposal	700	29	Immediate	671	95.86%
Total	<u>19,000</u>	<u>2,521</u>		<u>16,479</u>	<u>86.73%</u>

13. 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.

14. Contingent liabilities/assets

The contingent liabilities of the Group as at 30 September 2012 comprises corporate guarantees totaling RM1.7million, 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 RM0.22 million was outstanding at the period end.

15. Capital commitments

There were no capital commitments as at 30 September 2012.

16. Seasonal and cyclical factors

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

17. 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:

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current year quarter 30.9.2012 RM'000	Preceding year corresponding quarter 30.9.2011 RM'000	Current year-to-date 30.9.2012 RM'000	Preceding year corresponding period 30.9.2011 RM'000
Amortisation of intangible asset	(369)	(221)	(1,422)	(1,480)
Depreciation	(124)	(123)	(371)	(367)
Foreign exchange gain/(loss)	-	15	(64)	4
Loss on disposal of Assets held for sale	(26)	-	(26)	-
Negative goodwill	-	4,578	-	4,578

18. Segmental information

Analysis by business segments being the primary basis of the Group's segment reporting for the 9 months financial period ended 30 September 2012 is as follows:

	Investment			
	Holding	Timber	Total	
	RM'000	RM'000	RM'000	
TURNOVER				
External turnover	-	8,449	8,449	
Internal turnover	-	-	-	
	-	8,449	8,449	
RESULTS				
Segment results	(2,134)	1,381	(753)	
Interest income			15	
Finance cost			(702)	
Loss before taxation			(1,440)	
Taxation			(454)	
Loss for the period			(1,894)	
Other comprehensive loss for the period, net of tax			-	
Total comprehensive loss for the period			(1,894)	
Non-controlling interests			(219)	
Total comprehensive loss attributable to owners of the Company			(2,113)	
	Investment			
	Holding	Timber	Elimination	
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Segment assets	16,515	25,136	(17,532)	24,119
Intangible asset				96,601
Total				120,720
LIABILITIES				
Segment liabilities	30,170	13,020	(17,532)	25,658
Tax liabilities				5,159
Deferred tax liabilities				24,207
Total				55,024
OTHER SEGMENT INFORMATION				
Amortisation of intangible asset	1,422	-	-	1,422
Capital expenditure	-	26	-	26
Depreciation	27	344	-	371
Loss on disposal for Assets held for sale	26	-	-	26

19. 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.

On 18 October 2012, the Company announced that the stay of execution order granted by High Court of Sabah and Sarawak at Sandakan pending the appeal by TSB to the Court of Appeal was overruled by the Court of Appeal and KKS has served a Statutory Demand (Pursuant to Section 218(1)(e) of the Companies Act, 1965) on TSB.

TSB has filed an Ex-Parte Notice of Motion for Stay at the Court of Appeal Registry at Putrajaya over the above order. The hearing date for the said application is currently pending.

The Company is of the view that based on the latest audited financial statements of the Group for FYE 31 December 2011, if the Defendant losses the case, the expected losses arising from the action of RM975,008 (excluding interest and legal cost), is expected to have a material effect to the Group’s earning (represents 10% of the loss attributable to the equity holders of the Company) but the impact to the net assets value of the Group will be immaterial (represents 1% of the net assets value of the Group).

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

On 21 December 2011, a legal action was brought against the Defendant for alleged non-payment of the amount of RM259,025.98 for transport services provided by the Plaintiff to the Defendant.

The Plaintiff’s solicitor had on 28 March 2012 file an application to strike out the Defendant’s defense. On 29 June 2012, the High Court allowed the Plaintiff’s application to strike out the Defendant’s defense with costs fo RM3,000.00.

The Defendant’s solicitors are of the view that the Plaintiff will probably be successful in its claim.

20. Review of performance

The Group's revenue for the period under review reduced by 42% to RM8.45 million as compared to the revenue for the preceding year corresponding period in 2011 of RM14.58 million. This was due to the lower revenue reported by the timber segment as a result of lower logs production. The lower logs production was mainly attributable to logging activities which were hampered by adverse weather condition in Sabah.

The Group's recorded a net loss of RM1.89 million in the period under review as compared to a net profit of RM4.49 million in the preceding year corresponding period in 2011. This was due mainly to a negative goodwill of RM4.58 million recognised in the preceding year corresponding period where the Company received the compensation for the shortfall of the profit guarantee.

Segmental analysis

- a) The timber segment in the period under review registered a profit contribution of RM1.38 million versus a profit contribution of RM4.00 million in the preceding year corresponding period. The decline was mainly due to the drop in its revenue.
- b) The investment holding segment recorded a loss contribution of RM2.13 million for the period under review as compared to a profit contribution of RM2.22 million in the preceding year corresponding period. This was due mainly to a negative goodwill of RM4.58 million recognised in the preceding year corresponding period where the Company received the compensation for the shortfall of the profit guarantee.

21. Comparison with Preceding Quarter

Comparing quarter on quarter, the Group's revenue decreased by RM2.58 million to RM1.67 million for the current quarter. The Group registered a net loss of RM0.42 million in the current quarter as compared to a net loss of RM0.49 million in the preceding quarter. This was mainly due to decrease in sales of the timber logs.

Segmental analysis

Quarter on quarter, the timber segment recorded a profit contribution of RM0.40 million for the current quarter compared to a profit contribution of RM0.94 million in the preceding quarter. The decline was mainly due to the drop in the sales of the timber logs.

The investment holding segment registered a loss contribution of RM0.47 million for the current quarter as compared to a loss contribution of RM0.99 million in the preceding quarter. This was mainly due to the reduction of the administrative expenses.

22. 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.

23. 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, the audit is still ongoing and the Company will announce the relevant details in the next Quarter results.

24. 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 are as follows:

	As at 30.09.2012	As at 31.12.2011
	RM'000	RM'000
Leasehold land	3,063	3,063
Leasehold building	15,237	15,237
	18,300	18,300
Add : Expenses in relation to disposal of Assets held for sale	726	-
	19,026	18,300
Disposal of Assets held for sale	(19,026)	-
	-	18,300

25. 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	522	55,410	0.94

Diluted earnings per share

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

26. Dividends

The Board of Directors does not recommend any dividend in respect of the financial period ended 30 September 2012.

27. Realised and unrealised profits/losses

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

	As at 30.9.2012 RM'000	As at 31.12.2011 RM'000
Realised	(116,743)	(112,619)
Unrealised	(29)	(29)
	<hr/>	<hr/>
	(116,772)	(112,648)
Consolidation adjustments	49,724	47,713
	<hr/>	<hr/>
Total accumulated losses	(67,048)	(64,935)