

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

QUARTERLY UNAUDITED FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2013

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Nakamichi Corporation Berhad
Condensed unaudited consolidated statements of comprehensive income for the period ended 31 March 2013

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current year quarter 31.03.2013 RM'000	Preceding year corresponding quarter 31.03.2012 RM'000	Current year- to-date 31.03.2013 RM'000	Preceding year corresponding period 31.03.2012 RM'000
Revenue	1,736	2,539	1,736	2,539
Operating expenses	(2,252)	(3,165)	(2,252)	(3,165)
Other operating (loss)/income	107	-	107	-
(Loss)/Profit from operations	(409)	(626)	(409)	(626)
Interest income	-	-	-	-
Finance costs	(61)	(239)	(61)	(239)
(Loss)/Profit before taxation	(470)	(865)	(470)	(865)
Tax expense	(44)	(123)	(44)	(123)
(Loss)/Profit for the period	(514)	(988)	(514)	(988)
Other comprehensive loss, net of tax				
- Foreign currency translation differences for foreign operations	-	-	-	-
Total comprehensive (loss)/profit for the period	(514)	(988)	(514)	(988)
Loss/Profit attributable to:				
Owners of the Company	(422)	(894)	(422)	(894)
Non-controlling interests	(92)	(94)	(92)	(94)
(Loss)/profit for the period	(514)	(988)	(514)	(988)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	(422)	(894)	(422)	(894)
Non-controlling interests	(92)	(94)	(92)	(94)
Total comprehensive profit/(loss) for the period	(514)	(988)	(514)	(988)
Basic loss per per ordinary share (sen)	(0.76)	(1.61)	(0.76)	(1.61)
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 2012)

Nakamichi Corporation Berhad

Condensed unaudited consolidated statement of financial position as at 31 March 2013

	UNAUDITED	AUDITED
	As at current financial period end 31.03.2013 RM'000	As at preceding financial year end 31.12.2012 RM'000
Non current assets		
Property, plant and equipment	1,140	1,081
Intangible asset	96,298	96,298
Total non current assets	97,438	97,379
Current assets		
Receivables, deposits and prepayments	3,264	3,111
Inventories	3,991	5,318
Cash and cash equivalents	22	215
Total current assets	7,277	8,644
TOTAL ASSETS	104,715	106,023
Equity attributable to owners of the Company		
Share capital	55,410	55,410
Reserves	(29,801)	(29,379)
	25,609	26,031
Non-controlling interests	36,268	36,360
Total equity	61,877	62,391
Long term and deferred liabilities		
Borrowings	234	137
Non-trade payables and accruals	3,132	427
Deferred tax liabilities	24,152	24,152
Total long term and deferred liabilities	27,518	24,716
Current liabilities		
Payables and accruals	10,753	14,201
Tax liabilities	4,369	4,490
Borrowings	198	225
Total current liabilities	15,320	18,916
Total liabilities	42,838	43,632
TOTAL EQUITY AND LIABILITIES	104,715	106,023
Net assets per share attributable to owners of the Company (RM)	0.46	0.47

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012)

Nakamichi Corporation Berhad
Condensed unaudited consolidated statements of changes in equity for the period ended 31 March 2013

	← 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 2013	55,410	38,452	-	(67,831)	26,031	36,360	62,391
Total comprehensive (loss)/income for the financial year	-	-	-	(422)	(422)	(92)	(514)
Transactions with non-owners:	<hr/>						
At 31 March 2013	55,410	38,452	-	(68,253)	25,609	36,268	61,877

	← 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 financial year	-	-	-	(894)	(894)	(94)	(988)
Transactions with non-owners:	<hr/>						
At 31 March 2012	55,410	38,452	-	(65,829)	28,033	38,569	66,602

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 2012)

Nakamichi Corporation Berhad
Condensed unaudited consolidated statements of cash flow for the period ended 31 March 2013

	UNAUDITED	UNAUDITED
	Current	Corresponding
	Year-to-date	Year-to-date
	31.03.2013	31.03.2012
	RM'000	RM'000
Cash flows from operating activities		
Loss before taxation	(470)	(865)
Adjustments for:		
Amortisation of intangible asset	-	427
Depreciation	134	123
Gain on disposal of property, plant and equipment	(107)	-
Interest expense	61	239
	<hr/>	<hr/>
Operating (loss)/profit before working capital changes	(382)	(76)
Changes in working capital:		
Assets held for sale	-	-
Inventories	1,327	(452)
Receivables, deposits and prepayment	(153)	(439)
Payables and accruals	(743)	1,413
	<hr/>	<hr/>
Cash generated from operations	49	446
Tax paid	(166)	(58)
	<hr/>	<hr/>
Net cash generated from operating activities	(117)	388
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(268)	(4)
Proceeds from disposal of Assets	182	-
	<hr/>	<hr/>
Net cash used in investing activities	(86)	(4)
	<hr/>	<hr/>
Cash flows from financing activities		
Interest paid	(61)	(239)
Proceeds/(Repayment) of bank borrowings – net	71	(130)
	<hr/>	<hr/>
Net cash used in financing activities	10	(369)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	(193)	15
Cash and cash equivalents at beginning of year	215	4
	<hr/>	<hr/>
Cash and cash equivalents at end of period	22	19
	<hr/>	<hr/>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	22	19
	<hr/>	<hr/>
	22	19
	<hr/>	<hr/>

(The condensed unaudited consolidated statements of cash flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012)

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 2012.

2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012.

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 and financial year.

5. Changes in estimates

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

6. Taxation

The tax expense for the current quarter and financial year are as follows:

	Current quarter 31.03.2013 RM'000	Cumulative year-to-date 31.03.2013 RM'000
Tax expenses, Malaysia - current	(44)	(44)
Deferred tax - current	-	-
Total	<u>(44)</u>	<u>(44)</u>

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

The effective tax rate of the Group for the current quarter and financial year 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 31 March 2013 RM'000
Non-current	234
Current	<u>198</u>
Total Group borrowings	<u>432</u>

As at 31 March 2013, 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 2013.

10. Changes in composition of the Group

There were no changes in composition of the Group for period ended 31 March 2013.

11. Corporate proposals

There are no corporate proposals that were announced but not completed within 7 days from the date of this quarterly report.

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 2013 comprises corporate guarantees totaling RM4.7million, executed by the Company for loan/hire purchase facilities granted to subsidiaries and a Director for the advances given to the Company and 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.

14. Capital commitments

There were no capital commitments as at 31 March 2013.

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:

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	Current year quarter	Preceding year corresponding quarter	Current period	Preceding year corresponding period
	31.03.13	31.03.12	31.03.13	31.03.12
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible asset	-	(427)	-	(427)
Depreciation	(134)	(123)	(134)	(123)
Foreign exchange gain/(loss)	-	(64)	-	(64)
Gain on disposal of property, plant and equipment	107	-	107	-

17. Segmental information

Analysis by business segments being the primary basis of the Group's segment reporting for the 3 months financial period ended 31 March 2013 is as follows:

	Investment			
	Holding	Timber	Total	
	RM'000	RM'000	RM'000	
TURNOVER				
External turnover	-	1,736	1,736	
Internal turnover	-	-	-	
	-	1,736	1,736	
RESULTS				
Segment results	(141)	(268)	(409)	
Interest income			-	
Finance cost			(61)	
Loss before taxation			(470)	
Taxation			(44)	
Loss for the period			(514)	
Other comprehensive loss for the period, net of tax			-	
Total comprehensive loss for the period			(514)	
Non-controlling interests			92	
Total comprehensive loss attributable to owners of the Company			(422)	
	Investment			
	Holding	Timber	Elimination	GROUP
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Segment assets	286	16,590	(8,459)	8,417
Intangible asset				96,298
Total				104,715
LIABILITIES				
Segment liabilities	12,425	10,351	(8,459)	14,317
Tax liabilities				4,369
Deferred tax liabilities				24,152
Total				42,838
OTHER SEGMENT INFORMATION				
Depreciation	19	115	-	134
Gain on disposal of property, plant and equipment	(17)	(90)	-	(107)

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 (“Defendant”), 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 (“Plaintiff”) 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 the Defendant for non-payment for logging work performed by the Plaintiff 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 the Defendant on even date. The Defendant was adjudged by the Court to pay the Plaintiff:

- 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.

The Defendant had applied to the Sandakan High Court and on 27 February 2012, was granted a stay of execution and enforcement of the aforesaid judgment obtained by the Plaintiff. However, the stay of execution order granted by the Sandakan High Court pending the appeal by the Defendant to the Court of Appeal was overruled by the Court of Appeal and the Plaintiff had on 28 September 2012 served a Statutory Demand (Pursuant to Section 218(1)(e) of the Companies Act, 1965) on the Defendant.

The Defendant had then filed an Ex-Parte Notice of Motion for Stay (“Motion for Stay”) at the Court of Appeal Registry at Putrajaya over the above order. On 28 November 2012, the Company announced that the Court of Appeal has by consent granted the following Orders pursuant to the Defendant’s application of Motion for Stay, namely:-

- (i) an Order staying all execution and/or enforcement of the above judgment granted by the High Court at Sandakan on the 30 November 2011 in Civil Suit No. S22-59 of 2010 (the said “Judgment”) against the Defendant pending the hearing and full and final disposal of the Civil Appeal no. S-02-457-02 of 2012; and
- (ii) that the Defendant shall within seven (7) days from 26 November 2012 pay into the Court the judgment sum awarded under the said Judgment i.e. amounting to RM1,448,173.07 failing which the stay Order under paragraph (i) above shall lapse.

The Defendant had on 3 December 2012 paid into the Court an amount of RM1,448,173.07 pursuant to the condition of the consent order under paragraph (ii) above.

The Company is of the view that based on the latest audited financial statements of the Group for FYE 31 December 2012, if the Defendant loses 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 March 2013, the Defendant received a letter from the Plaintiff’s solicitors informing the Defendant that the court had entered Judgment in Default of Appearance against the Defendant on 13 March 2013 and adjudged the Defendant to pay the Plaintiff the Judgment Sum including interest totaling in the sum of RM396,744.18 as at 21 March 2013 (“Judgment Sum”). The solicitors had in their said letter demanded that the Judgment sum be paid to them as solicitor of the Plaintiff within seven (7) days from the date of their letter.

The Defendant will be appealing to set aside the Judgment as the Defendant did not receive any demand/summon in relation to the above claim.

19. Review of performance

The Group’s revenue for the period under review reduced by 31% to RM1.74 million as compared to the revenue for the preceding year corresponding period in 2012 of RM2.54 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 and the Lahad Datu Crisis during February – March 2013.

The Group’s recorded a net loss of RM0.51 million in the period under review as compared to a net loss of RM0.99 million in the preceding year corresponding period in 2012. This was due mainly to reduction in operating cost recorded in the period under review.

Segmental analysis

- a) The timber segment in the period under review registered a loss contribution of RM0.27 million versus a profit contribution of RM0.46 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 RM0.14 million for the period under review as compared to a loss contribution of RM0.67 million in the preceding year corresponding period. This was due mainly to the non provision of amortization of intangible asset as there was no logs production in the period under review.

20. Comparison with Preceding Quarter

- a) Comparing quarter on quarter, the Group’s revenue increased slightly by RM0.22 million to RM1.74 million for the current quarter. The Group registered a net loss of RM0.51 million in the current quarter as compared to a net loss of RM0.98 million in the preceding quarter. This was mainly due to the non provision of amortization of intangible asset as there was no logs production in the period under review.

Segmental analysis

Quarter on quarter, the timber segment recorded a loss contribution of RM0.27 million for the current quarter compared to a loss contribution of RM0.61 million in the preceding quarter. The decrease was mainly due to the lower operating expenses.

The investment holding segment registered a loss contribution of RM0.14 million for the current quarter as compared to a loss contribution of RM0.50 million in the preceding quarter. This was mainly due to the lower administrative expenses.

21. Prospects

Due to the slowing pace of the global economy, the Board is of the view that the year 2013 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, the audit is still ongoing and the Company will announce the relevant details in the next Quarter results.

23. Loss per share

Loss per share

The basic loss per share for the current quarter and financial period 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	422	55,410	0.76
Financial period	422	55,410	0.76

Diluted earnings per share

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

24. Dividends

The Board of Directors does not recommend any dividend in respect of the financial period ended 31 March 2013.

25. Realised and unrealised profits/losses

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

	As at 31.03.2013 RM'000	As at 31.03.2012 RM'000
Realised	(83,365)	(115,904)
Unrealised	(24,075)	(29)
	<hr/>	<hr/>
	(107,440)	(115,933)
Consolidation adjustments	39,178	50,104
	<hr/>	<hr/>
Total accumulated losses	(68,253)	(65,829)