

NAKAMICHI CORPORATION BERHAD

(Company No: 301384-H)

(Incorporated in Malaysia)

QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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Nakamichi Corporation Berhad

Condensed unaudited consolidated statements of profit or loss and other comprehensive income for the three months period ended September 30, 2013

	INDIVIDUAL QUARTER		CUMMULATIVE QUARTER	
	Current year quarter 30.09.2013 RM'000	Preceding year corresponding quarter 30.09.2012 RM'000	Current year-to- date 30.09.2013 RM'000	Preceding year corresponding period 30.09.2012 RM'000
Revenue	-	1,664	-	8,449
Operating expenses	(200)	(1,715)	(1,247)	(9,176)
Other operating (loss) / income	-	(26)	17	(26)
Loss on deconsolidation	-	-	(37,844)	-
Loss from operation	(200)	(77)	(39,074)	(753)
Interest income	-	15	-	15
Finance costs	(92)	(226)	(244)	(702)
Loss before tax	(292)	(288)	(39,318)	(1,440)
Tax expenses	-	(129)	(8)	(454)
Loss for the period	(292)	(417)	(39,326)	(1,894)
Other comprehensive loss, net of tax	-	-	-	-
Total comprehensive loss for the period	(292)	(417)	(39,326)	(1,894)
Loss/profit attributable to:				
Owners of the Company	(292)	(522)	(39,326)	(2,113)
Non-controlling interests	-	105	-	219
	(292)	(417)	(39,326)	(1,894)
Basic loss per ordinary share (sen)	(0.53)	(0.94)	(70.97)	(3.81)

(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 December 31, 2012)

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Condensed unaudited consolidated statement of financial position as at September 30, 2013

	As at current financial period end 30.09.2013 RM'000	As at preceding financial year ended 31.12.2012 RM'000
Property, plant and equipment	-	1,081
Intangible asset	-	96,298
Non-current assets	-	97,379
Receivables, deposits and prepayments	12	3,110
Inventories	-	5,318
Cash and cash equivalents	1	216
Current assets	13	8,644
TOTAL ASSETS	13	106,023
Share capital	55,410	55,410
Share premium	38,452	38,452
Accumulated losses	(107,157)	(67,831)
Minority interest	-	36,360
Equity	(13,295)	62,391
Borrowings	-	137
Non-trade payables and accruals	-	427
Deferred tax liabilities	-	24,152
Long term and deferred liabilities	-	24,716
Payables and accruals	12,770	14,200
Amount due to related party, See Thoo Chan	534	-
Tax liabilities	4	4,491
Borrowings	-	225
Current liabilities	13,308	18,916
TOTAL EQUITY AND LIABILITIES	13	106,023
Net asset/ (liabilities) per share	(0.24)	0.47

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

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Condensed unaudited consolidated statements of changes in equity for the period ended September 30, 2013

	Attributable to owners of the Company				Non-controlling interest RM'000	Total equity RM'000
	Non-distributable			Total RM'000		
	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000			
At January 1, 2013	55,410	38,452	(67,831)	26,031	36,360	62,391
Total comprehensive loss for the period	-	-	(39,326)	(39,326)	(36,360)	(75,686)
At September 30, 2013	<u>55,410</u>	<u>38,452</u>	<u>(107,157)</u>	<u>(13,295)</u>	<u>-</u>	<u>(13,295)</u>

	Attributable to owners of the Company				Non-controlling interest RM'000	Total equity RM'000
	Non-distributable			Total RM'000		
	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000			
At January 1, 2012	55,410	38,452	(64,935)	28,927	38,663	67,590
Total comprehensive loss for the period	-	-	(2,113)	(2,113)	219	(1,894)
At September 30, 2012	<u>55,410</u>	<u>38,452</u>	<u>(67,048)</u>	<u>26,814</u>	<u>38,882</u>	<u>65,696</u>

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

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Condensed unaudited consolidated statements of cash flow for the period ended September 30, 2013

	9 months ended 30.09.2013 RM'000	9 months ended 30.09.2012 RM'000
Loss before taxation	(39,318)	(1,440)
Adjustments for:		
Loss on deconsolidation	37,844	-
Gain on disposal of fixed assets	(17)	-
Amortisation of intangible assets	-	1,422
Depreciation	27	371
Loss/ write-off on disposal of fixed assets	50	26
Interest expense / (income) - net	-	687
Operating loss before working capital changes	(1,414)	1,066
Changes in working capital:		
Assets held for sale	-	(726)
Receivables, deposits and prepayments	67	(15,472)
Inventories	-	(1,971)
Payables and accruals	857	539
Cash generated / (used in) operations	(490)	(16,564)
Tax paid	(4)	(838)
Net cash generated from operating activities	(494)	(17,402)
Cash flows from investing activities		
Purchase of property, plant and equipment	(72)	(26)
Deconsolidation of subsidiaries	(201)	-
Proceeds from disposal of assets	92	19,000
Net cash generated / (used in) investing activities	(181)	18,974

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Condensed unaudited consolidated statements of cash flow for the period ended September 30, 2013 (cont'd)

	9 months ended 30.09.2013 RM'000	9 months ended 30.09.2012 RM'000
Cash flows from financing activities		
Interest received/ (paid)	-	(687)
Advance from director	534	-
Proceeds / (Repayment) of bank borrowings/ hire purchase - net	<u>(74)</u>	<u>(317)</u>
Net cash used in financing activities	<u>460</u>	<u>(1,004)</u>
Net increase in cash and cash equivalents	(215)	568
Cash and cash equivalents at beginning of year	<u>216</u>	<u>5</u>
Cash and cash equivalents at end of period	<u><u>1</u></u>	<u><u>573</u></u>
Cash and cash equivalents at end of period comprised:		
Cash and bank balances	<u><u>1</u></u>	<u><u>573</u></u>

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Explanatory notes

Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board and International Accounting Standard (“IAS”) 34 : Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”) and Appendix 9B Part A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended December 31, 2012. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended December 31, 2012.

Significant Accounting Policies

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

Audit report

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

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.

Changes in estimates

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

Valuation of property, plant and equipment

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

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Explanatory notes (cont'd)

Borrowings

The Group does not have borrowings as at the end of the current quarter.

Debt and equity securities

There were no issuances, cancellations, repurchases and repayments of the Company's debt or equity securities for the period ended September 30, 2013.

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.

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.

Contingent liabilities/assets and material litigations

There were no material changes to the contingent liabilities and assets of the Group as at September 30, 2013.

Litigation summary

With regard to the suit brought by Lo Man Heng against the Company via Kuala Lumpur High Court Suit No. 22NCC-433-06/2013, the Company had filed its Defence against the said claim on 2 Jul 2013. Further to the Defence, the Company has filed a counter-claim against Lo Man Heng ("1st Defendant"), Tamabina Sdn Bhd ("2nd Defendant"), Lo Shwu Fen ("3rd Defendant"), Lai Yun Fung ("4th Defendant") and Lee Jyh Kiong ("5th Defendant") for the following:

1. As against the 1st Defendant, a declaration that he is in breach of his fiduciary duties to the Company;
2. As against the 1st Defendant, damages for breach of fiduciary duty to be assessed;
3. As against the 1st Defendant, an order restraining him and/or his servants and/or agents from presenting a winding-up petition against the Company based on the 218 notice dated 14.6.2013 and/or any other parts of the alleged debt pursuant to the aforesaid 218 notice until the final disposal of this matter;
4. As against the 2nd Defendant, an order restraining the 2nd Defendant and/or its servants and/or agents from presenting a winding-up petition against the Company based on the 218 notice dated 14.6.2013 and/or any other parts of the alleged debt pursuant to the aforesaid 218 notice until the final disposal of this matter;

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Explanatory notes (cont'd)

Litigation summary (cont'd)

- 5.As against the 1st, 2nd and 4th Defendants, an order that they release/issue or caused to be released/issued the audited accounts of the 2nd Defendant for the financial period 30 June 2012 forthwith;
- 6.As against the 3rd and 4th Defendants, an order that the Security Documents as set out at paragraph 32 be delivered forthwith to the Company;
- 7.As against the 3rd and 4th Defendants the sum of RM8,993,493.00 to be paid by them jointly and severally pursuant to paragraph 31;
- 8.As against the 1st, 3rd and 4th Defendant, all damages and losses to be assessed as a result of the failure to deliver to the Company the Security Documents;
- 9.As against the 3rd and 4th Defendant, all damages and losses to be assessed as a result of the delay in the Company's receipt of the 2012 profit guarantee due to the 1st, 3rd and 4th Defendant's failure or delay in providing the 2nd Defendant's profit after tax for 30 June 2012;
- 10.As against the 1st, 2nd and 4th Defendants, damages for conspiracy to injure the Company;
- 11.As against the 1st and 5th Defendants, an order that all the Company's documents in their possession and custody be returned forthwith to the Plaintiff with a statutory declaration verifying the list of documents taken from the Company;
- 12.As against the 1st and 5th Defendants, damages for interference with and/or trespass to the Company's documents;
- 13.As against the 1st Defendant, damages for inducing and/or causing the 5th Defendant to breach his terms of employment with the Company; and
14. As against the 1st and 5th Defendants', damages for conspiracy to be assessed as a result of the Company's inability to defend itself against the 1st and 2nd Defendant's threat to wind up the Company.

On 9 July 2013, the Company had been served with two (2) separate sealed copies of winding-petitions by Messrs Gideon Tan Razali Zaini ("Gideon Tan"), solicitors for Lo Man Heng ("LMH") and Tamabina Sdn Bhd ("Tamabina"), a major subsidiary of the Company.

The winding-up petitions were both presented to the High Court of Malaya at Kuala Lumpur by LMH and Tamabina on 8 July 2013.

LMH states in the winding-up petition (No. 28NCC-636-07/2013) that: Nakamichi is indebted to LMH for the sum of RM4,404,298.67 ("the Said Sum 1") and the accrued interests at the rate of 2% per annum over the prevailing Base Lending Rate of RHB Bank Berhad from 1 June 2013 until the date of payment to be paid by Nakamichi.

Tamabina states in the winding-up petition (No. 28NCC-635-07/2013) that: Nakamichi is indebted to Tamabina for the sum of RM7,380,931.33 ("the Said Sum 2") and the accrued interests at the rate of 2% per annum over the prevailing Base Lending Rate of RHB Bank Berhad from 1 June 2013 until the date of payment to be paid by Nakamichi.

Capital commitments

There were no capital commitments as at September 30, 2013.

Seasonal and cyclical factors

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Explanatory notes (cont'd)

Capital commitments

There were no capital commitments as at September 30, 2013.

Seasonal and cyclical factors

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

Segmental information

Analysis by business segments were not performed as the primary timber segment has been de-consolidated from the Group in FY2013. The deconsolidation was mainly attributable to the lack of management control in Tamabina Sdn Bhd.

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Review of performance

Revenue

Analysis on Group basis

The Group has not recorded any revenue as its main business segment (timber) was deconsolidated from the Group in Financial Year 2013.

Results

Analysis on Group basis

The Group's loss for Q3FY2013 declined by RM125k from RM417k to RM292k in the current quarter (Q3FY2013) as compared to the preceding year (Q3FY2012). This was mainly attributable to the decreased operating expenses in view of the deconsolidation of Tamabina Sdn Bhd..

Profit forecast and profit guarantee

The Group did not publish any profit forecast.

Dividends

The Board of Directors does not recommend any dividend in respect of the financial period ended September 30, 2013.