

Nakamichi Corporation Berhad

Company No. 301384-H

Condensed Consolidated Income Statements For the quarter ended 30 June 2005

	<u>2005</u> Current Qtr Ended 30-Jun (RM'000)	<u>2004</u> Comparative Qtr Ended 30-Jun (RM'000)	<u>2005</u> 6 months Cummulative to date (RM'000)	<u>2004</u> 6 months Cummulative to date (RM'000)
Revenue	3,819	12,946	7,025	22,524
Operating Expenses	(5,078)	(13,976)	(9,992)	(24,367)
Other Operating Income/(Loss)	(38)	9	(29)	(4)
Profit/(Loss) from Operations	(1,297)	(1,021)	(2,996)	(1,847)
Finance costs-net	<u>(17)</u>	<u>(35)</u>	<u>(27)</u>	<u>(53)</u>
Profit/(Loss) before tax	(1,314)	(1,056)	(3,023)	(1,900)
Taxation	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
Net Profit/(Loss) for the period	<u>(1,315)</u>	<u>(1,056)</u>	<u>(3,024)</u>	<u>(1,900)</u>
EPS - Basic (sen)	(2.37)	(1.91)	(5.46)	(3.43)
- Diluted (sen)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2004)

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Condensed Consolidated Balance Sheets
As at 30 June 2005

	Quarter ended at 30-Jun-05 (RM'000)	Year ended 31-Dec-04 (RM'000)
NON-CURRENT ASSETS		
Property, Plant & Equipment	30,913	31,810
CURRENT ASSETS		
Inventories	20,382	23,423
Trade receivables	1,891	-
Other Receivables	48,404	48,138
Cash and bank balances	7,651	8,101
	<u>78,328</u>	<u>79,662</u>
CURRENT LIABILITIES		
Short term borrowings	636	1,390
Trade Payables	8,689	10,291
Other Payables	9,557	6,408
	<u>18,882</u>	<u>18,089</u>
NET CURRENT ASSETS	<u>59,446</u>	<u>61,573</u>
	<u>90,359</u>	<u>93,383</u>
FINANCED BY:		
Share Capital	55,410	55,410
Reserves	34,949	37,973
	<u>90,359</u>	<u>93,383</u>

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31st December 2004)

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Condensed Consolidated Cash Flow Statements

For the quarter ended 30 June 2005

	<u>2005</u> 6 months ended 30 June (RM'000)	<u>2004</u> 6 months ended 30 June (RM'000)
Net Profit/(Loss) before tax	(3,023)	(1,900)
Adjustment for non-cash flow:-		
Non-cash items		
Non-operating items (which are investing / financing)	896	1,128
Operating profit before changes in working capital	(2,127)	(772)
Changes in working capital		
Net Change in current assets	884	(6,198)
Net Change in current Liabilities	793	3,941
Net cash flow from operating activities	<u>(450)</u>	<u>(3,029)</u>
Investing Activities		
Other investments	<u>-</u>	<u>(39)</u>
	<u>-</u>	<u>(39)</u>
Net Change in Cash & Cash Equivalents	(450)	(3,068)
Cash & Cash Equivalents at beginning of year	8,101	8,922
Cash & Cash Equivalents at end of period	<u>7,651</u>	<u>5,854</u>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2004)

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**Condensed Consolidated Statements of Changes in Equity
For the quarter ended 30 June 2005**

	Share Capital (RM'000)	Reserve attributable to Capital (RM'000)	Reserve attributable to Revenue (RM'000)	Retained Profits/ (accumulated loss) (RM'000)	Total (RM'000)
6 months quarter ended 30 June 2005					
Balance at beginning of year	55,410	38,452	51	(530)	93,383
Movements during the period (cumulative)	-	-	-	(3,024)	(3,024)
Balance at end of period	55,410	38,452	51	(3,554)	90,359
6 months quarter ended 30 June 2004					
Balance at beginning of year	55,410	38,452	51	13,508	107,421
Movements during the period (cumulative)	-	-	-	(1,900)	(1,900)
Balance at end of period	55,410	38,452	51	11,608	105,521

Notes :

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st December 2004)

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Explanatory Notes

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with *MASB 26* Interim Financial Reporting and Chapter 9 part K of the Listing Requirements of Bursa Malaysia. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statement for the year ended 31 December 2004.

2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2004 was not qualified.

3. Comments about seasonal or cyclical factors

The Group is primarily in the business of manufacturing and sales of audio electronic products and there are the usual seasonal higher demands during the third quarter and lower demand in the first quarter of a calendar year.

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income and cash flows during the period ended 30 June 2005.

5. Changes in estimates

There were no changes in estimates that have a material effect in the current quarter.

6. Issuance or repayment of debts and equity securities

The Group did not implement any scheme that involved issuance and repayment of debt and equity securities, share buy-backs, share cancellations,

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shares held as treasury shares and resale of treasury shares for the current financial year to date.

7. Dividend paid

No dividend has been recommended or declared for the period under review.

8. Segment revenue and segment result

The basis of business segment reporting is not applicable to the Group as it manufactures one product category sold through its sole distributor.

9. Valuation of property, plant and equipment brought forward

The valuation of property, plant and equipment has been brought forward, without amendment from the previous annual financial statements.

10. Material subsequent events

As reported in the previous quarterly announcement, the Company had on 24 February 2003 received a letter from Grande (Nominees) Limited (“GNL”) offering to settle the amount due from Nakamichi Corporation Japan (“NCJ”) by offering 97,568,000 shares of Sansui Electric Co. Ltd (“Sansui”) (“Sansui Shares”) as consideration for the amount owing. Sansui is a company listed on the Tokyo and Osaka Stock Exchange while NCJ is a trade debtor of Nakamichi Malaysia Sdn Bhd (“NMSB”).

On 5 September 2002, the Tokyo District Court formally approved the Civil Rehabilitation Programme (“CRP”) of NCJ. In accordance with the CRP, 10% of amounts due from NCJ would be converted into a 10-year long term debt while 4% will be compensated by new shares in NCJ valued at Yen 10 each. The remainder of the amounts due amounting to 86% is to be waived.

In view of the above, GNL, in its letter dated 24 February 2003, has agreed to compensate NMSB’s losses in respect of the 86% “hair-cut” as well as to acquire the new NCJ shares and the long-term debt from NMSB at NMSB’s

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stated book value, the consideration of which is to be satisfied by the issuance of Sansui Shares as stated above. The above compensation by GNL would represent a full settlement of the amount owed by NCJ of RM43,692,033 to NMSB as at the cut-off date of 4 March 2002.

GNL is a wholly owned subsidiary of The Grande Holdings Limited (“GHL”), which is the substantial shareholder of both the Company and NCJ.

The Board of Directors had on 20 May 2003 appointed the following Advisers to advise on the above:-

- OSK Securities Berhad as Main Adviser
- PM Securities Sdn Bhd as Independent Adviser
- Messrs Cheang & Ariff as Legal Adviser

The transaction is subject to the approval of other regulatory authorities namely the Hong Kong Stock Exchange.

On 31 May 2004, OSK Securities Berhad, on behalf of NCB, announced that GNL had via its letter dated 27 May 2004, informed NMSB that after due consideration with the relevant authorities in the Hong Kong Special Administrative Region, revised their original offer, in that the total number of shares to be offered to NMSB shall be based on the prevailing market price of the Sansui Shares over a five (5) day period that immediately precedes the date of transfer of the Sansui Shares.

The other terms set out in the letter of offer dated 24 February 2003 remain unchanged. The compensation by GNL would represent a full settlement of the amount owed by NCJ of RM43,692,033 to NMSB as at the cut-off date of 4 March 2002.

The board of NCB has received all the foreign regulatory approvals for the transaction except for the approval from Bank Negara.

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On 13 July 2005, the Company received approval from the Securities Commission to proceed with the transaction. Pending the approval from Bank Negara, the Company is preparing the documents to convene an EGM to seek shareholders approval to complete the transaction.

11. Changes in composition of the Company

The Group did not undertake any exercise that resulted in changes of its composition for the current financial period ended 30 June 2005.

12. Contingent liabilities / assets

There were no contingent liabilities/assets as at the date of this announcement.

13. Capital commitments

There was no amount of commitments for the purchase of property, plant and equipment not provided for in the current financial period ended 30 June 2005.

Selected Explanatory Notes pursuant to Appendix 9B of the Listing Requirements

14. Review of performance

The Group's revenue for the current quarter ended 30 June 2005 was RM3.8 million as compared with RM12.9 million for the same corresponding period last year. The Group reported a loss before taxation of RM3.02 million as compared with a loss before taxation of RM1.9 million for the same corresponding period last year. The higher loss in the current financial period as compared with the same corresponding period last year was due mainly to a lower sales turnover as a result of less orders received from its principal customer.

15. Comparison with preceding quarter's results

The Group's revenue for the current reporting quarter was RM 3.8 million as compared with RM 3.2 million in the previous quarter. The Group reported a

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loss before taxation of RM 1.3 million as compared with a loss before taxation of RM 1.7 million in the previous quarter.

16. Prospects

The Group will continue to focus on its core business, particularly the production of high quality home audio and visual systems for the Nakamichi brand. The Group will continuously work with its principal customer to identify new Nakamichi products to be added to its existing Nakamichi product range. As and when opportunities arise, the Group will source for other revenue streams.

17. Variance from profit forecast / guarantee

Not applicable.

18. Taxation

	RM'000
Based on results for year to date	(1)
Under/(over) provision in respect of prior years	Nil
Transfer to/(from) deferred taxation	Nil

	(1)

Deferred tax assets have not been recognised for the following items:-

	Group
	RM'000
Unutilised tax losses	3,324
Unabsorbed capital allowance	26,719
	<u>30,043</u>

19. Sale of any unquoted investments and / or properties

The Group did not undertake any sale of unquoted investments and / or properties for the current quarter and financial year to date.

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20. Purchase or disposal of quoted securities

The Group did not purchase or dispose any quoted securities for the current financial year to date.

21. Status of uncompleted corporate proposals

There are no outstanding corporate proposals as at the date of this announcement.

22. Group borrowings and debt securities

Short Term Borrowings

	Group RM'000
Bankers Acceptance	636

Total	636

The interest rates during the financial period for short-term borrowings falls between the range of 4.00 % and 4.25%. All the bank borrowings of the Group are unsecured.

23. Financial instruments with off balance sheet risk

The Group did not contract for any financial instruments with off balance sheet risk as at the date of this announcement.

24. Pending material litigation

There is no pending material litigation as at the date of this announcement.

25. Dividend

No dividend has been recommended or declared for the period under review.

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26. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period of 55,410,180, excluding treasury shares held by the Company, if any.

	Quarter Ended 30/06/05	6 months Ended 30/06/05
Basic earnings per share (sen)	(2.37)	(5.46)

BY ORDER OF THE BOARD

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