

Nakamichi Corporation Berhad

(Company No: 301384-H)

Part A - Explanatory Notes pursuant to Financial Reporting Standards (“FRS”) 134- “Interim Financial Reporting”

1. Basis of preparation

The quarterly financial statements are unaudited and have been prepared in compliance with the Financial Reporting Standards (“FRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The quarterly financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

2. Changes in Accounting Policies

The significant accounting policies adopted by the Group are consistent with those adopted in the audited annual financial statements for the year ended 31 December 2007, except for the adoption of FRS 134, Interim Financial Reporting which is effective for financial year beginning 1 January 2008.

The adoption of the FRS 134 does not have significant financial impact on the Group.

3. Auditors’ report

The auditors’ report on the financial statements for the year ended 31 December 2007 had a qualified audit opinion which is reproduced as follow:

“As disclosed in the Note 6 to the financial statements as at 31 December 2007, the Group via its wholly-owned subsidiary, Nakamichi Malaysia Sdn Bhd., had investment in shares in Sansui Electric Co. Ltd. (“SEC Shares”) with a carrying value of RM5,684,261. As disclosed in Note 22(b) to the financial statements, the Company had announced during the year that the shares certificates in respect of the above investment were missing.

The certificates of those shares were not made available for our audit and we were unable to perform appropriate alternative audit procedures to satisfy ourselves as to the existence and ownership of the above investment.”

As at the date of this report, the investigation on the missing SEC Shares is currently ongoing. The Board is continuing with their action to recover the missing shares.

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4. Seasonal or cyclical factors

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

5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the assets, liabilities, equity, net income and cash flows for the current quarter and financial period-to-date.

6. Changes in estimates

There were no changes in estimates that have a material effect for the current quarter and financial period-to-date.

7. Debts and equity securities

There were no issuances, cancellations, repurchases and repayments of the Company's debts or equity securities for the financial period-to-date.

8. Dividend

The Board does not recommend or declare any interim dividend for the financial period ended 30 September 2008.

9. Segmental reporting

Analysis by geographical segments of the Group's customers being the primary basis of the Group's segment reporting for the Group's revenue for the financial period ended 30 September 2008 is as follows:

	9 months period ended 30 September 2008 RM'000
Asia	1,886
Europe	1,043
North America	347
Middle East	112
Other	255
Total	<hr/> 3,643 <hr/>

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10. Valuation of property, plant and equipment brought forward

As at 30 September 2008, the valuation of property, plant and equipment has been brought forward, without any amendment from the previous annual financial statements.

11. Material subsequent events

There were no material events subsequent to the end of financial period that have not been reflected in the financial statements of the Group.

12. Changes in composition of the Group

There was no change in the composition of the Group for the financial period-to-date and up to the date of this report.

13. Contingent liabilities / assets

There were no contingent liabilities/assets as at 30 September 2008.

14. Capital commitments

There were no capital commitments as at 30 September 2008.

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Part B – Additional information as required by Appendix 9B of Bursa Malaysia Securities Berhad Listing Requirements

15. Review of performance

The Group's revenue for the current quarter was RM1.22 million as compared with RM1.77 million for the preceding year corresponding quarter. The Group reported a net loss of RM0.79 million for the current quarter as compared with a net loss of RM0.65 million for the corresponding quarter last year due mainly to high overhead cost.

For the financial period to date, the Group achieved a lower revenue of RM3.64 million as compared to RM6.98 million achieved in the preceding year corresponding period due to the slow down in the global economy and demand. The current period to date loss was RM2.24 million as compared to a loss of RM17.78 million for the corresponding period last year. The higher loss for the corresponding period last year was due mainly to higher material cost, retrenchment exercise and impairment loss in SEC Shares.

16. Comparison with preceding quarter's results

The Group's revenue for the current quarter was RM1.22 million as compared with RM1.14 million for the previous quarter. The Group reported a quarterly loss before taxation of RM0.79 million for the current quarter as compared with a loss before taxation of RM0.74 million for the previous quarter.

17. Prospects

The Board foresees a challenging time ahead for its audio and visual system business for the remaining period to the end of the financial year.

As stated in Note 22 of this announcement, the proposed acquisition of Tamabina Sdn Bhd ("TSB") is expected to diversify the future income stream of the Group to include extraction and sale of timber. With the guaranteed profit as part of the terms of the proposed acquisition, the Group would be assured of future earnings contribution from TSB.

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18. Variance from profit forecast / guarantee

Not applicable as no profit forecast was published.

19. Taxation

There is no tax expense for the current quarter and financial period-to-date as there is no taxable income.

20. Purchase or sale of any unquoted investments and / or properties

There were no purchases or sale of any unquoted investments and / or properties for the current quarter and financial period-to-date.

21. Purchase or disposal of quoted securities

There was no purchase or disposal of any quoted securities for the current quarter and financial period-to-date.

22. Status of uncompleted corporate proposals

Save as disclosed below, there are no corporate proposals that were announced but not completed within 7 days from the date of issue of the quarterly report.

Nakamichi Corporation Berhad ("NCB") had on 17 December 2007 announced that the Company had on 17 December 2007 entered into a conditional sale and purchase agreement ("SPA") to acquire 51% equity interest comprising 51,000 ordinary shares of RM1.00 each ("TSB Shares") in Tamabina Sdn Bhd from Lo Shwu Fen and Yap Siaw Lin for a total cash consideration of RM30 million ("Proposed Acquisition"). The Proposed Acquisition has received approvals from the Foreign Investment Committee and NCB's shareholders on 26 March 2008 and 13 June 2008 respectively. The proposed acquisition is currently pending completion.

23. Group borrowings and debt securities

There were no Group borrowings and debts securities as at 30 September 2008.

24. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at 30 September 2008.

25. Material litigation

There are no material litigations as at the date of this announcement.

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26. Earnings per share

Basic earnings per share

The basic earnings per share for the current quarter and financial period-to-date has been calculated based on the Group's loss attributable to equity holders of the Company of RM0.79 million and RM2.24 million respectively divided by the weighted average number of ordinary shares of 55,410,180.

Diluted earnings per share

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

BY ORDER OF THE BOARD