

Nakamichi Corporation Berhad

(Company No: 301384-H)

Explanatory Notes

1. Basis of preparation

The quarterly financial statements is unaudited and has been prepared in accordance with the Financial Reporting Standard ("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.

The accounting policies, estimates and methods of computation adopted by the Group in this quarterly financial report are consistent with those adopted in the financial statements 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. Qualified audit 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.

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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.

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 year.

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 debt or equity securities during the financial year.

8. Dividend

The Board does not recommend or declare any dividend for the financial year ended 31 December 2008.

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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 year ended 31 December 2008 is as follows:

	RM'000
Asia	2,653
Europe	1,083
North America	493
Middle East	114
Other	261
Total	<hr/> 4,604 <hr/>

10. Valuation of property, plant and equipment brought forward

As at 31 December 2008, the valuation of property, plant and equipment has been brought forward, without any amendment from the previous audited financial statements.

11. Material subsequent events

There were no material events subsequent to the end of the financial year 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 year and up to the date of this report.

13. Contingent liabilities / assets

There were no material contingent liabilities/assets as at 31 December 2008.

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14. Capital commitments

There were no capital commitments as at 31 December 2008.

15. Review of performance

The Group's revenue for the current quarter was RM0.96 million as compared with RM1.30 million for the preceding year corresponding quarter. The Group reported a net profit of RM3.57 million for the current quarter as compared with a net loss of RM5.75 million for the corresponding quarter last year. The profit for current quarter was due mainly to a net waiver obtained for amounts due to former related companies of RM3.74 million.

For the financial year ended 31 December 2008, the Group achieved a lower revenue of RM4.61 million as compared to RM8.28 million achieved in the preceding year due to lower demand as a results of the global economic crisis. The current year's profit was RM1.33 million as compared to a loss of RM23.53 million for the preceding year. This was mainly due to a net waiver obtained for amounts due to former related companies in the current year. The higher loss in the preceding year was due mainly to higher material cost, retrenchment exercise and an impairment loss in SEC Shares.

16. Comparison with preceding quarter's results

The Group's revenue for the current reporting quarter was RM0.96 million as compared with RM1.22 million for the previous quarter. The Group reported a quarterly profit before taxation of RM3.57 million for the current quarter as compared with a loss before taxation of RM0.79 million for the previous quarter due to net waiver obtained for amounts due to former related companies.

17. Prospects

The Board foresees a challenging time ahead for its audio and visual electronic business.

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

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proposed acquisition, the Group would be assured of future earnings contribution from TSB.

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 year as there is no taxable income.

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

There was no purchase or sale of any unquoted investments and / or properties for the current quarter and financial year.

21. Purchase or disposal of quoted securities

There were no purchases or disposal of any quoted securities for the current quarter and financial year.

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 the 51% equity interest comprising 51,000 ordinary shares of RM1.00 each in TSB ("TSB Shares") from Lo Shwu Fen and Yap Siaw Lin (collectively "the vendors") for a total cash consideration of RM30 million ("Proposed Acquisition").

On 3 December 2008, NCB entered into a Supplemental Agreement with the vendors to extend the completion date to end on a business day falling or before the expiry of 180 days from 3 December 2008.

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On 3 December 2008, NCB also entered into Novation Agreement with Yap Siaw Lin (“YSL”) and Lai Yun Fung (“LYF”) for the novation of all the benefits, rights and obligations of YSL under and pursuant to the SPA and the Supplemental Agreement to LYF.

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 31 December 2008.

24. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at 31 December 2008.

25. Material litigation

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

26. Earnings per share

Basic earnings per share

The basic earnings per share for the current quarter and financial year has been calculated based on the Group’s profit attributable to equity holders of the Company of RM3.57 million and RM1.33 million for the current quarter and financial year 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