

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

QUARTERLY UNAUDITED FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2009

Contents

	Page
Condensed unaudited consolidated income statements.....	2
Condensed unaudited consolidated balance sheets.....	3
Condensed unaudited consolidated statements of changes in equity.....	4
Condensed unaudited consolidated cash flow statements.....	5
Explanatory notes.....	6

Nakamichi Corporation Berhad

Condensed unaudited consolidated income statements for the period ended 30 September 2009

	Current Year quarter 30.09.2009 RM'000	Preceding year corresponding quarter 30.09.2008 RM'000	Current period to-date 30.09.2009 RM'000	Preceding year corresponding period 30.09.2008 RM'000
Revenue	12,947	1,223	16,391	3,643
Operating expenses	(12,663)	(2,013)	(17,820)	(5,887)
Other operating income	-	-	12,204	-
Profit/(Loss) from operations	284	(790)	10,775	(2,244)
Interest income	-	-	-	1
Finance costs	(448)	-	(451)	-
(Loss)/Profit before taxation	(164)	(790)	10,324	(2,243)
Tax expense	(692)	-	(693)	-
(Loss)/Profit for the period	(856)	(790)	9,631	(2,243)
Attributable to:				
Equity holders of the Company	(840)	(790)	9,876	(2,243)
Minority interest	(16)	-	(245)	-
(Loss)/Profit for the period	(856)	(790)	9,631	(2,243)
(Loss)/Earnings per ordinary share (sen)				
- Basic	(1.52)	(1.43)	17.82	(4.05)
- Diluted	N/A	N/A	N/A	N/A

(The condensed unaudited consolidated income statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2008)

Nakamichi Corporation Berhad
Condensed unaudited consolidated balance sheets as at 30 September 2009

	30.09.2009	(Audited)
	RM'000	31.12.2008
		RM'000
ASSETS		
Non current assets		
Property, plant and equipment	23,217	22,768
Prepaid lease payments	3,037	3,063
Intangible asset	80,535	-
Other investment	5,684	5,684
Total non current assets	<u>112,473</u>	<u>31,515</u>
Current assets		
Prepaid lease payments	35	35
Inventories	3,895	-
Receivables, deposits and prepayments	2,887	689
Cash and cash equivalents	401	14
Total current assets	<u>7,218</u>	<u>738</u>
TOTAL ASSETS	<u>119,691</u>	<u>32,253</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	55,410	55,410
Reserves	(14,378)	(24,256)
Shareholders' fund	41,032	31,154
Minority interest	40,303	-
Total equity	<u>81,335</u>	<u>31,154</u>
Long term liability		
Borrowings	18,011	-
Total long term liability	<u>18,011</u>	<u>-</u>
Current liabilities		
Payables and accruals	8,367	1,099
Tax liabilities	834	-
Borrowings	11,144	-
Total current liabilities	<u>20,345</u>	<u>1,099</u>
Total liabilities	<u>38,356</u>	<u>1,099</u>
TOTAL EQUITY AND LIABILITIES	<u>119,691</u>	<u>32,253</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.74	0.56

(The condensed unaudited consolidated balance sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2008)

Nakamichi Corporation Berhad

Condensed unaudited consolidated statements of changes in equity for the period ended 30 September 2009

	← Attributable to equity holders of the Company →						
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserves RM'000	Accumulated losses RM'000	Total RM'000	Minority interest RM'000	
At 1 January 2009	55,410	38,452	(7)	(62,701)	31,154	-	31,154
Foreign currency translation differences recognised directly in equity	-	-	2	-	2	-	2
Net gain recognised directly in equity	-	-	2	-	2	-	2
Net profit/(loss) for the period	-	-	-	9,876	9,876	(245)	9,631
Total recognised income and expense for the period	-	-	2	9,876	9,878	(245)	9,633
Minority interest arising on acquisition of a subsidiary	-	-	-	-	-	13	13
Minority interest's share of the fair value of the timber rights of the subsidiary acquired	-	-	-	-	-	40,535	40,535
At 30 September 2009	55,410	38,452	(5)	(52,825)	41,032	40,303	81,335

	← Attributable to equity holders of the Company →						
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserves RM'000	Accumulated losses RM'000	Total RM'000	Minority interest RM'000	
At 1 January 2008	55,410	38,452	49	(64,046)	29,865	-	29,865
Net loss for the period	-	-	-	(2,243)	(2,243)	-	(2,243)
At 30 September 2008	55,410	38,452	49	(66,289)	27,622	-	27,622

(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 2008)

Nakamichi Corporation Berhad
Condensed unaudited consolidated cash flow statements for the period ended 30 September 2009

	30.09.2009	30.09.2008
	RM'000	RM'000
Cash flows from operating activities		
Profit/(Loss) before taxation	10,324	(2,243)
Adjustments for:		
Amortisation of intangible asset	2,190	-
Amortisation of prepaid lease payments	26	26
Depreciation	543	594
Interest expense	451	-
Interest income	-	(1)
Negative goodwill arising on acquisition of a subsidiary	(12,204)	-
Other non-cash items	1	(22)
Operating loss before working capital changes	1,331	(1,646)
Changes in working capital:		
Inventories	(954)	-
Receivables, deposits and prepayments	(1,091)	(1,346)
Payables and accruals	3,813	2,460
Cash generated from/(used in) operations	3,099	(532)
Interest income received	-	1
Net cash generated from/(used in) operating activities	3,099	(531)
Cash flows from investing activities		
Net cash outflow from acquisition of a subsidiary	(29,813)	-
Proceed from disposal of property, plant and equipment	-	193
Purchase of property, plant and equipment	(572)	-
Net cash (used in)/generated from investing activities	(30,385)	193
Cash flows from financing activities		
Interest paid	(451)	-
Drawdown of borrowings – net	28,124	-
Net cash generated from financing activities	27,673	-
Net increase/(decrease) in cash and cash equivalents	387	(338)
Cash and cash equivalents at beginning of period	14	354
Cash and cash equivalents at end of period	401	16

(The condensed unaudited consolidated cash flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2008)

Explanatory notes

1. Basis of preparation

The quarterly financial report 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 annual audited financial statements of the Group for the year ended 31 December 2008.

The 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 2008.

2. Changes in Accounting Policies

Save for the adoption of the following accounting policy on timber rights, resulting from the acquisition of a new subsidiary (as disclosed in Note 12 below), which is involved in timber extraction, the significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008.

The accounting policy on timber rights is summarised as follows:

Timber rights represent the exclusive rights of a subsidiary to extract, purchase and sale of commercial timber logs extractable from a designated timber concession area located at Pinangah Forest Reserve, Sabah. Timber rights are stated at its acquisition costs and/or its fair value upon consolidation of the said subsidiary, less accumulated amortisation and impairment losses. Amortisation is provided on a unit of production basis so as to write off the costs in proportion to the depletion of the total volume of extractable logs.

3. Qualified audit report

The auditors’ report on the financial statements for the year ended 31 December 2008 had a qualified audit opinion which is reproduced as follows:

“Basis for Qualified Opinion

As disclosed in Note 7 to the financial statements, the Group via its wholly-owned subsidiary, Nakamichi Malaysia Sdn.Bhd.(“NMSB”) had investments in bearer shares in Sansui Electric Co. Ltd (“Sansui”) with a carrying value of RM5,684,261 as at 31 December 2008. The Company had on 7 August 2007, announced that the share certificates in respect of the above said investment were missing.

As at the date of this audit report, the share certificates are still missing and we were unable to carry out appropriate alternative audit procedures to obtain sufficient and appropriate audit evidence to satisfy ourselves as to existence, the carrying value and ownership of the said investment.

Opinion

In our opinion, except for the effects of such adjustments described in the Basis for Qualified Opinion paragraph, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards (“FRS”) and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the financial year ended on that date.”

As the date of this report, the investigation on the missing shares in Sansui is currently on-going. The Board is continuing with their action to recover the missing shares.

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

Save for the negative goodwill arising on acquisition of a subsidiary, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period to-date.

5. Changes in estimates

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

6. Taxation

The tax expense for the current quarter and financial period to-date are as follows:

	Current quarter 30.09.2009 RM'000	Financial period to-date 30.09.2009 RM'000
Tax expense, Malaysia – current	692	693

The tax expense for the Group for the current quarter and financial period to-date relates to the taxable income from our timber division.

The effective tax rate of the Group for the current quarter is higher than the statutory tax rate due mainly to losses incurred by the investment holding and audio and visual segments.

The effective tax rate of the Group for the financial period to-date is lower than the statutory tax rate due mainly to the certain income which is not assessable to tax.

7. Purchase or sale of unquoted investments/properties

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

8. Purchase or disposal of quoted securities

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

Investment in quoted securities as at 30 September 2009 is as follows:

	Cost RM'000	Book value RM'000	Market value RM'000
Total quoted investments	43,692	5,684	7,448

9. Valuation of property, plant and equipment

As at 30 September 2009, the valuations of land and building have been brought forward, without amendments from the audited financial statements as at 31 December 2008.

10. Borrowings

The Group borrowings as at the end of the reporting period are as follows:

	Total RM'000
Non current	17,490
Current	11,144
Total	28,634

As at 30 September 2009, all the borrowings are secured and there are no foreign currency denominated borrowings.

11. Debt and equity securities

There were no issuances, cancellations, repurchases and repayments of the Company's debt or equity securities for the period ended 30 September 2009.

12. Changes in composition of the Group

Save as disclosed below, there was no change in the composition of the Group for the financial period to-date.

The Company had on 9 June 2009 completed its acquisition of the 51% equity interest, comprising of 51,000 ordinary shares of RM1.00 each in Tamabina Sdn Bhd ("TSB") for a cash consideration of RM30,000,000. TSB is principally involved in the extraction and sale of timber logs. If the acquisition had occurred on 1 January 2009, management estimates that consolidated revenue for the financial period to-date would have been RM19.6 million whereas the consolidated net profit attributable to the ordinary shareholders of the Company will remain the same.

The effects on the acquisition date are as follows:

(i) Purchase Consideration

	RM'000
Cash consideration	30,000
Share of the fair value of net identifiable assets acquired	42,204
Negative goodwill	12,204

(ii) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount RM'000	Fair value RM'000
Total assets	4,681	4,681
Total liabilities	(4,654)	(4,654)
Intangible asset - Timber rights	-	82,726
	27	82,753
Net identifiable assets and liabilities		
The Group's share of the fair value of the net identifiable assets and liabilities arising from the acquisition		42,204

The timber rights of TSB were valued at approximately RM82.7 million and were recognised as an intangible asset on acquisition.

(iii) The net cash outflow on acquisition is derived as follows:

	Financial period to-date 30.09.2009 RM'000
Cash consideration	30,000
Cash and cash equivalents of TSB acquired	187
	29,813
Net cash outflow to the Group	

(iv) The acquired subsidiary has contributed the following results to the Group:

	Current quarter 30.09.2009 RM'000	Financial period to-date 30.09.2009 RM'000
Revenue	12,593	14,097
Profit attributable to the ordinary shareholders of the Company	860	862

13. Segmental information

With the newly acquired subsidiary in this current quarter, the Group has 3 identifiable business segments. Hence segmental information analysis by business segments, which is as follows, shall be the primary basis of the Group's segment reporting for the financial period ended 30 September 2009.

	Investment holding RM'000	Audio and visual RM'000	Timber RM'000	Total RM'000
Turnover	-	2,294	14,097	16,391
Results				
Segment results	9,447	(1,059)	2,387	10,775
Finance costs				(451)
Interest income				-
Profit before taxation				10,324
Taxation				(693)
Profit for the period				9,631
Minority interest				245
Profit attributable to equity holders of the Company				9,876

14. Corporate proposals

Save for the proposed disposal of up to 27,495,000 shares in Sansui held by NMSB which had been approved by the shareholders of the Company on 3 July 2007, there are no corporate proposals that were announced but not completed within 7 days from the date of issue of this quarterly report.

15. Material events subsequent to the balance sheet date

There are no material events subsequent to the balance sheet date that have not been reflected in the financial statements of the Group.

16. Contingent liabilities/assets

There were no material contingent liabilities/assets as at 30 September 2009.

17. Capital commitments

The capital commitments of the Group as at 30 September 2009 are as follows:

	RM'000
Purchase of plant and equipment	
- Approved but not contracted for	4,550

18. Off-balance sheet financial instruments

As at the date of this quarterly report, there were no off balance sheet financial instruments.

19. Seasonal and cyclical factors

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

20. Material litigation

There is no material litigation within 7 days from the date of the quarterly report.

21. Review of performance

The Group's revenue for the current quarter and current period increased by RM11.7 million and RM12.7 million as compared with the preceding year corresponding quarter and period respectively. This is mainly attributable to the revenue contribution from the timber division which was acquired towards the end of the second quarter of this year.

The Group registered a turnaround from a net loss of RM2.2 million for the preceding year corresponding period to a net profit of RM9.9 million for the current period. This was due mainly to the negative goodwill arising on acquisition of the timber division.

The Group's net loss for the current quarter is about the same as the net loss for the preceding year corresponding quarter.

22. Quarterly analysis

Comparing quarter on quarter, the Group's revenue increased by RM10.5 million to RM12.9 million for the current quarter. Excluding the negative goodwill on acquisition of the timber division, the Group recorded an improvement by registering a lower loss before taxation of RM0.2 million versus a loss before taxation of RM1.3 million for the previous quarter.

23. Prospects

Due to the ongoing global economic crisis, the Board expects the remaining period to the end of the financial year to be challenging. However, with the acquisition of TSB, the Group has diversified its earnings base to include the extraction and sale of timber logs.

24. Profit forecast and profit guarantee

The Group did not publish any profit forecast. The vendors of TSB have jointly and severally guarantee on the achievement by TSB of an audited profit after taxation of not less than RM12 million per annum for each the 3 financial years ending 31 December 2011.

25. Earnings per share

Earnings/(Loss) per share

The basic earnings per share for the current quarter and financial period to-date was arrived at as follows:

	(Loss)/profit attributable to equity holders of the Company RM'000	Weighted average number of ordinary shares '000	Basic (loss)/earnings per share Sen
Current quarter	(840)	55,410	(1.52)
Financial period to-date	9,876	55,410	17.82

Diluted earnings per share

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

26. Dividends

The Board of Directors does not recommend any dividend in respect of the financial period ended 30 September 2009.