

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

**QUARTERLY UNAUDITED FINANCIAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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**Nakamichi Corporation Berhad**

**Condensed unaudited consolidated income statements for the year ended 31 December 2009**

	<b>Current year quarter 31.12.2009 RM'000</b>	<b>Preceding year corresponding quarter 31.12.2008 RM'000</b>	<b>Current year 31.12.2009 RM'000</b>	<b>Preceding year 31.12.2008 RM'000</b>
<b>Revenue</b>	12,426	961	28,817	4,604
Operating expenses	(20,993)	(1,122)	(38,708)	(7,009)
Other operating income	-	3,749	12,099	3,749
<b>(Loss)/Profit from operations</b>	<b>(8,567)</b>	<b>3,588</b>	<b>2,208</b>	<b>1,344</b>
Interest income	49	-	49	1
Finance costs	(430)	-	(881)	-
<b>(Loss)/Profit before taxation</b>	<b>(8,948)</b>	<b>3,588</b>	<b>1,376</b>	<b>1,345</b>
Tax expense	6	-	(687)	-
<b>(Loss)/Profit for the period</b>	<b>(8,942)</b>	<b>3,588</b>	<b>689</b>	<b>1,345</b>
<b>Attributable to:</b>				
Equity holders of the Company	(8,109)	3,588	1,767	1,345
Minority interest	(833)	-	(1,078)	-
<b>(Loss)/Profit for the period</b>	<b>(8,942)</b>	<b>3,588</b>	<b>689</b>	<b>1,345</b>
(Loss)/Earnings per ordinary share (sen)				
- Basic	(14.63)	6.47	3.19	2.43
- 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 31 December 2009**

	<b>31.12.2009</b>	<b>(Audited)</b>
	<b>RM'000</b>	<b>31.12.2008</b>
		<b>RM'000</b>
<b>ASSETS</b>		
<b>Non current assets</b>		
Property, plant and equipment	1,670	22,768
Prepaid lease payments	-	3,063
Intangible asset	78,956	-
Other investment	-	5,684
<b>Total non current assets</b>	<u>80,626</u>	<u>31,515</u>
<b>Current assets</b>		
Non-current asset held for sale	24,488	-
Prepaid lease payments	-	35
Inventories	4,009	-
Receivables, deposits and prepayments	1,232	689
Cash and cash equivalents	2,250	14
<b>Total current assets</b>	<u>31,979</u>	<u>738</u>
<b>TOTAL ASSETS</b>	<u>112,605</u>	<u>32,253</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	55,410	55,410
Reserves	(22,485)	(24,256)
Shareholders' fund	32,925	31,154
Minority interest	38,880	-
<b>Total equity</b>	<u>71,805</u>	<u>31,154</u>
<b>Long term liabilities</b>		
Borrowings	15,893	-
Deferred tax liabilities	29	-
<b>Total long term liabilities</b>	<u>15,922</u>	<u>-</u>
<b>Current liabilities</b>		
Payables and accruals	12,771	1,099
Tax liabilities	735	-
Borrowings	11,372	-
<b>Total current liabilities</b>	<u>24,878</u>	<u>1,099</u>
<b>Total liabilities</b>	<u>40,800</u>	<u>1,099</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>112,605</u>	<u>32,253</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.59	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 year ended 31 December 2009**

	← Attributable to equity holders of the Company →						Total equity RM'000
	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	
<b>At 1 January 2009</b>	55,410	38,452	(7)	(62,701)	31,154	-	31,154
Foreign currency translation differences recognised directly in equity	-	-	4	-	4	-	4
Net gain recognised directly in equity	-	-	4	-	4	-	4
Net profit/(loss) for the financial year	-	-	-	1,767	1,767	(1,078)	689
Total recognised income and expense for the financial year	-	-	4	1,767	1,771	(1,078)	693
Minority interest arising on acquisition of a subsidiary	-	-	-	-	-	(88)	(88)
Minority interest's share of the fair value of the timber rights of the subsidiary acquired	-	-	-	-	-	40,536	40,536
Dividend	-	-	-	-	-	(490)	(490)
<b>At 31 December 2009</b>	55,410	38,452	(3)	(60,934)	32,925	38,880	71,805

	← Attributable to equity holders of the Company →						Total equity RM'000
	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	
<b>At 1 January 2008</b>	55,410	38,452	49	(64,046)	29,865	-	29,865
Foreign currency translation differences recognised directly in equity	-	-	(56)	-	(56)	-	(56)
Net profit for the financial year	-	-	-	1,345	1,345	-	1,345
<b>At 31 December 2008</b>	55,410	38,452	(7)	(62,701)	31,154	-	31,154

**(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 year ended 31 December 2009**

	<b>31.12.2009</b>	<b>(Audited)</b>
	<b>RM'000</b>	<b>31.12.2008</b>
		<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	1,376	1,345
Adjustments for:		
Allowance for doubtful debts	314	-
Amortisation of intangible asset	3,768	-
Amortisation of prepaid lease payments	35	35
Depreciation	820	753
Interest expense	881	-
Interest income	(49)	(1)
Negative goodwill arising on acquisition of a subsidiary	(12,099)	-
Impairment loss on other investment	5,684	-
Impairment loss on property	686	-
Waiver of debts due to former related companies (net)	-	(3,743)
Other non-cash items	5	(50)
Operating profit/(loss) before working capital changes	1,421	(1,661)
Changes in working capital:		
Inventories	(1,068)	-
Receivables, deposits and prepayments	249	41
Payables and accruals	6,803	1,087
Cash generated from/(used in) operations	7,405	(533)
Interest income received	49	1
<b>Net cash generated from/(used in) operating activities</b>	<b>7,454</b>	<b>(532)</b>
<b>Cash flows from investing activities</b>		
Net cash outflow from acquisition of a subsidiary	(29,813)	-
Proceed from disposal of property, plant and equipment	-	192
Purchase of property, plant and equipment	(1,415)	-
<b>Net cash (used in)/generated from investing activities</b>	<b>(31,228)</b>	<b>192</b>
<b>Cash flows from financing activities</b>		
Interest paid	(881)	-
Drawdown of borrowings – net	26,891	-
<b>Net cash generated from financing activities</b>	<b>26,010</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents	2,236	(340)
Cash and cash equivalents at beginning of financial year	14	354
<b>Cash and cash equivalents at end of financial year</b>	<b>2,250</b>	<b>14</b>

**(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 at the date of this report, the investigation on the missing shares in Sansui is still on-going. Nonetheless, an allowance for full diminution in value of the investment has been made in the current quarter.

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

Save for the negative goodwill arising on acquisition of a subsidiary and impairment losses on property and on other investment, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial year.

#### **5. Changes in estimates**

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

#### **6. Taxation**

The tax expense for the current quarter and financial year are as follows:

	<b>Current quarter</b> <b>31.12.2009</b> <b>RM'000</b>	<b>Current year</b> <b>31.12.2009</b> <b>RM'000</b>
Tax expense, Malaysia – current	(35)	658
Deferred tax expense – current	29	29
Total	<u>(6)</u>	<u>687</u>

The tax expense for the Group for the financial year relates to the taxable income from our timber segment. The tax expense for the current quarter relates to an over provision in tax expense in the preceding quarters for the current year.

The effective tax rate of the Group for the financial year is higher than the statutory tax rate due mainly to certain charges not allowable for tax purposes.

#### **7. Purchase or sale of unquoted investments/properties**

There were no purchases or sales of unquoted investments/properties for the current quarter and financial year.

#### **8. Purchase or disposal of quoted securities**

There was no purchase or disposal of quoted securities for the current quarter and financial year.

## 9. Valuation of property, plant and equipment

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

## 10. Borrowings

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

	<b>Total RM'000</b>
Non current	15,893
Current	11,372
Total Group borrowings	<u>27,265</u>

As at 31 December 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 year ended 31 December 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 year.

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 year would have been RM32.1 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

	<b>RM'000</b>
Cash consideration	30,000
Share of the fair value of net identifiable assets acquired	<u>42,099</u>
Negative goodwill	<u>12,099</u>



**(ii) Assets and liabilities acquired**

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

	<b>Acquiree's carrying amount RM'000</b>	<b>Fair value RM'000</b>
Net liabilities	(179)	(179)
Intangible asset -Timber rights	-	82,726
	(179)	82,547
Net identifiable assets and liabilities		
The Group's share of the fair value of the net identifiable assets and liabilities arising from the acquisition		42,099

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:**

	<b>Current year 31.12.2009 RM'000</b>
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:**

	<b>Current quarter 31.12.2009 RM'000</b>	<b>Current year 31.12.2009 RM'000</b>
Revenue	12,015	26,112
(Loss)/Profit attributable to the ordinary shareholders of the Company	(61)	801

### 13. Segmental information

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 year ended 31 December 2009.

	<b>Investment holding RM'000</b>	<b>Audio and visual RM'000</b>	<b>Timber RM'000</b>	<b>Total RM'000</b>
<b>Turnover</b>	-	2,705	26,112	28,817
<b>Results</b>				
Segment results	7,444	(7,530)	2,294	2,208
Finance costs				(881)
Interest income				49
Profit before taxation				1,376
Taxation				(687)
Profit for the year				689
Minority interest				1,078
Profit attributable to equity holders of the Company				1,767

### 14. Corporate proposals

As the Company had announced on 7 August 2007 that all the share certificates for its investment in Sansui were missing, 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, cannot be implemented.

Pursuant to the above, 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 31 December 2009.

### 17. Capital commitments

The capital commitments of the Group as at 31 December 2009 are as follows:

	<b>RM'000</b>
Purchase of plant and equipment - Approved but not contracted for	<u>4,288</u>

## **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 year increased by RM11.5 million and RM24.2 million as compared with the preceding year corresponding quarter and preceding year respectively. This was mainly attributable to the revenue contribution from the timber segment which was acquired towards the end of the second quarter of this year.

The Group registered a net loss of RM8.1 million for the current quarter as compared with a net profit of RM3.6 million for the preceding year corresponding quarter. This was due mainly to impairment losses incurred on other investment and property totaling RM6.4 million and amortisation of the fair value of the timber rights amounting to RM1.6 million for the current quarter. Whereas, the net profit for the preceding year corresponding quarter included a net waiver of debts from the former related companies of RM3.7 million.

Comparing year on year, the Group registered an increase in its net profit from RM1.3 million for the preceding year to RM1.8 million for the current year. The improvement was due mainly to the profit contribution from the timber segment and a negative goodwill arising on acquisition of the timber segment. However, the improvement was partially off set by the impairment losses of RM6.4 million mentioned above and amortization of the fair value of the timber rights of RM3.8 million.

## **22. Quarterly analysis**

Comparing quarter on quarter, the Group's revenue decreased marginally by RM0.5 million to RM12.4 million for the current quarter. The Group's loss before taxation widened from RM0.2 million for the previous quarter to RM8.9 million for the current quarter due mainly to the impairment losses mentioned in Note 21 above.

## **23. Prospects**

In view that there are signs of recovery amidst the ongoing global economic crisis, the Board is cautiously optimistic that the year 2010 to be satisfactory.

## 24. Profit forecast and profit guarantee

The Group did not publish any profit forecast.

On 30 December 2009, the shareholders of the Company had at an extraordinary general meeting approved the variation in the profit guarantee from the vendors of TSB. The variation entailed the joint and several guarantee from the vendors of TSB on the achievement by TSB of an audited consolidated profit after taxation of not less than RM12 million for each of the three (3) financial periods of twelve (12) months each ending 30 June 2010, 30 June 2011 and 30 June 2012. In addition, any excess of the amount of the profit guarantee in any of the relevant financial period under guarantee shall be carried forward to the subsequent financial period under guarantee for the purposes of computing the guaranteed profit for such subsequent financial period.

## 25. Earnings per share

### Earnings/(Loss) per share

The basic earnings/(loss) per share for the current quarter and financial year were arrived at as follows:

	<b>(Loss)/Profit attributable to equity holders of the Company RM'000</b>	<b>Weighted average number of ordinary shares '000</b>	<b>Basic (loss)/earnings per share Sen</b>
Current quarter	(8,109)	55,410	(14.63)
Financial year	1,767	55,410	3.19

### 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 year ended 31 December 2009.