

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

QUARTERLY UNAUDITED FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2010

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Nakamichi Corporation Berhad
Condensed unaudited consolidated statements of comprehensive income for the period ended 31 March 2010

	Current year quarter 31.03.2010 RM'000	Preceding year corresponding quarter 31.03.2009 RM'000	Current period to-date 31.03.2010 RM'000	Preceding year corresponding period 31.03.2009 RM'000
Revenue	17,244	996	17,244	996
Operating expenses	(14,628)	(1,402)	(14,628)	(1,402)
Profit/(Loss) from operations	2,616	(406)	2,616	(406)
Finance costs	(385)	-	(385)	-
Profit/(Loss) before taxation	2,231	(406)	2,231	(406)
Tax expense	(724)	-	(724)	-
Profit/(Loss) for the period	1,507	(406)	1,507	(406)
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	17	-	17	-
Other comprehensive income for the period, net of tax	17	-	17	-
Total comprehensive income/(loss) for the period	1,524	(406)	1,524	(406)
Profit/(Loss) attributable to:				
Owners of the Company	443	(406)	443	(406)
Minority interest	1,064	-	1,064	-
Profit/(Loss) for the period	1,507	(406)	1,507	(406)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	460	(406)	460	(406)
Minority interest	1,064	-	1,064	-
Total comprehensive income/(loss) for the period	1,524	(406)	1,524	(406)
- Basic earnings/(loss) per ordinary share (sen)	0.80	(0.73)	0.80	(0.73)
- Diluted earnings per ordinary share (sen)	N/A	N/A	N/A	N/A

(The condensed unaudited consolidated statements of comprehensive income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

Nakamichi Corporation Berhad

Condensed unaudited consolidated statement of financial positions as at 31 March 2010

	31.03.2010	(Audited)
	RM'000	31.12.2009
		RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,618	1,670
Intangible asset	103,101	105,274
Total non-current assets	104,719	106,944
Current assets		
Assets held for sale	24,488	24,488
Inventories	3,851	4,009
Receivables, deposits and prepayments	5,521	1,232
Cash and bank balances	662	2,258
Total current assets	34,522	31,987
TOTAL ASSETS	139,241	138,931
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	55,410	55,410
Reserves	(22,025)	(22,485)
Shareholders' fund	33,385	32,925
Minority interest	39,944	38,880
Total equity	73,329	71,805
Long term and deferred liabilities		
Borrowings	13,332	15,892
Deferred tax	25,804	26,348
Total long term and deferred liabilities	39,136	42,240
Current liabilities		
Payables and accruals	13,430	12,779
Borrowings	11,344	11,372
Tax liabilities	2,002	735
Total current liabilities	26,776	24,886
Total liabilities	65,912	67,127
TOTAL EQUITY AND LIABILITIES	139,241	138,931
Net assets per share attributable to owners of the Company (RM)	0.60	0.59

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

Nakamichi Corporation Berhad
Condensed unaudited consolidated statements of changes in equity for the period ended 31 March 2010

	← Attributable to owners of the Company →				→	Minority interest RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserves RM'000	Accumulated losses RM'000			
At 1 January 2010	55,410	38,452	(8)	(60,929)	32,925	38,880	71,805
Total comprehensive income for the period	-	-	17	443	460	1,064	1,524
At 31 March 2010	55,410	38,452	9	(60,486)	33,385	39,944	73,329

	← Attributable to owners of the Company →				→	Minority interest RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserves RM'000	Accumulated losses RM'000			
At 1 January 2009	55,410	38,452	(7)	(62,701)	31,154	-	31,154
Total compressive loss for the period	-	-	-	(406)	(406)	-	(406)
At 31 March 2009	55,410	38,452	(7)	(63,107)	30,748	-	30,748

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 2009)

Nakamichi Corporation Berhad
Condensed unaudited consolidated statements of cash flow for the period ended 31 March 2010

	31.03.2010	31.03.2009
	RM'000	RM'000
Cash flows from operating activities		
Profit/(Loss) before taxation	2,231	(406)
Adjustments for:		
Amortisation of intangible asset	2,174	-
Depreciation	97	173
Interest expense	385	-
Other non-cash items	17	-
	4,904	(233)
Operating profit/(loss) before working capital changes		
Changes in working capital:		
Inventories	158	-
Receivables, deposits and prepayments	(4,289)	(1)
Payables and accruals	650	232
	1,423	(2)
Cash generated from/(used in) operations		
Interest income received	-	-
	1,423	(2)
Net cash generated from/(used in) operating activities	1,423	(2)
Cash flows from investing activities		
Purchase of property, plant and equipment	(45)	-
	(45)	-
Net cash used in investing activities	(45)	-
Cash flows from financing activities		
Interest paid	(385)	-
Repayment of borrowings – net	(2,589)	-
	(2,974)	-
Net cash used in financing activities	(2,974)	-
Net decrease in cash and bank balances	(1,596)	(2)
Cash and bank balances at beginning of period	2,258	14
Cash and bank balances at end of period	662	12

(The condensed unaudited consolidated statements of cash flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

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 do not include all the information required for the full annual financial statements and should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2009.

2. Significant Accounting Policies

Save as disclosed below, the significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009.

i) FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments and the new accounting policies are as follows:

I. Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

II. Financial instrument categories and subsequent measurement

The Group categorises financial instruments as follows:

Financial assets

a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b) *Held-to-maturity investments*

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group has the positive intention and the ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

c) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

d) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categories as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specially designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with gain or loss recognised in profit or loss.

III. Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose term require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

IV. Hedge accounting

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for hedge item is categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss. For a hedge item categorised as available-for-sale, the fair value gain or loss attributable to the hedge risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

Hedge of a net investment

A hedge of a net investment is a hedge in the interest of the net assets of a foreign operation. In a net investment hedge, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss on disposal of the foreign operation.

V. Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

Investment in equity securities

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries and associates were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries and associates are now categorised and measured as fair value through profit or loss, or as available-for-sale as detailed above.

Prior to the adoption of FRS 139, current investments were carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments. With the adoption of FRS 139, current investments are now categorised and measured as fair value through profit and loss as detailed above.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Changes on adoption

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance with the transitional provisions of FRS 139 for the first time adoption, adjustments arising from the remeasuring the financial instruments at the beginning of the financial period were recognised as adjustment of the opening balance of retained earnings or other appropriate reserve. Comparatives are not adjusted.

Consequently, the adoption of FRS 139 does not affect the basic and diluted earnings per ordinary share for prior periods. It is not practicable to estimate the impact arising from the adoption FRS 139 to the current period's basic and diluted earnings per ordinary share.

ii) FRS 8, Operating Segments

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114²⁰⁰⁴, *Segment Reporting*.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per ordinary share.

iii) FRS 117, Leases

The amendments clarify the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

iv) FRS 101 (revised), Presentation of Financial Statements

The Group applies revised FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per ordinary share.

The Group has not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Group:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distribution of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The Group plans to apply the abovementioned standards, amendments and interpretations from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011 except for FRS 1, Amendments to FRS 2, IC Interpretation 12 and IC Interpretation 15 which are not applicable to the Group.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impact to the current and prior periods' financial statements upon their first adoption.

3. Qualified audit report

The preceding annual audited financial statements of the Group were reported on without any qualification.

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter.

5. Changes in estimates

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

6. Taxation

The tax expense for the current quarter are as follows:

	Current quarter 31.03.2010 RM'000
Tax expense, Malaysia – current	1,267
Deferred tax – current	<u>(543)</u>
Total	<u>724</u>

The tax expense for the Group for the current quarter relates to the taxable income from our timber segment.

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

8. Purchase or disposal of quoted securities

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

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 period are as follows:

	RM'000
Non-current	13,332
Current	<u>11,344</u>
Total Group borrowings	<u>24,676</u>

As at 31 March 2010, 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 31 March 2010.

12. Changes in composition of the Group

There was no change in the composition of the Group for the current quarter and up to the date of this report.

13. Corporate proposals

There are no corporate proposals that were announced but not completed within 7 days from the date of this quarterly report.

14. Material events subsequent to the period end

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

15. Contingent liabilities/assets

The contingent liabilities of the Group as at 31 March 2010 are as follows:

	RM'000
Corporate guarantees	889
Bank guarantee	<u>500</u>
Total	<u>1,389</u>

The corporate guarantees are executed by the Company in favour of a licensed bank and a credit institution for hire purchase facilities granted to a subsidiary. Out of the total hire purchase facilities secured by corporate guarantees, a total of RM0.9 million was outstanding at the period end.

16. Capital commitments

Capital commitments as at 31 March 2010 are as follows:

	RM'000
Purchase of plant and equipment:	
- approved and contracted for	150
- approved but not contracted for	248
	398
Total	398

17. Unrecognised financial instruments

As at 31 March 2010, there were no financial instruments that were not recognised in the statement of financial position.

18. Segmental information

Analysis by business segments being the primary basis of the Group's segment reporting for the financial period ended 31 March 2010 is as follows:

	Investment holding RM'000	Audio and visual RM'000	Timber RM'000	Total RM'000
Turnover				
External turnover	-	-	17,244	17,244
Internal turnover	-	-	-	-
Total turnover	-	-	17,244	17,244
Results				
Segment results	(2,323)	(152)	5,091	2,616
Finance costs				(385)
Profit before taxation				2,231
Taxation				(724)
Profit for the period				1,507
Other comprehensive income for the period, net of tax				17
Total comprehensive income for the period				1,524
Minority interest				(1,064)
Total comprehensive income attributable to owners of the Company				460

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 of RM17.2 million has increased by RM16.2 million from the preceding year corresponding quarter. This was due mainly to the revenue contribution from the timber segment which was acquired towards the end the second quarter last year.

The Group registered a positive turn around of 209% from a net loss of RM0.4 million for the preceding year corresponding quarter to a net profit of RM1.51 million for the current quarter. The positive turnaround was mainly attributable to the profit contribution from the timber segment. This profit was partially off set by the losses incurred by the investment holding and audio and visual segments.

22. Quarterly analysis

Comparing quarter on quarter, the Group's revenue increased by RM4.8 million to RM17.24 million for the current quarter. This was attributable to an increase in the revenue contribution from the timber segment.

In line with the increase in revenue, the Group chalked up a significant turn around from a loss before taxation of RM8.9 million for the previous quarter to a profit before taxation of RM2.2 million for the current quarter. In addition, included in the previous quarter's loss before taxation were impairment losses incurred on other investment and property totaling RM6.4 million.

23. Prospects

In view of the improving global economy, the Board is cautiously optimistic that the remaining period to the end of financial year 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. Assets held for sale

The Group had in 2009 expressed its intention to sell its leasehold land and building. As such, the leasehold land and building has been reclassified in 2009 as "Assets held for sale" in accordance with FRS 5, Non-current Assets Held for Sale and Discontinued Operations.

The assets held for sale as at 31 March 2010 comprise as follows:

	Amount
	RM'000
Leasehold land	3,064
Leasehold buildings	21,424
Total	24,488

26. Earnings per share

Earnings per share

The basic earnings per share for the current quarter were arrived at as follows:

	Profit attributable to owners of the Company RM'000	Weighted average number of ordinary shares '000	Basic earnings per share sen
Current quarter	443	55,410	0.80

Diluted earnings per share

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

27. Dividends

The Board of Directors does not recommend any dividend in respect of the financial period ended 31 March 2010.