

# **NAKAMICHI CORPORATION BERHAD**

(Company No: 301384-H)

(Incorporated in Malaysia)

## **QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED DECEMBER 31, 2015**

# Contents

	Page
<b>Condensed unaudited consolidated statements of profit or loss and other comprehensive income</b>	<b>3</b>
<b>Condensed unaudited consolidated statement of financial position</b>	<b>4</b>
<b>Condensed unaudited consolidated statement of changes in equity</b>	<b>5</b>
<b>Condensed unaudited consolidated statements of cash flow</b>	<b>6</b>
<b>Explanatory notes</b>	<b>7</b>
<b>Review of performance</b>	<b>14</b>

# Nakamichi Corporation Berhad

## Condensed unaudited consolidated statements of profit or loss and other comprehensive income for the three months period ended December 31, 2015

	INDIVIDUAL QUARTER		CUMMULATIVE QUARTER	
	Current year quarter 31.12.2015	Preceding year corresponding quarter	Current year-to- date 31.12.2015	Preceding year corresponding period
	RM	RM	RM	RM
Revenue	-	-	-	-
Operating expenses	(117,060)	(121,760)	(2,115,438)	(485,873)
Other operating income / (loss)	<u>1,660,217</u>	<u>1,654</u>	<u>1,660,217</u>	<u>227,022</u>
<b>Loss from operation</b>	<b>1,543,157</b>	<b>(120,106)</b>	<b>(455,221)</b>	<b>(258,851)</b>
Interest income	-	-	-	-
Finance costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Loss before tax</b>	<b>1,543,157</b>	<b>(120,106)</b>	<b>(455,221)</b>	<b>(258,851)</b>
Tax expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Loss for the period</b>	<b>1,543,157</b>	<b>(120,106)</b>	<b>(455,221)</b>	<b>(258,851)</b>
Other comprehensive income / (loss), net of tax	<u>(4,404,299)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income / (loss) for the period</b>	<b><u>(2,861,142)</u></b>	<b><u>(120,106)</u></b>	<b><u>(455,221)</u></b>	<b><u>(258,851)</u></b>
<b>Basic loss per ordinary share (sen)</b>	<b><u>(5.16)</u></b>	<b><u>(0.22)</u></b>	<b><u>(0.82)</u></b>	<b><u>(0.47)</u></b>

*(The condensed unaudited consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the Annual Financial Report for the year ended December 31, 2014)*

# Nakamichi Corporation Berhad

## Condensed unaudited consolidated statement of financial position as at December 31, 2015

	As at current financial period end 31.12.2015 RM	As at preceding financial year ended 31.12.2014 RM
Receivables, deposits and prepayments	11,625	11,625
Cash and cash equivalents	1,190	1,140
<b>Current assets</b>	<b>12,815</b>	<b>12,765</b>
<b>TOTAL ASSETS</b>	<b>12,815</b>	<b>12,765</b>
Share capital	55,410,180	55,410,180
Share premium	38,451,919	38,451,919
Accumulated losses	(108,163,049)	(107,707,828)
<b>Equity</b>	<b>(14,300,950)</b>	<b>(13,845,729)</b>
Payables and accruals	13,402,567	13,202,107
Amount due to related party, See Thoo Chan	906,954	652,143
Tax liabilities	4,244	4,244
<b>Current liabilities</b>	<b>14,313,765</b>	<b>13,858,494</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,815</b>	<b>12,765</b>
Net liabilities per share	<b>(0.26)</b>	<b>(0.25)</b>

*(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended December 31, 2014)*

# Nakamichi Corporation Berhad

## Condensed unaudited consolidated statements of changes in equity for the period ended December 31, 2015

	Attributable to owners of the Company			
	Share capital RM	Non-distributable		Total RM
		Share premium RM	Accumulated losses RM	
At January 1, 2015	55,410,180	38,451,919	(107,707,828)	(13,845,729)
Total comprehensive income (loss) for the period	-	-	(455,221)	(455,221)
At December 31, 2015	<u>55,410,180</u>	<u>38,451,919</u>	<u>(108,163,049)</u>	<u>(14,300,950)</u>

	Attributable to owners of the Company			
	Share capital RM	Non-distributable		Total RM
		Share premium RM	Accumulated losses RM	
At January 1, 2014	55,410,180	38,451,919	(107,448,977)	(13,586,878)
Total comprehensive loss for the period	-	-	(258,851)	(258,851)
At December 31, 2014	<u>55,410,180</u>	<u>38,451,919</u>	<u>(107,707,828)</u>	<u>(13,845,729)</u>

*(The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the Annual Financial Report for the year ended December 31, 2014)*

# Nakamichi Corporation Berhad

## Condensed unaudited consolidated statements of cash flow for the period ended December 31, 2015

	12 months ended 31.12.2015 RM	12 months ended 31.12.2014 RM
Loss before taxation	(455,221)	(366,000)
<b>Adjustments for:</b>		
Interest expense	-	-
<b>Operating loss before working capital changes</b>	<b>(455,221)</b>	<b>(366,000)</b>
<b>Changes in working capital:</b>		
Receivables, deposits and prepayments	-	-
Inventories	-	-
Payables and accruals	455,221	366,000
<b>Cash generated / (used in) operations</b>	<b>-</b>	<b>-</b>
Tax paid	-	-
<b>Net cash generated from operating activities</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Cash advances from director	50	-
Interest paid	-	-
Proceeds / (Repayment) of bank borrowings - net	-	-
<b>Net cash used in financing activities</b>	<b>50</b>	<b>-</b>
Net increase in cash and cash equivalents	<b>50</b>	<b>-</b>
Cash and cash equivalents at beginning of year	1,140	1,140
<b>Cash and cash equivalents at end of period</b>	<b>1,190</b>	<b>1,140</b>
<b>Cash and cash equivalents at end of period comprised:</b>		
Cash and bank balances	<b>1,190</b>	<b>1,140</b>

# Nakamichi Corporation Berhad

## Explanatory notes

### **Basis of preparation**

The interim financial report is unaudited and has been prepared in compliance with FRS 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board and International Accounting Standard (“IAS”) 34 : Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”) and Appendix 9B Part A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended December 31, 2014. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended December 31, 2014.

### **Significant Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended December 31, 2014.

### **Audit report**

The auditors had expressed a disclaimer opinion on the Group's going concern and the potential misstatements in opening balances for the financial year ended 31 December 2014.

### **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.

### **Seasonal and cyclical factors**

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

### **Changes in estimates**

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

### **Changes in composition of the Group**

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

# Nakamichi Corporation Berhad

## Explanatory notes (cont'd)

### **Material events during the year**

The Group has been classified as PN17 company subsequent to April 28, 2015. The PN17 criteria was triggered as there was a Court Order issued for winding-up of Tamabina Sdn Bhd, a 51% owned major subsidiary of the Company.

### **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.

### **Valuation of property, plant and equipment**

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

### **Taxation**

There are no tax expenses incurred for the current quarter.

### **Dividend paid**

There were no dividends paid during the current quarter under review and financial year-to-date.

### **Borrowings**

The Group does not have borrowings as at the end of the current quarter.

### **Debt and equity securities**

There were no issuances, cancellations, repurchases and repayments of the Company's debt or equity securities for the period ended December 31, 2015.

### **Contingent liabilities/assets and material litigations**

There were no material changes to the contingent liabilities and assets of the Group as at December 31, 2015.



# Nakamichi Corporation Berhad

## Explanatory notes (cont'd)

### **Material Litigation**

#### **Federal Court (“FC”) Civil Application No. 8(f)-411 & 412-08/2014 Nakamichi Corporation Berhad v. Tamabina Sdn Bhd & another**

Both Bursa Malaysia and Securities Commission had filed their applications to intervene in the FC Leave Applications as the Questions involves points of public interest. Their applications have yet to be disposed of. The Grounds of Judgment of the CA Order have yet to be made available for purposes of the FC Leave Applications.

The Company was informed during case management on 16 April 2015 that Tamabina Sdn Bhd had been wound up on 3 February 2015.

Grounds of judgment of the CA Order have yet to be made available for purposes of the FC Leave Applications. During case management on 27 August 2015, FC fixed a further case management on 28 October 2015 @ 10 am pending the CA Grounds to be provided.

On 4 February 2016, Court of Appeal has served the Grounds of Judgement and the next FC case management is fixed on 4 March 2016.

### **Winding up Petitions**

Lo Man Heng and Tamabina each filed a winding up petition against the Company respectively through **Kuala Lumpur High Court (Winding-Up) Petition No. 28NCC-636-07/2013 and Petition No. 28NCC-635-07/2013**

#### **(i) Lo Man Heng (“LMH”)(1) Kuala Lumpur High Court (Winding-Up) Petition No. 28NCC-636-07/2013**

On 14 June 2012, LMH had served the winding up notice against the Company for the personal claim of the alleged amount due to LMH as at 31 May 2013 amounting to RM4,404,299. The winding up petition was filed on 8 July 2013. (Included in the amount of RM4,404,299 is RM1,660,217 an alleged amount claimed to be due as at 31 December 2012.)

The winding up petition was dismissed and struck out (as an abuse of process) on 25 October 2013 and the Court of Appeal had also dismissed LMH’s appeal against the High Court’s decision on 26 May 2014.

Based on the final decision of Court of Appeal, RM4,404,299 has been removed from other payables as at 31 December 2014.

# Nakamichi Corporation Berhad

## Explanatory notes (cont'd)

### Material Litigation

#### Winding up Petitions

##### (ii) Lo Man Heng (“LMH”)(2) KLHC Civil Suit No: 22NCVC-377-08/2014

On 12 August 2014 the Company received a new civil suit against the Company for the claim of the alleged amount due to LMH as at 31 December 2012 amounting to RM1,660,217 based on the same facts and documents in case (i) above.

The amount of RM1,448,173.07 out of the alleged amount of RM1,660,217 had no connections with the Company and was not advanced to the Company.

Based on the legal advisor opinion, NCB has a good prospect of defending this action.

During the trial of action on 11 and 12 January 2016, the High Court has fixed a further continuation of the trial of action on 25 March 2016.

##### Tamabina (“TSB”) Kuala Lumpur High Court (Winding-Up) Petition No. 28NCC-636-07/2013

On 14 June 2013, TSB served the winding up notice against the Company for the claim of the alleged amount due to TSB as at 31 May 2013 amounting to RM7,380,931. The winding up petition was filed on 8 July 2013.

The winding up petition was stayed by the High Court pending the disposal of the Civil Suit No. 22NCC-519-08/2013.

Upon disposal of Civil Suit No. 22NCC-519-08/2013, the winding up petition fixed for hearing on 5 January 2016 has been vacated. The matter is now fixed for hearing on 21 March 2016.

# Nakamichi Corporation Berhad

## Explanatory notes (cont'd)

### Material Litigation

#### Kuala Lumpur High Court Civil Suit No. No. 22NCC-519-08/2013, Nakamichi Corporation Berhad v. Lo Man Heng and 4 others

On 5 August 2013 the Company filed a Writ and Statement of Claim in Kuala Lumpur High Court Civil Suit No. 22NCC-519-08/2013 against LMH, TSB, and 3 others mainly for the following:

- a. Damages against LMH for his breach of fiduciary duties and conflict of interest in the Company;
- b. Claim of Profit Guarantee against 2 parties to the Company;
- c. Damages against LMH and TSB for conspiring to cost loss to the Company by issuing winding-up notices at the same time;
- d. Damages for interference with and/or causing trespass to the Company's documents against LMH and the former Chief Financial Officer;
- e. The return of all documents of the Company under the control of LMH and former Chief Financial Officer immediately; and
- f. Damages against LMH for inducing and/or causing the former Chief Financial Officer to breach his term of employment with the Company.

The High Court delivered the Judgment on 30 March 2015 in favour of the Company wherein the following reliefs were allowed:

- a. A declaration that LMH had breached his fiduciary duties towards the Company;
- b. Two defendants to the suit to pay RM10,218,598 to the Company being the profit guarantee as at 30 June 2012 arising from the acquisition of TSB;
- c. Two defendants to the suit to pay RM8,993,493 to the Company, being the profit guarantee as at 30 June 2011 arising from the acquisition of TSB;
- d. The Company is at liberty to file an application to the court asking LMH and former Chief Financial Officer to furnish the documents based on a list provided by the Company.
- e. Costs of RM150,000.00 to the Company to be paid jointly or severally by LMH.

On 22 April 2015, LMH and two defendants to the suit filed an appeal pursuant to the Judgement dated 30 March 2015 on the case above in Court of Appeal Civil Appeal No. W-02(NCC)(W)-687-04/2015.

The matter is fixed for case management at the Court of Appeal on 18 February 2016.

During case management on 18 February 2016, Court of Appeal has fixed a further case management on 17 March 2016 pending the Grounds of judgement to be provided.

# Nakamichi Corporation Berhad

## Explanatory notes (cont'd)

### **Capital commitments**

There were no capital commitments as at December 31, 2015.

### **Operating lease arrangements**

There were no operating lease arrangements as at December 31, 2015.

### **Financial instruments**

There were no financial instruments during the current quarter under review and financial year-to-date.

### **Cash and bank balances**

Cash and bank balances as at December 31, 2015 amounted to RM1,190.

### **Related party disclosures**

There are no material related party transaction during the current quarter under review and financial year-to-date

### **Profit forecast and profit guarantee**

The Group did not publish any profit forecast.

### **Segmental information**

Analysis by business segments were not performed as the primary timber segment has been de-consolidated from the Group in FY2013. The deconsolidation was mainly attributable to the lack of management control in Tamabina Sdn Bhd.

# Nakamichi Corporation Berhad

## Explanatory notes (cont'd)

### Proposed dividends

The Board of Directors does not recommend any dividend in respect of the financial period ended September 30, 2015.

### Corporate proposals

There were no corporate proposals announced but not completed as at reporting date.

### EPS / (LPS)

	INDIVIDUAL QUARTER		CUMMULATIVE QUARTER	
	Current year quarter 31.12.2015 RM	Preceding year corresponding quarter 31.12.2014 RM	Current year-to-date 31.12.2015 RM	Preceding year corresponding period 31.12.2014 RM
<b>Total comprehensive loss for the period</b>	(2,861,142)	(120,106)	(455,221)	(258,851)
<b>Weighted average number of ordinary shares in issue ('000)</b>	55,410,180	55,410,180	55,410,180	55,410,180
<b>Basic EPS / (LPS) (sen)</b>	(5.16)	(0.22)	(0.82)	(0.47)

### Authorised for issue

The quarterly unaudited financial report for the period ended December 31, 2015 were authorized for issued by the Board of Directors in accordance with a resolution of the Directors on February 23, 2016.

# Nakamichi Corporation Berhad

## Review of performance

### **Revenue**

#### Analysis on Group basis

The Group has not recorded any revenue as its main business segment (timber) was deconsolidated from the Group in Financial Year 2013.

### **Other income**

#### Analysis on Group basis

The Group has not recorded any other income as its main business segment (timber) was deconsolidated from the Group in Financial Year 2013. However in the current quarter the Group has recorded an other comprehensive income amounted to RM1.6 million due to an adjustment of provision for litigation cost in relation to Petition No. 22NCVC-377-08/2014 that was taken up in the Audited Financial Statement year ended 31 December 2014.

### **Other comprehensive income**

#### Analysis on Group basis

The Group has not recorded any other comprehensive income as its main business segment (timber) was deconsolidated from the Group in Financial Year 2013. However in the current quarter the Group has recorded an other comprehensive loss amounted to RM4.4 million due to reversal of provision for litigation cost in relation to Petition No. 28NCC-636-07/2013.

### **Comment on material changes in the result for the quarter reported on as compared with the immediate preceding quarter**

#### Analysis on Group basis

The Group's other income has increased by RM1.6 million due to an adjustment of provision for litigation costs in relation to Petition No. 22NCVC-377-08/2014 that was taken up in the Audited Financial Statement year ended 31 December 2014.

The Group's other comprehensive loss has increased by RM4.4 million due to an adjustment of the provision for litigation cost in relation to Petition No. 28NCC-636-07/2013 that was taken up in the Audited Financial Statement year ended 31 December 2014.