

NAKAMICHI CORPORATION BERHAD

(Company No: 301384-H)

(Incorporated in Malaysia)

QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED SEPTEMBER 30, 2016

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Nakamichi Corporation Berhad

Condensed unaudited consolidated statements of profit or loss and other comprehensive income for the six months period ended September 30, 2016

RM	INDIVIDUAL QUARTER		CUMMULATIVE QUARTER	
	Current quarter ended 30.09.2016	Corresponding quarter ended 30.09.2015	Current year to date 30.09.2016	Preceding period ended 30.09.2015
Revenue	-	-	-	-
Operating expenses	(677,348)	(1,757,478)	(1,261,096)	(1,998,378)
Other operating income / (loss)	-	-	-	-
Loss from operation	(677,348)	(1,757,478)	(1,261,096)	(1,998,378)
Finance costs	-	-	-	-
Loss before tax	(677,348)	(1,757,478)	(1,261,096)	(1,998,378)
Tax expenses	-	-	-	-
Loss for the period	(677,348)	(1,757,478)	(1,261,096)	(1,998,378)
Other comprehensive income / (loss), net of tax	-	4,404,299	-	4,404,299
Total comprehensive profit / (loss)	<u>(677,348)</u>	<u>2,646,821</u>	<u>(1,261,096)</u>	<u>2,405,921</u>
Basic loss per ordinary share (sen)	<u>(1.22)</u>	<u>4.78</u>	<u>(2.28)</u>	<u>4.34</u>

(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, 2015)

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Condensed unaudited consolidated statement of financial position as at September 30, 2016

RM	As at current financial period end 30.09.2016	As at preceding financial year ended 31.12.2015
Receivables, deposits and prepayments	172,385	-
Cash and cash equivalents	1,190	1,190
Current assets	173,575	1,190
Share capital	55,410,180	55,410,180
Share premium	38,451,919	38,451,919
Accumulated losses	(109,440,013)	(108,178,917)
Equity	(15,577,914)	(14,316,818)
Payables and accruals	14,078,831	13,352,653
Amount due to directors	1,567,867	860,564
Provision	100,547	100,547
Tax liabilities	4,244	4,244
Current liabilities	15,751,488	14,318,008
TOTAL EQUITY AND LIABILITIES	173,575	1,190
Net liabilities per share	<u><u>(0.28)</u></u>	<u><u>(0.26)</u></u>

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended December 31, 2015)

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Condensed unaudited consolidated statements of changes in equity for the period ended September 30, 2016

RM	Attributable to owners of the Company			Total
	Non-distributable		Accumulated losses	
	Share capital	Share premium		
At January 1, 2016	55,410,180	38,451,919	(108,178,917)	(14,316,818)
Total comprehensive loss for the period	-	-	(1,261,096)	(1,261,096)
At September 30, 2016	<u>55,410,180</u>	<u>38,451,919</u>	<u>(109,440,013)</u>	<u>(15,577,914)</u>
At January 1, 2015	55,410,180	38,451,919	(107,934,362)	(14,072,263)
Total comprehensive loss for the period	-	-	2,405,921	2,405,921
At September 30, 2015	<u>55,410,180</u>	<u>38,451,919</u>	<u>(105,528,441)</u>	<u>(11,666,342)</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, 2015)

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Condensed unaudited consolidated statements of cash flow for the period ended September 30, 2016

	9 months ended 30.09.2016 RM	9 months ended 30.09.2015 RM
<u>Loss before taxation</u>	(1,261,096)	(1,998,378)
Adjustments for:		
Interest expense	-	-
Operating loss before working capital changes	(1,261,096)	(1,998,378)
Payables and accruals	1,261,096	240,900
Cash generated / (used in) operations	-	(1,757,478)
Tax paid	-	-
Net cash generated from operating activities	-	(1,757,478)
Cash flows from financing activities		
Cash advances from director	-	-
Interest paid	-	-
Proceeds / (Repayment) of bank borrowings - net	-	-
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	-	(1,757,478)
Cash and cash equivalents at beginning of year	1,190	1,140
Cash and cash equivalents at end of period	1,190	(1,756,338)
Cash and cash equivalents at end of period comprised:		
Cash and bank balances	1,190	1,140

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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, 2015. 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, 2015.

Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended December 31, 2015.

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 2015.

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.

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Explanatory notes (cont'd)

Material events during the year

On 22 August 2016 M&A Securities Sdn Bhd, on behalf of the Board of Directors of Nakamichi Corporate Berhad (“NAKA”) wishes to announce that NAKA and Aktau Transit LLP has entered into a letter for the extension of time for an additional period of four (4) months from 27 July 2016 to 26 November 2016 to execute the definitive agreement. Pursuant to the terms of the Memorandum of Understanding (“MOU”), the MOU shall be valid for a period of three (3) months from the date of the MOU (i.e. 28 April 2016), unless mutually extended. The parties to the MOU shall terminate the MOU upon the execution of the definitive agreements.

On 23 August 2016, NAKA had submitted an application to extend submission of its regularisation plan to 31 December 2016.

On 29 August 2016, Mr. Temujin Nukenov has been appointed as an independent and non-executive director.

On 28 September 2016 on behalf of NAKA, M&A Securities Sdn Bhd announced that Bursa Malaysia Securities Berhad has decided to grant NAKA for a further extension of time of up to 31 December 2016 to submit its regularisation plan to the relevant regulatory authorities.

On 30 September 2016 Board of Directors of Naka announced that NAKA is in the process of formulating its regularisation plans and there are no material developments since the announcements made previously on its proposed regularisation plan. Bursa Securities had vide its letter dated 28 September 2016, approved the Company’s further extension of time application of up to 31 December 2016 to submit its regularisation plan to the relevant regulatory authorities.

Material events subsequent to the period end

On 24 October 2016 NAKA wishes to announce that the Court of Appeal had on 21 October 2016 unanimously dismissed the appeal brought by the Appellant (Lo Man Heng & 2 Ors) in Civil Appeal No: W-02(NCC)(W)-687-04/2015 with costs of RM30,000.00.

On 11 November 2016, Mr. Temujin Nukenov has been re-designate as an non-independent and non-executive director.

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.

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Explanatory notes (cont'd)

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, debt and equity securities.

The Group does not have borrowings as at the end of the current quarter. Additionally there were no issuances, cancellations, repurchases and repayments of the Company's debt or equity securities for the period ended September 30, 2016.

Contingent liabilities/assets and material litigations

There were no material changes to the contingent liabilities and assets of the Group as at September 30, 2016.

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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.

A notice of discontinuance was filed on 8 April 2016 and agreed by the respondent on 14 April 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.

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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.

The trial was completed on 7 October 2016 and a date for a decision has been fixed on 20 December 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.

The winding up petition has been withdrawn on 23 March 2016. However, as at to-date the sealed court order has yet to be received.

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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.

On 21 October 2016 the Court of Appeal had unanimously dismissed the appeal brought by the Appellant with costs of RM30,000.00. The KLHC judgment dated 30 March 2015 was affirmed by the Court of Appeal.

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Explanatory notes (cont'd)

Capital commitments

There were no capital commitments as at September 30, 2016.

Operating lease arrangements

There were no operating lease arrangements as at September 30, 2016.

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 30 September 2016 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.

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Explanatory notes (cont'd)

Proposed dividends

The Board of Directors does not recommend any dividend in respect of the financial period ended 30 September 2016.

Corporate proposals

On 23 August 2016, NAKA had submitted an application to extend submission of its regularisation plan to 31 December 2016, and on 28 September 2016 Bursa Malaysia Securities Berhad has decided to grant NAKA for a further extension of time of up to 31 December 2016 to submit its regularisation plan to the relevant regulatory authorities.

On 30 September 2016 Board of Directors of Naka wishes to announce that NAKA is in the process of formulating its regularisation plans and there are no material developments since the announcements made previously on its proposed regularisation plan. Bursa Securities had vide its letter dated 28 September 2016, approved the Company's further extension of time application of up to 31 December 2016 to submit its regularisation plan to the relevant regulatory authorities.

EPS / (LPS)

RM	INDIVIDUAL QUARTER		CUMMULATIVE QUARTER	
	Current year quarter 30.09.2016	Preceding year corresponding quarter 30.09.2015	Current year-to-date 30.09.2016	Preceding year corresponding period 30.09.2015
Total comprehensive loss for the period ('000)	(677)	2,647	(1,261)	2,406
Weighted average number of ordinary shares in issue ('000)	55,410	55,410	55,410	55,410
Basic Earning / (LPS) (sen)	(0.12)	0.48	(0.23)	0.43

Authorised for issue

The quarterly unaudited financial report for the period ended 30 September 2016 were authorised for issuance by the Board of Directors in accordance with a resolution of the Directors on 18 November 2016.

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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.

Performance analysis

Analysis on Group basis

The Group's total comprehensive loss for the period increased by approximately RM3.32mil from RM2.65mil total comprehensive income to approximately RM677k total comprehensive loss in the current quarter (Q3FY2016) as compared to the preceding year (Q3FY2015). This was mainly attributable to the reversal of provision for material litigation made in Q3FY2015, as well as increase in operating expenses for the current quarter such as legal, advisory and consultancy fees in relation to the regularization plan.

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 loss increased by RM416.4k from RM260.9k to RM677.3k in the current quarter (Q3FY2016) as compared to the immediate preceding year (Q2FY2016). This was mainly attributable to the as increase in operating expenses for the current quarter such as legal, advisory and consultancy fees in relation to the regularization plan.