

NAKAMICHI CORPORATION BERHAD

(Company No: 301384-H)

(Incorporated in Malaysia)

QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED DECEMBER 31, 2016

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Nakamichi Corporation Berhad

Condensed unaudited consolidated statements of profit or loss and other comprehensive income for the twelve months period ended December 31, 2016

RM	INDIVIDUAL QUARTER		CUMMULATIVE QUARTER	
	Current quarter ended 31.12.2016	Corresponding quarter ended 31.12.2015	Current year to date 31.12.2016	Preceding period ended 31.12.2015
Revenue	-	-	-	-
Operating expenses	(5,104,516)	1,527,289	(6,365,612)	(471,089)
Other operating income / (loss)	-	-	-	-
Loss from operation	(5,104,516)	1,527,289	(6,365,612)	(471,089)
Finance costs	-	-	-	-
Loss before tax	(5,104,516)	1,527,289	(6,365,612)	(471,089)
Tax expenses	-	-	-	-
Loss for the period	(5,104,516)	1,527,289	(6,365,612)	(471,089)
Other comprehensive income / (loss), net of tax	-	(4,404,299)	-	-
Total comprehensive profit / (loss)	<u>(5,104,516)</u>	<u>(2,877,010)</u>	<u>(6,365,612)</u>	<u>(471,089)</u>
Basic loss per ordinary share (sen)	<u>(9.21)</u>	<u>(5.19)</u>	<u>(11.49)</u>	<u>(0.85)</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 December 31, 2016

RM	As at current financial period end 31.12.2016	As at preceding financial year ended 31.12.2015
Receivables, deposits and prepayments	49,711	-
Cash and cash equivalents	1,131	1,190
Current assets	50,842	1,190
Share capital	55,410,180	55,410,180
Share premium	38,451,919	38,451,919
Accumulated losses	(114,099,750)	(107,734,138)
Equity	(20,237,651)	(13,872,039)
Payables and accruals	18,378,998	13,768,438
Amount due to directors	1,804,704	-
Provision	100,547	100,547
Tax liabilities	4,244	4,244
Current liabilities	20,288,493	13,873,229
TOTAL EQUITY AND LIABILITIES	50,842	1,190
Net liabilities per share	(0.37)	(0.25)

(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 December 31, 2016

RM	Attributable to owners of the Company			
	Non-distributable		Accumulated losses	Total
	Share capital	Share premium		
At January 1, 2016	55,410,180	38,451,919	(107,734,138)	(13,872,039)
Total comprehensive loss for the period	-	-	(6,365,612)	(6,365,612)
At December 31, 2016	<u>55,410,180</u>	<u>38,451,919</u>	<u>(114,099,750)</u>	<u>(20,237,651)</u>
At January 1, 2015	55,410,180	38,451,919	(107,707,828)	(13,845,729)
Prior year Adjustment	-	-	444,779	444,779
Restated as at January 1, 2015	55,410,180	38,451,919	(107,263,049)	(13,400,950)
Total comprehensive loss for the period	-	-	(471,089)	(471,089)
At December 31, 2015	<u>55,410,180</u>	<u>38,451,919</u>	<u>(107,734,138)</u>	<u>(13,872,039)</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 December 31, 2016

	12 months ended 31.12.2016 RM	12 months ended 31.12.2015 RM
<u>Loss before taxation</u>	(6,365,612)	(471,089)
Adjustments for:		
Non Trade Receivable written off	<u>-</u>	<u>11,625</u>
Operating loss before working capital changes	(6,365,612)	(459,464)
Receivable	(49,711)	-
Payables and accruals	<u>4,610,560</u>	<u>220,288</u>
Cash generated / (used in) operations	(1,804,763)	(239,176)
Tax paid	<u>-</u>	<u>-</u>
Net cash generated from operating activities	(1,804,763)	(239,176)
Cash flows from financing activities		
Cash advances from director	1,804,704	239,226
Interest paid	-	-
Proceeds / (Repayment) of bank borrowings - net	<u>-</u>	<u>-</u>
Net cash used in financing activities	1,804,704	239,226
Net increase in cash and cash equivalents	(59)	50
Cash and cash equivalents at beginning of year	<u>1,190</u>	<u>1,140</u>
Cash and cash equivalents at end of period	<u>1,131</u>	<u>1,190</u>
Cash and cash equivalents at end of period comprised:		
Cash and bank balances	<u>1,131</u>	<u>1,140</u>

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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

On 8 December 2016 Board of Directors of Naka announced that NAKA has incorporated a new wholly-owned subsidiary, namely Nakamichi Oil And Gas Sdn Bhd (“NOGSB”) in Malaysia. Its principal activity is to be involved in the exploration and production of hydrocarbon in the upstream oil and gas industry.

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Explanatory notes (cont'd)

Material events during the quarter

On 24 October 2016 NAKA announced 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 a non-independent and non-executive director and appointed as an Audit Committee member on 18 November 2016.

On 23 November 2016, NAKA announced that Lo Man Heng and two others have filed a notice of motion for leave to appeal to the Federal Court against the Court of Appeal's decision for Civil Appeal No: W-02(NCC)(W)-687-04/2015 Lo Man Heng & 2 Ors vs Nakamichi Corporation Berhad.

On 28 November 2016, M&A Securities Sdn Bhd on behalf of the Board of Directors of NAKA announced that NAKA and Aktau Transit LLP has entered into an extension of time for an additional period of another six (6) months from 26 November 2016 to execute the definitive agreement pursuant to the MOU dated 28 April 2016.

On 19 December 2016, M&A Securities Sdn Bhd on behalf of the Board of Directors of NAKA announced that NAKA submitted an application for a further extension of time of three (3) months up to 31 March 2017 to submit its regularisation plan to the relevant regulatory authorities. Bursa Malaysia Securities Berhad had on 24 January 2017 granted the extension of time up to 31 March 2017.

Material events subsequent to the period end

On 20 January 2017, M&A Securities Sdn Bhd on behalf of the Board of Directors of NAKA announced that he Company had on 20 January 2017 entered into two (2) agreements as follows:-

(a) Joint Investment Agency Agreement (“JIAA”) between Naka, Nakamichi Oil and Gas Sdn Bhd (“NOGSB”), a wholly-owned subsidiary of Naka, Aktau Transit LLP (“Aktau Transit”) and Caspian Oil Project LLP (“COP”) for the appointment of NOGSB as the agent of Aktau Transit to monitor and oversee the exploration, development and production activities of the Aktau Transit Oilfields (“Proposed Joint Operations and Monitoring”); and

(b) Investment agreement between Naka, Aktau Transit and COP (“Investment Agreement”) for the investment amount of up to USD146,000,000 (equivalent to RM657,000,000,000) for the Proposed Joint Operations and Monitoring. The JIAA and Investment Agreement are collectively known as “Agreements”). In relation thereto, the Company proposes to undertake the following proposals to regularise its financial position

- (i) Proposed Joint Operations and Monitoring
- (ii) Proposed par value reduction of the existing issued and paid-up share capital of Naka of RM55,410,180 comprising 55,410,180 ordinary shares of RM1.00 each in Naka to RM2,770,509 comprising 55,541,018 ordinary shares of RM0.05 each in Naka (“Naka Shares” or “Shares”) via the cancellation of RM0.95 from the existing par value of RM1.00 pursuant to Section 64 the Companies Act, 1965 (“Proposed Par Value Reduction”);

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Explanatory notes (cont'd)

Material events subsequent to the period end (cont'd)

- (iii) Proposed reduction of share premium by RM38,451,919 to set-off against Naka's accumulated losses ("Proposed Share Premium Reduction");
- (iv) Proposed special issue of 24,935,000 new Naka Shares ("Special Issue Shares") to an identified strategic investor ("Proposed Special Issue of Shares");
- (v) Proposed renounceable rights issue of 7,231,066,200 new Naka Shares ("Rights Shares") together with 3,651,533,100 free detachable warrants ("Warrants") at an issue price of RM0.10 per Rights Share after the Proposed Balance Sheet Reconstruction and Proposed Special Issue of Shares, on the basis of ninety (90) Rights Shares for every one (1) Shares held together with one (1) Warrant for every two (2) Rights Shares subscribed at an entitlement date to be determined later ("Proposed Rights Issue with Warrants");
- (vi) Proposed increase in the authorised share capital of the Company from RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each in Naka to RM1,000,000,000 comprising 20,000,000,000 Naka Shares ("Proposed IASC");
- (vii) Proposed amendments to the Memorandum and/or Articles of Association of the Company to facilitate the Proposed Par Value Reduction and Proposed IASC ("Proposed Amendments to M&A"); and
- (viii) Proposed diversification of Naka's business into the upstream oil and gas industry which include the exploration and production of hydrocarbon ("Proposed Diversification");

On 24 January 2017, M&A Securities Sdn Bhd on behalf of the Board of Directors of NAKA announced that Bursa Malaysia Securities Berhad has decided to grant the Company a further extension of time up to 31 March 2017 to submit its regularisation plan to the relevant regulatory authorities.

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.

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Explanatory notes (cont'd)

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 December 31, 2016.

Contingent liabilities/assets and material litigations

There were no material changes to the contingent liabilities and assets of the Group as at December 31, 2016.

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. The Grounds of Judgment of the CA Order was served on 4 February 2016 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.

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)

Winding up Petitions (cont'd)

(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.

The High Court has adjourned the matter to 3 March 2017.

Tamabina (“TSB”) Kuala Lumpur High Court (Winding-Up) Petition No. 28NCC-635-07/2013

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 was vacated and a new hearing date was fixed on 21 March 2016.

The Company was informed that the winding up petition was 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. 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.

The defendant had filed an application for leave to appeal the matter at the Federal Court. The Company had on 27 January 2017 filed an affidavit in response to oppose the leave to the Federal Court.

The Federal Court has fixed the matter for another case management on 28 March 2017.

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Explanatory notes (cont'd)

Capital commitments

There were no capital commitments as at December 31, 2016.

Operating lease arrangements

There were no operating lease arrangements as at December 31, 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 31 December 2016 amounted to RM1,131.

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 31 December 2016.

Corporate proposals

On 28 November 2016, M&A Securities Sdn Bhd on behalf of the Board of Directors of NAKA announced that NAKA and Aktau Transit LLP has entered into a letter for the extension of time for an additional period of another six (6) months from 26 November 2016 to execute the definitive agreement.

On 19 December 2016, M&A Securities Sdn Bhd on behalf of the Board of Directors of NAKA announced that NAKA submitted an application for a further extension of time of three (3) months up to 31 March 2017 to submit its regularisation plan to the relevant regulatory authorities. Bursa Malaysia Securities Berhad has decided to grant the Company a further extension of time up to 31 March 2017 to submit its regularisation plan to the relevant regulatory authorities.

EPS / (LPS)

RM	INDIVIDUAL QUARTER		CUMMULATIVE QUARTER	
	Current year quarter 31.12.2016	Preceding year corresponding quarter 31.12.2015	Current year-to-date 31.12.2016	Preceding year corresponding period 31.12.2015
Total comprehensive loss for the period ('000)	(5,105)	(2,877)	(6,366)	(471)
Weighted average number of ordinary shares in issue ('000)	55,410	55,410	55,410	55,410
Basic Earning / (LPS) (sen)	(0.92)	(0.52)	(1.15)	(0.09)

Authorised for issue

The quarterly unaudited financial report for the period ended 31 December 2016 were authorised for issuance by the Board of Directors in accordance with a resolution of the Directors on 27 February 2017.

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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 RM2.23mil from RM2.87mil total comprehensive loss to approximately RM5.10mil total comprehensive loss in the current quarter (Q4FY2016) as compared to the preceding year (Q4FY2015). This was mainly attributable by the increase in professional fees for the current quarter such as legal, technical advisory and financial 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 RM4.42mil from RM677k to RM5.10mil in the current quarter (Q4FY2016) as compared to the immediate preceding year (Q3FY2016). This was mainly attributable by the increase in professional fees for the current quarter such as legal, technical advisory and financial consultancy fees in relation to the regularization plan.