

NAKAMICHI CORPORATION BERHAD

(Company No: 301384-H)

(Incorporated in Malaysia)

QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED JUNE 30, 2017

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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 June 30, 2017

RM	INDIVIDUAL QUARTER		CUMMULATIVE QUARTER	
	Current quarter ended 30.06.2017	Corresponding quarter ended 30.06.2016	Current year to date 30.06.2017	Preceding period ended 30.06.2016
Revenue	-	-	-	-
Operating expenses	(2,195,250)	(260,964)	(3,724,108)	(583,748)
Other operating income / (loss)	-	-	-	-
Loss from operation	(2,195,250)	(260,964)	(3,724,108)	(583,748)
Finance costs	-	-	-	-
Loss before tax	(2,195,250)	(260,964)	(3,724,108)	(583,748)
Tax expenses	-	-	-	-
Loss for the period	(2,195,250)	(260,964)	(3,724,108)	(583,748)
Other comprehensive income / (loss), net of tax	-	-	-	-
Total comprehensive profit / (loss)	<u>(2,195,250)</u>	<u>(260,964)</u>	<u>(3,724,108)</u>	<u>(583,748)</u>
Basic loss per ordinary share (sen)	<u>(3.96)</u>	<u>(0.47)</u>	<u>(6.72)</u>	<u>(1.05)</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, 2016)

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Condensed unaudited consolidated statement of financial position as at June 30, 2017

RM	As at current financial period end 30.06.2017	As at preceding financial year ended 31.12.2016
Property, plant and equipment	34,087	-
Non Current Assets	34,087	-
Receivables, deposits and prepayments	232,496	49,711
Cash and cash equivalents	5,177	1,131
Current assets	237,673	50,842
Total Assets	271,760	50,842
Share capital	55,410,180	55,410,180
Share premium	38,451,919	38,451,919
Accumulated losses	(117,823,860)	(114,099,750)
Equity	(23,961,761)	(20,237,651)
Payables and accruals	16,941,409	18,378,998
Amount due to directors	7,191,565	1,804,704
Provision	100,547	100,547
Tax liabilities	-	4,244
Current liabilities	24,233,521	20,288,493
TOTAL EQUITY AND LIABILITIES	271,760	50,842
Net liabilities per share	(0.43)	(0.37)

(The condensed unaudited consolidated statement of financial position should be read in conjunction with the Annual Financial Report for the year ended December 31, 2016)

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Condensed unaudited consolidated statements of changes in equity for the period ended June 30, 2017

RM	Attributable to owners of the Company			
	Non-distributable		Accumulated losses	Total
	Share capital	Share premium		
At January 1, 2017	55,410,180	38,451,919	(114,099,750)	(20,237,651)
Total comprehensive loss for the period	-	-	(3,724,108)	(3,724,108)
At June 30, 2017	<u>55,410,180</u>	<u>38,451,919</u>	<u>(117,823,858)</u>	<u>(23,961,759)</u>
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>

(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, 2016)

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Condensed unaudited consolidated statements of cash flow for the period ended June 30, 2017

	6 months ended 30.06.2017 RM	12 months ended 31.12.2016 RM
<u>Loss before taxation</u>	(3,724,108)	(6,365,612)
Adjustments for:		
Depreciation	<u>1,836</u>	<u>-</u>
Operating loss before working capital changes	(3,722,272)	(6,365,612)
Receivable	(182,786)	(49,711)
Payables and accruals	<u>(1,437,588)</u>	<u>5,471,124</u>
Cash generated / (used in) operations	(5,342,646)	(944,199)
Tax paid	<u>(4,244)</u>	<u>-</u>
Net cash generated from operating activities	(5,346,890)	(944,199)
Purchase of property, plant and equipment	(35,923)	-
Net cash generated / (used in) investing activities	(35,923)	-
Cash flows from financing activities		
Cash advances from director	5,386,861	944,140
Interest paid	-	-
Proceeds / (Repayment) of bank borrowings - net	<u>-</u>	<u>-</u>
Net cash used in financing activities	5,386,861	944,140
Net increase in cash and cash equivalents	4,048	(59)
Cash and cash equivalents at beginning of year	<u>1,131</u>	<u>1,190</u>
Cash and cash equivalents at end of period	<u>5,179</u>	<u>1,131</u>
Cash and cash equivalents at end of period comprised:		
Cash and bank balances	<u>5,177</u>	<u>1,131</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, 2016. 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, 2016.

Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended December 31, 2016.

Audit report

The auditors’ report on the financial statements for the financial year ended 31 December 2016 was not subject to any qualification. However the auditor draw attention to the material uncertainty related to going concern which the ability of the Group and of the Company to continue as going concerns is dependent upon successful and timely implementation of the regularisation plan. Thus on 13 April 2017 NAKA had submitted the proposed regularization scheme to Bursa Malaysia Securities Berhad.

The key audit matters highlighted by independent auditors is the contingent liabilities relating to legal matters of which there were no material changes or further development as compared to 31 December 2016.

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.

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Explanatory notes (cont'd)

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

Material events during the quarter

On 5 April 2017, NAKA had announced pursuant to the announcement dated 22 March 2017 wherein the Kuala Lumpur High Court had dismissed the claim against NAKA, NAKA has been informed that the Plaintiff had served a Notice of Appeal dated 31 March 2017 against Kuala Lumpur High Court’s Judgement to the Court of Appeal.

On 6 April 2017, M&A Securities Sdn Bhd on behalf of Directors of NAKA announced that NAKA has entered into an addendum to the Joint Investment Agency Agreement (“JIAA”) with Nakamichi Oil and Gas Sdn Bhd, Aktau Transit LLP and Caspian Oil Project LLP to vary the conditions precedent of the JIAA.

On 13 April 2017 NAKA had announced that the application for the proposed regularization scheme has been submitted to Bursa Malaysia Securities Berhad.

On 25 May 2017, The Board of Directors of NAKA announced that all the resolutions as prescribed in the Notice convening the 21st AGM of the Company dated 28 April 2017 were duly passed by way of poll at the 21st AGM of the Company.

On 25 May 2017, The Board of Directors of NAKA announced that its external auditors, Morison Anuarul Azizan Chew have issued a statement of “Material Uncertainty Related to Going Concern” in respect of NAKA’s Financial Statements for the financial year ended 31 December 2016. As a result to address the going concern issue, on 13 April 2017 the application for the Proposed Regularisation Scheme has been submitted to Bursa Malaysia Securities Berhad.

Material events subsequent to the period end

On 4 August 2017, Bursa Malaysia Securities Berhad has publicly reprimanded NAKA and its 4 directors for breaches of the Bursa Malaysia Securities Main Market Listing Requirements (Main LR). In addition, the 4 directors of NAKA were also fined a total of RM545,600.

On 16 August 2017, The Board of Director of Naka announced that there is a change of Boardroom in relation to the resignation of Executive Director Mr. Darren Solomon Low Jun Ket.

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Explanatory notes (cont'd)

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, 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 June 30 2017.

Contingent liabilities/assets and material litigations

There were no material changes or further development to the contingent liabilities and assets of the Group as at 30 June 2017.

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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. 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 (cont'd)

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

On 22 March 2017, NAKA announced that the Kuala Lumpur High Court had dismissed the claim with the cost of RM30,000

On 5 April 2017, NAKA has been informed that the Plaintiff had served a Notice of Appeal dated 31 March 2017 against Kuala Lumpur High Court's Judgement to the Court of Appeal. The Court of Appeal No-W-02 (NCC) (W) – 768 – 04/2017 has fixed the matter for case management on 30 August 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.

The Company was informed via its solicitors that the winding up petition had been withdrawn on 23 March 2016. However, as at to-date there is no court order or written confirmation from the Plaintiff's solicitor on the withdrawal.

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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

The Kuala Lumpur High Court Civil had on 30 March 2015 allowed the following relief:

- 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 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.

On 28 August 2017 the Federal Court had dismissed LMH and 2 other's application for leave to appeal against the Court of Appeal decision dated 21 October 2016 which affirmed the High Court decision in the above Suit No. No. 22NCC-519-08/2013 with cost of RM 10,000.

Nakamichi Corporation Berhad

Explanatory notes (cont'd)

Capital commitments

There were no capital commitments as at 30 June 2017.

Operating lease arrangements

There were no operating lease arrangements as at 30 June 2017.

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 June 2017 amounted to RM5,177

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 29 March 2017, M&A Securities Sdn Bhd on behalf of Directors of NAKA announced that NAKA had submitted an application for a further extension of time of one (1) month up to 30 April 2017 to submit its proposed regularisation plan to the relevant regulatory authorities. On 14 April 2017, Bursa Malaysia Securities Berhad had granted NAKA an extension of time up to 13 April 2017 to submit its regularisation plan to the relevant regulatory authorities.

On 13 April 2017 the application for the Proposed Regularisation Scheme has been submitted to Bursa Malaysia Securities Berhad to address the issues that resulted in the PN17 classification of NAKA as well as the material uncertainty related to going concern highlighted in the audited financial statements for the year ended December 31, 2016

EPS / (LPS)

RM	INDIVIDUAL QUARTER		CUMMULATIVE QUARTER	
	Current year quarter 30.06.2017	Preceding year corresponding quarter 31.12.2016	Current year-to-date 30.06.2017	Preceding year corresponding period 31.12.2016
Total comprehensive loss for the period ('000)	(2,195)	(261)	(3,724)	(584)
Weighted average number of ordinary shares in issue ('000)	55,410	55,410	55,410	55,410
Basic Earning / (LPS) (sen)	(0.40)	(0.05)	(0.67)	(0.11)

Authorised for issue

The quarterly unaudited financial report for the period ended 30 June 2017 were authorised for issuance by the Board of Directors in accordance with a resolution of the Directors on 29 August 2017.

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Detailed Performance Analysis

Financial review for current quarter and financial year to date

	Individual Period (2 nd quarter)				Cumulative Period			
	Current Year Quarter	Preceding Year Correspond- ing Quarter	Changes		Current Year To Date	Preceding Year Correspond-ing Period	Changes	
RM'000	30 June 2017	30 June 2016	RM	%	30 June 2017	30 June 2016	RM	%
Revenue	Nil	Nil	-	0	Nil	Nil	nil	0
Operating Losses	(2,195)	(261)	(1,934)	740.9	(3,724)	(584)	(3,140)	537.6
Loss Before Interest & Tax	(2,195)	(261)	(1,934)	740.9	(3,724)	(584)	(3,140)	537.6
Loss Before Tax	(2,195)	(261)	(1,934)	740.9	(3,724)	(584)	(3,140)	537.6
Loss After tax	(2,179)	(261)	(1,934)	740.9	(3,724)	(584)	(3,140)	537.6
Loss attributable to ordinary equity holder of the parent	(2,179)	(261)	(1,934)	740.9	(3,724)	(584)	(3,140)	537.6

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Detailed Performance Analysis

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes	
	30 June 2017	31 March 2017	RM	%
RM'000				
Revenue	NIL	NIL	-	-
Operating Losses	(2,195)	(1,529)	(666)	43.5
Loss Before Interest & Tax	(2,195)	(1,529)	(666)	43.5
Loss Before Tax	(2,195)	(1,529)	(666)	43.5
Loss After tax	(2,195)	(1,529)	(666)	43.5
Loss attributable to ordinary equity holder of the parent	(2,195)	(1,529)	(666)	43.5

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Detailed Performance Analysis

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 RM1.93mil from RM0.26mil total comprehensive loss to RM2.19mil total comprehensive loss in the current quarter (Q2FY2017) as compared to the preceding year (Q1FY2016). This was mainly attributable by the increase in professional fees and consultancy fees for the current quarter such as legal, technical advisory and financial consultancy fees in relation to the regularization plan.

The Group's total comprehensive loss for current year to date period increased by approximately RM3.14mil from RM0.58mil total comprehensive loss to RM3.72mil total comprehensive loss in the current year to date (YTD2017) as compared to the preceding year to date (YTD2016). This was mainly attributable by the increase in professional fees and consultancy 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 RM0.66mil from RM1.53mil to RM2.20mil in the current quarter (Q2FY2017) as compared to the immediate preceding year quarter (Q1FY2017). This is mainly attributable to higher professional fees and consultation fees amounting to RM0.45mil and RM0.21mil.