

ANNUAL REPORT 2015

Nakamichi
Corporation Berhad

CONTENTS

CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
STATEMENT ON CORPORATE GOVERNANCE	4
STATEMENT ON CORPORATE RESPONSIBILITY	12
AUDIT COMMITTEE REPORT	13
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL	16
DIRECTORS' PROFILE	18
STATEMENT ON DIRECTORS ' RESPONSIBILITIES	20
OTHER DISCLOSURES	21
FINANCIAL STATEMENTS	23
ANALYSIS OF SHAREHOLDINGS	80

CORPORATE INFORMATION

BOARD OF DIRECTORS

See Thoo Chan
Non-Independent Non-Executive Chairman

Darren Solomon Low Jun Ket
Executive Director

Mak Siew Wei
Independent Non-Executive Director

Goh Tai Wai
Independent Non-Executive Director

AUDIT COMMITTEE

Member

Mak Siew Wei
Goh Tai Wai

NOMINATION COMMITTEE

Member

Mak Siew Wei
Goh Tai Wai

REMUNERATION COMMITTEE

Member

Mak Siew Wei
Goh Tai Wai

COMPANY SECRETARIES

Wong Keo Rou
(MAICSA 7021435)

Jenny Wong Chew Boey
(MAICSA 7006120)

REGISTERED OFFICE

No. 2-1, Jalan Sri Hartamas 8,
Sri Hartamas,
50480 Kuala Lumpur
Wilayah Persekutuan
Tel : 03.6201.1120
Fax : 03.6201.3121

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Tel : 03.2783.9299
Fax : 03.2783.9222

PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)
RHB Bank Berhad (6171-M)

AUDITORS

Morison Anuarul Azizan Chew (AF 1977)
Chartered Accountants
18 Jalan Pinggir 1/64
Jalan Kolam Air/Off Jalan Sultan Azlan Shah
(Jalan Ipoh)
51200 Kuala Lumpur
Wilayah Persekutuan
Tel : 03.4048.2888
Fax : 03.4048.2999

STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia
Securities Berhad
Stock Short Name : NAKA
Stock Code : 7002

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present you the Annual Report and Audited Financial Statements of Nakamichi Corporation Berhad and its group of companies ("the Group") for the financial years ended 31 December 2015.

Performance Review

The Group recorded a total comprehensive loss of RM471,089 for financial year ended 31 December 2015.

The Group recorded a comprehensive loss of RM471,089 during the financial year ended 31 December 2015 mainly because The Group has remained inactive and yet to recognise any revenue for the financial year ended 31 December 2015.

Total comprehensive loss for the financial year ended 31 December 2015 increased by approximately RM212,238 or 81.9% mainly due to RM nil in other income during the year.

The Group have remained inactive and have yet to recognise any revenue for both financial years under review.

Corporate Development

Further to the above, as announced on 29 April 2015, pursuant to Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") in relation to Practice Note No. 17 ("PN17"), the Company had on 29 April 2015 announced that the Company was an affected issuer as a court order was issued for the winding-up of Tamabina Sdn Bhd, a subsidiary of the Company. The Company is required to submit a regularisation plan within twelve months from 29 April 2015, obtain the relevant approval from Bursa Malaysia, and successfully implement the plan to regularise its financial condition.

As at the date of this report, the Company have explored several potential business parties for the purpose of exploring various rescue plans. These potential parties include property development companies as well as oil and gas companies and China-based companies.

In view of the above development, the Company had on 15 April 2016 appointed M&A Securities Sdn Bhd to act as an advisor for the company. M&A Securities had on behalf of the company submitted an application for an extension of time up until 31 July 2016 from Bursa Securities to submit a Proposed Regularisation Scheme to the relevant regulatory authorities.

Outlook and Prospects

As an Affected Listed Issuer under PN17 of Bursa Securities Listing Requirements, the future of the Group is largely dependent on the successful implementation of its proposed regularisation scheme which would ensure that the Company continues as a public listed company of Bursa Securities and put the Group on a strong footing to normalise its business operations.

Therefore, the Board is committed and the Group is working towards a restructuring scheme which is envisaged to reposition the Group upon successful implementation of its Regularization Plan.

Appreciation

On behalf of the Board of Directors, I wish to express our sincere thanks and appreciation to our shareholders for your perseverance, to the Securities Commission, Bursa Malaysia Securities Berhad and other relevant authorities for their advice and assistance.

To our board members, thank you for your support and contributions.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of the Company ("Board") is committed to ensuring that high standards of corporate governance are practiced throughout the Company and its subsidiaries ("Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial position of the Company and the Group. To this end, the Board fully supports the recommendations of the Malaysian Code on Corporate Governance 2012 ("the Code").

Set out below is a statement of how the Group has applied the principles of good corporate governance and the extent to which it has complied with the best practices as set out in the Code.

PRINCIPLE 1 - ESTABLISHMENT OF CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The composition of the Board reflects a balance of Executive and Non-Executive Directors, all from diverse professional backgrounds with a wide range of business, financial and operational experiences relevant to lead the Company, and as such, are able to bring an independent judgement to bear on issues in terms of business strategies, financial and operational performance, resources and standards of conduct.

The Board currently has four (4) members, comprising one (1) Non-Independent Non-Executive Chairman, one (1) Executive Director and two (2) Independent Non-Executive Director. A brief description of the background of each Director is presented in this Annual Report under Directors' Profile.

The roles of the Chairman and Executive Director are separate with clear division of responsibilities between them to ensure a balance of power and authority.

There is also a balance in the Board because of the presence of Independent Non-Executive Directors of the caliber necessary to carry sufficient weight in Board decisions. Although all the Directors have an equal responsibility, the role of these Independent Non-Executive Directors are particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, and take into account the long term interests, not only of shareholders, but also employees, customers, suppliers, and the communities in the Group conducts its business to uphold business integrity and professionalism.

1.2 Board Duties and Responsibilities

The Board assumes responsibility for effective stewardship and control of the Group towards realizing long term shareholders' value.

The Board has the overall responsibility for setting, adopting and reviewing strategic plans for the Group's business performance, overseeing the conduct of the Group's businesses, succession planning, investors' relations program, shareholders' communication, implementing an appropriate systems of internal control.

1.3 Formalized Ethical Standards through Code of Ethics and Strategies Promoting Sustainability

The Company will strive to comply with recommendations in the Code on formalizing ethical standards through a code of conduct and Company's strategies on promoting sustainability. The Company will engage external professional to assist the Company in the drafting of the relevant documentation upon successful implementation of its regularization plan.

1.4 Access to Information and Advice

All Directors review a Board report prior to the Board meeting. The Board report is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

STATEMENT ON CORPORATE GOVERNANCE (Continued)

PRINCIPLE 1 - ESTABLISHMENT OF CLEAR ROLES AND RESPONSIBILITIES (continued)

1.4 Access to Information and Advice (continued)

The members of the Board in their individual capacity have access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Besides direct access to management staff, external professional advisers are also made available to render their independent views and advice to the Board, where necessary in the furtherance of their duties and at the Group's expense.

All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

1.5 Company Secretaries

The Company Secretary is responsible for advising the Board on issues relating to compliance in laws, rules, procedures and regulations affecting the Group as well as the principles of best corporate governance practices.

The Company Secretary is also responsible for advising the directors of their obligations and adherence to matters pertaining to disclosure of interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibitions on dealing in securities and restrictions on disclosure of price-sensitive information.

The duties of the Company Secretary amongst others, attending all Board and Board Committee Meetings, ensuring that the proceedings of Board and Board Committee Meetings and decisions made thereof, are accurately and sufficiently recorded and properly kept for the purposes of meeting statutory obligations as well as obligations arising from Bursa Malaysia Listing Requirements or other regulatory requirements, communicating the decisions of the Board for Management's attention and further action, ensuring all appointments and resignation of directors are in accordance with the relevant legislations and the Board Performance Assessment are properly executed.

1.6 Board Charter

In discharging its duties, the Board is mindful of the need to safeguard the interests of the Group's stakeholders. However, in view of the predicament encountered by the Group over the control of the only operating subsidiary of the group, the Company is required to submit a regularization plan to Bursa Malaysia Securities Berhad ("Bursa Malaysia") within twelve (12) months from 29 April 2015.

Therefore the Board will prepare the Board Charter which in line with the principles of good corporate governance after the Company obtain the approval from Bursa Malaysia

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD

2.1 Nomination Committee

In accordance to the Terms of Reference, the Nomination Committee shall be appointed by the Board composing of no fewer than three (3) members of whom shall be exclusively by non-executives directors and majority of the committee members shall be independent directors.

However, the Nomination Committee currently has two (2) members, all of whom are Independent Non-Executive Directors. They are tasked with the responsibility of recommendation to the Board, candidates for all directorships to be filled by shareholders or the Board, and Directors to fill the seats on Board Committees. In view of the Company's predicament and ongoing legal matters, the Company is having a challenge task in recruiting suitable candidates. Nevertheless the Board will look into the appointment of additional director to ensure the compliance of relevant legislation.

STATEMENT ON CORPORATE GOVERNANCE (Continued)

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (continued)

2.1 Nomination Committee (continued)

The duties of the Committee shall be:

- (i) To recommend to the Board of Directors, candidates for all directorship to be filled by the shareholders or the Board.
- (ii) To consider, in making its recommendations, candidates for directorships proposed by the Executive Directors/Chief Executive Officer and within the bounds of practicability, by any other senior executive or any director or shareholder.
- (iii) To recommend to the Board, directors to fill the seats on board committees.
- (iv) To review and report to the Board on an annual basis, the Board's required mix of skills and experience and other qualities include core competencies which non-executive directors should bring to the Board.
- (v) To ensure, on an annual basis, the implementation of a process for assessing the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual director.

The Nomination Committee also assess the director who is subject to re-election and/or re-appointment at next Annual General Meeting and make recommendation to the Board and shareholders for re-election and/or re-appointment.

2.2 Recruitment Process, Annual Assessment and Gender Diversity Policy

The appointment of new Directors is under the purview of the Nomination and Remuneration Committee which is responsible for making recommendations to the Board on the suitable candidates for appointment.

In accordance with the Company's Articles of Association, all newly appointed Directors are subject to retirement and are entitled for re-election at the first annual general meeting after their appointment. All Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election. An election of Directors shall take place each year.

The Board believes there is a right composition of board members with balance of qualifications, skills, experiences and diversity among its board members.

NC is periodically reviewing and making recommendation to the Board on board composition matters and recommendations, which inclusive in identification and selection of high calibre candidate who will be able to meet the present and future needs of the Company.

The NC is also responsible in undertaking an annual evaluation of Directors, Board committee as well as the board performance as a whole. This evaluation is used as a tool to evaluate the strength, to identify the gaps or areas for improvement which would give rise in the requirement of new recruitments of board members, if necessary.

The Board annual evaluation process is being conducted by cross evaluation among the Board members, of which the criteria of evaluation are predetermined as below:

- a) Board Structure
- b) Board operation and communication
- c) Board roles and responsibilities
- d) Undertaking of roles and assignments
- e) Mix of roles and knowledge
- f) Commitment of members
- g) Depth of contribution

STATEMENT ON CORPORATE GOVERNANCE (Continued)

PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (continued)

2.2 Recruitment Process, Annual Assessment and Gender Diversity Policy (continued)

The NC had conducted an annual assessment on Directors and Board Committees for the financial year 2015. The assessments carried out by the NC are properly documented.

The Board has not set a gender diversity targets as of the reporting period as it is of the view the Board membership should be determined based on a candidate's skills, experience and other qualities regardless of gender but will nevertheless considers appointing more directors of the female gender where suitable.

2.3 Remuneration Policies

The Remuneration Committee has two (2) members, all of whom are Independent Non-Executive Directors.

Name	Position
Mak Siew Wei	Chairman
Goh Tai Wai	Member

The primary responsibilities of the Remuneration Committee amongst others include the following:-

- To recommend to the Board the remuneration of the executive directors in all its form, drawing from outside advice as necessary.
- To review the Group Policy on remuneration of Directors of the subsidiaries and to recommend the remuneration of the Directors to the Board.

The Company has adopted the objectives as recommend by the Code to determine the remuneration for a Director so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned.

The Remuneration Committee recommends to the Board the executive remuneration and its cost, and the remuneration package for each Executive Director. It is nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of these Directors.

The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his individual performance.

In view of the predicaments encountered by the Group over the operating subsidiary of the Group, there were no meeting held during the year under review.

Details of the remuneration of Directors of the Company during the financial year ended 31 December 2015 are as follow:

Directors of the Company	2015
Executive:	
Remuneration	-
Non-Executive:	
Fees	300,000

The details of the individual Director's remuneration are not disclosed in this report as the Board considers the above disclosures satisfy the accountability and transparency aspects of the Code.

STATEMENT ON CORPORATE GOVERNANCE (Continued)

PRINCIPLE 3 - REINFORCE INDEPENDENCE

3.1 Assessment of Independence Annually

The Board strives on the independency of the Non-Executive Directors, who shall have the ability to exercise their duties and make decisions which are in the best interests of the shareholders, unfettered by any business or other relationship with the Executive Directors, ownership and any other interest in the operation of the Company. The Board conducts annual reviews of the independence of each and every of the Directors, in addition of the responsibility of each Director in making immediate declaration over their interest and independency to the Board at any time during his tenure of service.

The Company currently has two (2) Independent Non-Executive Directors, who fulfill the criteria of "Independence" as prescribed under Para 1.01 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR").

3.2 Tenure of Independent Directors

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director.

Otherwise, the Board will justify and seek shareholders' approval at the AGM in the event it retains the director as an Independent Director.

The Board has not conducted an assessment on the Independent Directors but will carry out the said assessment in near future. None of the Independent Directors has served the Company exceeding a cumulative of nine (9) years.

3.3 Shareholders' Approval for the Re-appointment of Non-Executive Director

The Board would seek shareholders' approval at the AGM if an Independent Director who has served in that capacity for more than nine (9) years shall remain as an Independent Director.

The NC will assess the independence of the Independent Director based on the assessment criteria developed by the NC, and recommended to the Board for recommendation to shareholders for approval. Justification for the Board's recommendation would be provided to shareholders.

3.4 Separate of Positions of Chairman and Managing Director

The Board is led by a Non-Independent Non-Executive Chairman and supported by one (1) Executive Director and two (2) Independent Non-Executive Director.

The roles of the Chairman and Executive Director are separate with clear division of responsibilities between them to ensure a balance of power and authority. The Chairman is primarily responsible for ensuring the orderly conduct and working of the Board. The Executive Director is primarily responsible for some of the Group's day-to-day operations.

3.5 Composition of the Board

The Board as at the date of this statement comprises four (4) members:-

- a) One (1) Non-Independent Non-Executive Chairman
- b) One (1) Executive Director
- c) Two (2) Non-Executive Directors

STATEMENT ON CORPORATE GOVERNANCE (Continued)

PRINCIPLE 3 - REINFORCE INDEPENDENCE (continued)

3.5 Composition of the Board (continued)

Two (2) Non-Executive Directors are Independent as defined in the Bursa Securities MMLR. The Independent Directors are:-

- a) Mak Siew Wei
- b) Goh Tai Wai

The Board is in the process of replacing the vacancy of an Audit Committee member with the resignation of Encik Yahya bin Ramli. In view of the on-going legal cases, the Company is having a very challenging task in looking for suitable candidate to fill the vacancy.

PRINCIPLE 4 – FOSTER COMMITMENT

1.1 Commitment of the Board Members

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. Details of Board members' attendance at Board meeting are as follows:

Name of Directors	No. of Meetings Attended
Mak Siew Wei	4/4
See Thoo Chan	4/4
Darren Solomon Low Jun Ket	3/4
Goh Tai Wai	4/4

4.2 Training

All Directors have attended and completed the Mandatory Accreditation Programme as prescribed by Bursa Securities.

The Board believes that continuous training is important to enable them to discharge their duties effectively. The Directors were encouraged to attend the training programmes and seminars to ensure that they kept abreast on issues pertaining to the constantly changing environment within which the business of the Group operates, particularly in the areas of corporate governance and regulatory compliance.

Conferences, seminars and training programmes attended by Directors in 2015 are as follows:-

Training Programs Attended

Lead The Change – Getting Women on Boards on 8 May 2015

Investment Opportunities in 11 Malaysia Plan on 22 July 2015

Online Retailer & Ecommerce Expo on 22-23 July 2015

Bursa Malaysia CG Series Breakfast with Directors: Bringing the Best out in Boardrooms on 31 July 2015

Sustainability Symposium: Responsible Business. Responsible Investing on 8 October 2015

STATEMENT ON CORPORATE GOVERNANCE (Continued)

PRINCIPLE 5 - UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Audit Committee reviews the financial statements of the Company and the Group with the assistance of the external auditors where necessary and recommends the same for consideration and approval by the Board. The Board discuss and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Company and of the Group. In presenting the annual financial statements and quarterly announcement to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price sensitive public reports and reports to regulators.

5.2 Assessment of Suitability and Independence of External Auditors

The Board maintains a transparent and formal relationship with the Group's external auditors, primarily through Audit Committee in seeking professional advice and ensuring compliance with the relevant accounting standards. The external auditors are invited to attend the meetings of the Audit Committee and the Board whenever necessary to discuss the Group's Financial Statements.

The Board is of the view that no assessment is required on the suitability and independence of the external auditors during the years under review due to the predicament encountered by the Group over the operating subsidiary of the Group.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

6.1 Framework to Manage Risks

The Statement on Risk Management & Internal Control set out on pages 16 to 17 of this Annual Report provides an overview of the state of internal controls within the Group.

6.2 Internal Audit Function

Details of the Group's internal audit function are set out in the Audit Committee Report of this Annual Report.

PRINCIPLE 7 - TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board places importance in ensuring timely and high quality disclosure to shareholders and investors. The Company has implemented a Corporate Disclosure Policy to set out the policies and procedures to ensure accurate, clear, timely and comprehensive disclosure of material information so to build and maintain corporate creditability and investors' confidence.

7.2 Leverage on information technology

Bursa Malaysia also provides for the Company to electronically publish all its announcements, including its quarterly results and annual reports via the same link. These can be accessed online through Bursa Malaysia's website page at <http://www.bursamalaysia.com>.

STATEMENT ON CORPORATE GOVERNANCE (Continued)

PRINCIPLE 8 - STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Shareholder Participation at General Meetings

The Annual General Meeting ("AGM") is the principal forum for communicating with the shareholders of the Company. At each AGM, the Board encourages shareholders to participate in the question and answer session. The Executive Director and, where appropriate, the Chairman of the Audit Committee is available to respond to shareholders' questions during the meeting.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The notice convening such meetings are sent to shareholders at least fourteen (14) days before the shareholders' meetings in the case of an ordinary resolution and twenty-one (21) days in the case of a special resolution or AGM.

8.2 Encourage Poll Voting

The Company would conduct poll voting if demanded by shareholders at the general meeting.

8.3 Communication and Engagements with Shareholders

The shareholders are kept informed of the Group's financial results and corporate developments through public announcements made to Bursa Malaysia Securities Berhad.

COMPLIANCE STATEMENT

The Board considered that the Group were not able to fully comply with the principles and recommendations as stipulated in the MCGG 2012 throughout the financial year ended 31 December 2015 due to the predicaments encountered by the Group over the operating subsidiary of the Group.

Nevertheless, the Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings.

Going forward, the Board will take the necessary actions to ensure compliance with the principles and recommendations as stipulated in the MCGG 2012.

STATEMENT ON CORPORATE RESPONSIBILITY

Our Group believes the improvement in the conditions surrounding our stakeholders, employees, society and the environment is vital to the growth of the Group. Our corporate social responsibilities cover the following key areas:-

Dynamic and High Performance Workforce

The Company places great importance on hiring the right candidate for the right job. As the Company go forward, it will continue to focus on attracting quality talent who best fit our job requirements and complement its work culture. The Company firmly believe that by aligning its recruitment strategies, the Company will continue to attract the best talent to further enhance the Company's values and achievements.

At the Group, our male to female ratios distribution is 0:0 in December 2015.

Employee Welfare

Employees are provided with medical and healthcare insurance and adequate leave and compensation programs which commensurate with their rank and level of employments.

Further, the Group acknowledges the need to provide a healthy and balanced lifestyle to its employees.

Supply Chain

The Group in its procurement policies strives whenever possible to source locally in the nation's interest and for products which adhere to good environment practices.

Environmental Preservation

It is our policy to comply with environmental laws particularly governing our timber logging activities. Practical measures and considerable time and effort has been made to implement Reduced Impact Logging ("RIL"). RIL entails careful planning and control of timber harvesting to minimize the environmental impact on forest stands and soils.

AUDIT COMMITTEE REPORT

(1) COMPOSITION

The Audit Committee comprised of the following Board members:-

- (a) Mak Siew Wei (Independent Non-Executive Director)
- (b) Goh Tai Wai (Independent Non-Executive Director)

*Member of the Malaysian Institute of Accountants

(2) SECRETARIES OF THE AUDIT COMMITTEE

- (a) Wong Keo Rou
- (b) Jenny Wong Chew Boey

(3) MEETINGS AND MINUTES

The majority of Audit Committee members present must be independent Directors to form a quorum.

The Head of Finance, Head of Internal Audit Department and a representative of the external auditors shall normally be invited to attend the meetings. Other members of the Board may attend the meetings upon invitation of the Audit Committee. At least once a year, the Audit Committee shall meet the external auditors without any executive directors present.

The Company Secretary shall be the secretary of the Committee. The Secretary of the Audit Committee shall provide the necessary administrative and secretarial services for the effective functioning of the Committee. The minutes of meetings are circulated to the Committee and to all other members of the Board.

The Audit Committee had conducted its meeting during the year under review and the attendance record is as below:

Name of Directors	No. of Meetings Attended
Mak Siew Wei	4/4
Goh Tai Wai	4/4

(4) SUMMARY OF ACTIVITIES

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the year ended 31 December 2015:-

- Reviewed the external auditors' scope of work and audit plans for the year prior to the audit representatives from the external auditors presented their audit strategy and plan.
- Reviewed with the external auditors the results of the audit, the audit report and the management letters.
- Considered and recommended to the Board for approval of the audit fees payable to the external auditors.
- Review the effectiveness of the Enterprise Risk Management framework and risk assessment reports. Significant risks issues were summarized and communicated to the Board for consideration and resolution.

AUDIT COMMITTEE REPORT (Continued)

(4) SUMMARY OF ACTIVITIES (continued)

- Review the Annual Report and the Audited Financial Statements of the Group and the Company, prior to the submission to the Board for their consideration and approval, to ensure that the Audited Financial Statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards as determined and set out by The Malaysian Accounting Standard Board ("MASB"). Any significant issues resulting from the audit of the financial statements by the external auditors were deliberated upon.
- Reviewed the quarterly unaudited financial results announcements of the Group before recommending them to the Board for its approval. The review and discussion of these announcements was conducted with the presence of Directors.
- In respect of the quarterly and year end financial statements, reviewed the Company's compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad, applicable Approved Accounting Standards set out by the MASB and other relevant legal and regulatory requirements.

(5) INTERNAL AUDIT FUNCTION

The Audit Committee is aware that the internal audit function is essential to assist in determining the effectiveness of the system of internal control in the Company.

For the financial year under review, no independent external consultant was engaged to undertake the functions of the Internal Auditor as the Company is now operating at minimum capacity in view of the predicaments encountered by the Group over the operating subsidiary of the Group, the internal audit function cannot be applied.

Nevertheless, the Board undertakes regular and systematic reviews on the existing system of internal control so as to provide reasonable assurance that such system continue to operate satisfactorily and effectively.

(6) TERMS OF REFERENCE

Duties and Functions

- To recommend the nomination of person or persons as external auditors;
- To consider the external auditors for appointment, audit fees and review any letter of resignation or dismissal and proposal for re-appointment of external auditors or whether there is reason (supported by grounds) to believe that the external auditors is not suitable for re-appointment;
- To review the nature and scope of the audit with the internal and external auditors before the audit commences and ensure co-ordination where more than one audit firm is involved;
- to review the evaluation of the system of internal controls with the auditors;
- to review the assistance given by the Group's officer to the external auditors;
- to review any appraisal or assessment of the performance of the internal auditors;

AUDIT COMMITTEE REPORT (Continued)

(6) TERMS OF REFERENCE (continued)

- vii. to review the quarterly results and annual financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
- any changes in accounting policies and practices
 - significant adjustments arising from audit
 - any other significant and unusual events
 - the going concern assumption
 - compliance with accounting standards and other legal requirements
- viii. to review the external auditor's management letter and management's response;
- ix. to review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- x. to review the internal audit programme and the results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
- xi. to review and recommend to the Board of Directors the Corporate Governance Statement and Statement on Internal Control in relation to internal control and the management of risk included in the annual report;
- xii. to consider the report, major findings and management's response on any internal investigations carried out by the internal auditors;
- xiii. to review the adequacy and effectiveness of risk management, internal control and governance systems;
- xiv. to review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- xv. to carry out such other responsibilities, functions or assignments as may be defined jointly by the Audit Committee and the Board of Directors from time to time.

No member of the Audit Committee shall have a relationship which in the opinion of the Board of Directors will interfere with the exercise of independent judgment in carrying out the functions of the Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Statement on Risk Management and Internal Control by the Board of Directors ("Board") of the Group is made pursuant to Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). This statement is guided by the Statement on Internal Control: Guidelines for Directors of Public Listed Companies.

Board's Responsibilities

The Board acknowledges its overall responsibility for the Group's systems of internal controls as well as reviewing the adequacy, integrity and effectiveness of these systems. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that these systems can only provide reasonable but not absolute assurance against material misstatement or loss. The Board further acknowledges its responsibility for the identification and evaluation of risks and the adoption of appropriate safeguards and controls to manage such risks.

Notwithstanding that there are presently no active operations in the Group, the key features of the Group's system of internal control covering its administration are described below.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Board has identified and determined the risks of the Group and their corresponding risk measures that it determines as appropriate in relation to the size and circumstances of the Group as a basis for control activities. Key risks are identified, scored and categorized to highlight the source of risk, their financial impacts and the likelihood of occurrence. The risk profile of the Group has been reported to the Audit Committee and the Board. Action plans to further address the significant risks identified, in addition to existing control mechanisms, are pursued within such context as deemed appropriate by the Board.

As part of the Board's commitment to continuously enhance the Group's risk management practices, and as the Group is in the midst of embarking on a regularization plan that includes the development and/or acquisition of operations and assets, the Board intends to build on the current risk profile at such time by further developing the requisite structure and systems within the risk management framework to be designed against the Group's intended operations and activities.

Internal Controls

Issues relating to the business of the Group are discussed by the Board during Board meetings. The Audit Committee is tasked to review internal control matters and update the Board on significant issues for the Board's attention and action. In the light of the Group's present structure and circumstances, there is no internal audit function as the objectives of control activity monitoring are adequately dealt with by the Audit Committee through its remit.

Others

In addition, the Group's system of internal controls include regular reviews by the Board and Audit Committee of the financial results and position of the Group, and discussions with the external auditors on any significant deficiencies in internal control.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Group's system of internal control mainly applies to the operation of the holding company and its existing core functional areas, and does not cover those of associated companies, inactive or dormant companies.

The Board is of the view that the monitoring arrangement in place provides reasonable assurance that the structure of controls and operations is adequate and appropriate to the Company's and Group's present situation.

This above statement is made accordance with the resolution of the Board dated 16 April 2016.

DIRECTORS' PROFILES

SEE THOO CHAN

Age 54, Malaysian

Non-Independent Non-Executive Chairman

Qualifications

- Higher School Certificate

Membership of Associations

- None

Date Appointed to the Board

- 19 March 2013

Date of Last Re-election

- 28 June 2013

Working Experience and Occupation

- She is a successful businesswoman having numerous years of experience in trading of telecommunication products.
- She is also a director of Southall Sdn. Bhd. and Beausoft Sdn. Bhd., which are principally involved in the trading of cellular phones and accessories, mobile phone prepaid cards, telecommunication products and skin care products.

Directorships of Other Public Companies

- Compugates Holdings Berhad

Interest in Securities of the Company and its Subsidiaries

- 18,255,700 shares (direct and indirect holding) in Nakamichi Corporation Berhad

Family Relationship with any Director and/or Major Shareholder

- She is related to Goh Kheng Peow (her spouse) who is a substantial shareholder of the Company.

Conflict of Interest with the Company

- She has no direct conflict of interest with the Group other than the recurrent related party transactions of a revenue or trading nature ("RRPTs") disclosed in page xx of this Annual Report.

List of Convictions for Offences within the past 10 years other than traffic offences

- None

Attendance of Board Meetings

- Details are set out in the Statement of Corporate Governance in page 9 of this Annual Report.

GOH TAI WAI

Age 43, Malaysian

Independent and Non-Executive Director

Qualifications

- Bachelor of Commerce in Accounting and Information Systems
Curtin University of Technology, Perth, Australia.

Membership of Associations

- Chartered Accountant of Malaysian Institute of Accountants (MIA)
- Certified Practising Accountant of CPA Australia
- Certified Financial Planner of FPAM

Date Appointed to the Board

- 18 April 2014

Date of Last Re-election

- 23 March 2016

Working Experience and Occupation

- He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.
- He is the Director of Finance of Ascend Group of Companies, overseeing the financial management, shared service unit operations, information technology services and other business activities of the Group.
- He has more than twenty (20) years experience ranging from corporate advisory and risk management to financial management and information technology.

Directorships of Other Public Companies

- Compugates Holdings Berhad

Interest in Securities of the Company and its Subsidiaries

- None

Family Relationship with any Director and/or Major Shareholder

- None

Conflict of Interest with the Company

- None

List of Convictions for Offences within the past 10 years other than traffic offences

- None

Attendance of Board Meetings

- Details are set out in the Statement of Corporate Governance in page 9 of this Annual Report.

DIRECTORS' PROFILES (Continued)

DARREN SOLOMON LOW JUN KET

Age 28, Malaysian
Executive Director

Qualifications

- Bachelor of Commerce in Accounting and Finance
University of Melbourne, Australia.

Membership of Associations

- None

Date Appointed to the Board

- 19 March 2013

Date of Last Re-election

- 28 June 2013

Working Experience and Occupation

- He was the business development executive of Compugates Sabah Sdn Bhd, a company involved in solar power electrification and installation of solar power lighting.
- He is presently a director of Green Electric Sdn Bhd and K&K Securities Sdn Bhd.

Directorships of Other Public Companies

- MTouche Berhad

Interest in Securities of the Company and its Subsidiaries

- None

Family Relationship with any Director and/or Major Shareholder

- None

Conflict of Interest with the Company

- None

List of Convictions for Offences within the past 10 years other than traffic offences

- None

Attendance of Board Meetings

- Details are set out in the Statement of Corporate Governance in page 9 of this Annual Report.

MAK SIEW WEI

Age 41, Malaysian
Independent Non-Executive Director

Qualifications

- Bachelor Degree in Management Information System

Membership of Associations

- None

Date Appointed to the Board

- 1 August 2008

Date of Last Re-election

- 23 March 2016

Working Experience and Occupation

- He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.
- He was working with Marvic International (NY) Ltd in New York as a Business Development Manager for 3 years. Currently he is a businessman with interest in financial services.

Directorships of Other Public Companies

- Advance Information Marketing Berhad
- Scan Associates Berhad
- AT Systematization Berhad

Interest in Securities of the Company and its Subsidiaries

- None

Family Relationship with any Director and/or Major Shareholder

- None

Conflict of Interest with the Company

- None

List of Convictions for Offences within the past 10 years other than traffic offences

- None

Attendance of Board Meetings

- Details are set out in the Statement of Corporate Governance in page 9 of this Annual Report.

STATEMENT ON DIRECTORS' RESPONSIBILITIES

Directors are required by the Companies Act, 1965 to ensure that the financial statements for each financial year which have been prepared in accordance with the applicable approved accounting standards and the provisions of the Companies Act, 1965, which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows of the Company for the financial year.

In preparing the financial statements, the Directors have selected suitable accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent.

The Directors also have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

OTHER DISCLOSURES

ADDITIONAL COMPLIANCE INFORMATION

The following is presented in compliance with the Listing Requirements of Bursa Securities:

1) Utilisation of Proceeds raised from Corporate Proposal

There were no proceeds raised from corporate proposal during the financial year ended 31 December 2015.

2) Shares Buy-back

The Company did not purchase any of its own shares during the financial year ended 31 December 2015.

3) Option, Warrants or Convertible Securities

The Company did not issue any options, warrants and convertible securities during the financial year ended 31 December 2015.

4) American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR")

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2015.

5) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory authorities during the financial year ended 31 December 2015.

6) Variation in Results

There was no significant variances of 10% or more between the Company's audited financial results for the financial year ended 31 December 2015 from the unaudited results as previously announced.

7) Non-audit Fees

There were no non-audit fees paid to the external auditors or a firm or company affiliated to the auditors' firm by the Group during the financial year ended 31 December 2015.

8) Profit Guarantee

In connection with the acquisition of Tamabina Sdn. Bhd. ("TSB") by the Company and pursuant to the Agreements and Supplemental Agreements thereafter, the Vendors of TSB had provided a Profit Guarantee of RM12 million per annum for the financial years ended 30 June 2010, 30 June 2011 and 30 June 2012.

As at 30 March 2015, the Kuala Lumpur High Court had ruled that the Vendors of TSB, Lai Yung Fung and Lo Shwu Fen are to however pay the Company RM10,218,598 being the profit guarantee as at 30 June 2012 and RM8,993,493 being the profit guarantee as at 30 June 2011 as disclosed in Note 26(a)(iv).

9) Material Contracts involving Directors and Substantial Shareholders entered during the financial year ended 31 December 2015

There were no material contracts entered into by the company or its subsidiaries involving Directors and Substantial Shareholders during the financial year ended 31 December 2015.

OTHER DISCLOSURES (Continued)

10) Revaluation of Landed Properties

The Company has not adopted a policy of regular revaluation of landed properties.

11) Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

RRPTs entered by the Company and the Group are disclosed under Note to the Financial Statement for the financial year ended 31 December 2015 on pages ____ and ____.

12) Annual General Meeting

The Board wishes to inform that there will be no Annual General Meeting to adopt the Audited Financial Statements for the financial year ended 31 December 2015 to be convened in the remaining 2016. The Audited Financial Statements for the financial years ended 31 December 2013 and 31 December 2014 have been adopted at the 21st Annual General Meeting held on 23rd March 2016.