

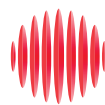


**NAKAMICHI**  
CORPORATION BERHAD

**ANNUAL REPORT**

**2016**

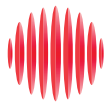
## TABLE OF CONTENTS



**NAKAMICHI** CORPORATION  
BERHAD



|           |  |           |   |           |                                   |
|-----------|--|-----------|---|-----------|-----------------------------------|
| <b>2</b>  | Corporate Information                      | <b>17</b> | Audit Committee Report                            | <b>25</b> | Additional Compliance Information |
| <b>3</b>  | Chairman's Statement                       | <b>19</b> | Statement On Risk Management And Internal Control | <b>26</b> | Financial Statements              |
| <b>5</b>  | Management Discussion & Analysis Statement | <b>21</b> | Directors' Profile                                | <b>73</b> | Analysis Of Shareholdings         |
| <b>7</b>  | Statement On Corporate Governance          | <b>24</b> | Statement On Directors' Responsibilities          | <b>75</b> | Notice Of Annual General Meeting  |
| <b>16</b> | Statement On Corporate Responsibility      |           |   |           | <b>Form of Proxy</b>              |



**NAKAMICHI**

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

**See Thoo Chan**  
Non-Independent Non-Executive Chairman

**Temujin Nukenov**  
Non-Independent Non-Executive Director

**Darren Solomon Low Jun Ket**  
Executive Director

**Goh Tai Wai**  
Independent Non-Executive Director

**Mak Siew Wei**  
Independent Non-Executive Director

### **AUDIT COMMITTEE**

**Chairman**  
Goh Tai Wai

**Member**  
Mak Siew Wei  
Temujin Nukenov

### **NOMINATION COMMITTEE**

**Chairman**  
Goh Tai Wai

**Member**  
See Thoo Chan  
Mak Siew Wei

### **REMUNERATION COMMITTEE**

**Chairman**  
Goh Tai Wai

**Member**  
See Thoo Chan  
Mak Siew Wei

### **COMPANY SECRETARIES**

**Lee Wee Hee**  
(MAICSA 0773340)

**Rebecca Lee Ewe Ai**  
(MAICSA 0766742)

### **REGISTERED OFFICE**

No. 2-1, Jalan Sri Hartamas 8  
Sri Hartamas  
50480 Kuala Lumpur  
Wilayah Persekutuan (KL)  
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**

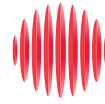
Malayan Banking Berhad (3813-K)  
RHB Bank Berhad (6171-M)

### **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 present to you the Annual Report and Audited Financial Statements of Nakamichi Corporation Berhad and its group of companies ("the Group") for the financial year ended 31 December 2016.**

### Financial Review

The Group has remained inactive during the course of the year and have yet to recognise any revenue.

As such, the Group recorded a total comprehensive loss of RM6.37 million for financial year ended 31 December 2016.

Total comprehensive loss for the financial year ended 31 December 2016 increased by approximately RM5.89 million mainly due to expenses incurred in relation to the regularization plan such as professional and consultation fees.

### Corporate Development

The Company had on 29 April 2015 announced that it is an affected listed issuer under Paragraph 2.1(c) of PN17 of the Main Market LR. The PN17 criteria was triggered due to an order issued by the High Court of Sabah and Sarawak for the winding-up of TSB which is a 51% owned subsidiary of the Company.

On 28 April 2016, M&A Securities, on behalf of the Company announced that the Company entered into a memorandum of understanding with Aktau Transit to enter into mutual discussions relating to a proposed collaboration between Naka and Aktau Transit for the joint development of the Aktau Transit Oilfields.

On 20 January 2017, M&A Securities on behalf of the Board of Naka, announced we had entered into two (2) agreements as follows:-

- (a) Joint Investment Agency Agreement ("JIAA") between Naka, Nakamichi Oil And Gas Sdn Bhd ("NOGSB" or "Agent"), a wholly-owned subsidiary of Naka, 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 ("Subsoil Use Operations") of the Aktau Transit Oilfields (as defined herein) ("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) ("Investment Funds") for the Proposed Joint Operations and Monitoring.

As a result of the Agreements, the Company proposes to undertake the following proposals to regularise its financial position:-

- (a) Proposed Joint Operations and Monitoring;
- (b) Proposed par value reduction and proposed share premium reduction;
- (c) Proposed Special Issue of Shares;
- (d) Proposed Rights Issue with Warrants;
- (e) Proposed Diversification;
- (f) Proposed increase in authorised share capital; and
- (g) Proposed amendments to the memorandum and/or articles of association of the Company.

## Chairman's Statement (Continued)

On 6 April 2017, the Company announced the following:-

- (a) The Supplemental JIAA has been entered into; and
- (b) The Board of Naka has resolved to amend the earlier proposed regularisation scheme in view of the implementation of the Act (effective from 31 January 2017) by undertaking the Proposed Capital Reduction in place of the proposed par value reduction and proposed share premium reduction as well as the removal of the proposed increase in authorised share capital and proposed amendments to the memorandum and/or articles of association.

In summary, the Board of Naka has proposed to undertake two (2) pronged approach under the Proposed Regularisation Scheme, comprising the Business Regularisation Plan and Financial Regularisation Scheme, to address the issues that have resulted in the PN17 classification of Naka. The Proposed Regularisation Scheme is depicted as follows:-

| Proposed Regularisation Scheme |                                 |
|--------------------------------|---------------------------------|
| Business Regularisation Plan   | Financial Regularisation Scheme |

### 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 the proposed regularisation scheme which is expected to revitalise the business operations of the Group based on a renewed platform to return the Group back to profitability and to improve its financial performance.

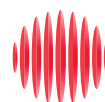
The Business Regularisation Plan is expected to transform the Group into an independent oil producer. The entry of the Group into this business segment when oil price is relatively low allows the Company to capitalise on the recovery of oil prices.

Therefore, the Board is committed and the Group is working towards re-positioning the Group.

### 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/advisors for your advice and assistance.

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



# MANAGEMENT DISCUSSION & ANALYSIS STATEMENT

The Board of Directors of Nakamichi Corporation Berhad is pleased to present the Management Discussion and Analysis of the Group's business, operations and performance for the purpose of complying with Appendix 9C, para 7 of the Main Market Listing Requirements.

In its effort to address the issues that have resulted in the PN17 classification of Naka, the Board has proposed a two (2) pronged approach, comprising the Business Rationalisation Plan and Financial Regularisation Scheme.

The Proposed Regularisation Scheme is depicted as follows:-

| Proposed Regularisation Scheme |                                 |
|--------------------------------|---------------------------------|
| Business Regularisation Plan   | Financial Regularisation Scheme |

The Business Regularisation Scheme comprises the following:-

- (a) Proposed appointment of Nakamichi Oil And Gas Sdn Bhd, a wholly-owned subsidiary of Naka ("NOGSB") as the agent of Aktau-Transit LLP ("Aktau Transit") to monitor and oversee the exploration, development and production activities of the following oilfields:-
  - (i) The Tubejik oilfield within Blocks XXXIV-9-D (partially) and XXXIV-9-E (partially) under Contract No. 1010 located in the Mangystau Region of Kazakhstan; and
  - (ii) The Zhangursky oilfield within Blocks XXXIV-9-E (partially) and XXXIV-10-D (partially) under Contract No. 3908-YBC located in the Mangystau Region of Kazakhstan

("Proposed Joint Operations and Monitoring")
- (b) Proposed diversification of Nakamichi and its subsidiaries ("Naka Group") business into the upstream oil and gas industry which includes the exploration and production of hydrocarbons ("Proposed Diversification")

The Financial Regularisation Scheme involves undertaking the following proposals:-

- (a) Proposed reduction of the existing capital of Naka from RM93,862,099 to RM2,770,509 by the reduction of its share capital (which includes the former share premium of the Company) to set-off its accumulated losses pursuant to Section 116 of the Companies Act, 2016 ("Proposed Capital Reduction");
- (b) Proposed special issue of 24,935,000 new ordinary shares in Naka ("Naka Shares") ("Special Issue Shares") to an identified strategic investor ("Proposed Special Issue of Shares"); and
- (c) Proposed renounceable rights issue of 7,231,066,200 new Naka Shares ("Rights Shares") together with 3,615,533,100 free detachable warrants ("Warrants") at an issue price of RM0.10 per Rights Share after the Proposed Capital Reduction 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 a date to be determined and announced later by the Board of Directors of Naka.

Currently, Naka has ceased its business operations. The Business Regularisation Plan involves Naka venturing into the upstream oil and gas industry via the Proposed Joint Operations and Monitoring and forms an integral part of the Business Regularisation Plan which is expected to return Naka to a better and sustainable financial standing and profitability, thereby benefiting all stakeholders of the Company.

The Proposed Capital Reduction seeks to reduce the accumulated losses of Naka while the Proposed Special Issue of Shares and Proposed Rights Issue with Warrants seek to raise funds of RM725.6 million to facilitate the implementation of the Proposed Joint Operations and Monitoring.



## Management Discussion & Analysis Statement (Continued)

Under the Proposed Joint Operations and Monitoring, Naka is required to provide the following funds to Aktau Transit (the subsurface use rights holder of the Aktau Transit Oilfields):-

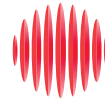
- (a) Total amount of USD60,000,000 (equivalent to RM270,000,000) to be utilised in the following manner:-

| No.   | Purpose  | RM'000  | USD'000 |
|-------|--|---------|---------|
| (i)   | Expenditures of the Aktau Transit Oilfields ("Investment Capital")   | 180,000 | 40,000  |
| (ii)  | Reimbursement of historical capital expenditures invested in the Aktau Transit Oilfields ("Reimbursable Cost") | 90,000  | 20,000  |
| Total |  | 270,000 | 60,000  |

- (b) Refundable performance deposit of up to USD86,000,000 (equivalent to RM387,000,000) (to be offset against a performance bonus payable by Naka to Aktau Transit of USD3.37 per barrel of oil produced at the Aktau Transit Oilfields) ("Refundable Performance Deposit")

In return for Naka's performance pursuant to the Proposed Joint Operations and Monitoring, Naka shall be entitled to 90% of the Distributed Profit on an annual basis. In addition, NOGSB will be paid an agent fees of 15% of the total amount of the capital and operational expenditures paid by NOGSB on behalf of Aktau Transit or paid by Aktau Transit ("Petroleum Costs") ("Agent's Fees").

The Proposed Joint Operations and Monitoring will be managed through the JMC, which is a supervisory board to be jointly established by Naka and Aktau Transit. The JMC shall consist of five (5) members where Naka is entitled to nominate three (3) members.



## **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 provide an independent judgement on business strategies, financial and operational performances, resources and standards of conduct.

The Board currently has five (5) members comprising one (1) Non-Independent Non-Executive Chairman, one (1) Non-Independent Non-Executive Director, one (1) Executive Director and two (2) Independent Non-Executive Directors. 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**

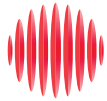
The Board assumes responsibility for effective stewardship and control of the Group and directions for management and is collectively responsible and accountable to shareholders towards realizing long term shareholders' goals and value.

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 and implementing an appropriate systems of internal control.

The responsibilities of the Board encompasses the following parameters in setting the vision, purpose and directions of the Group:

- a) review and approve strategic and business plans, financial budgets and key business initiatives;
- b) oversee the conduct of the Group's business affairs and evaluate whether the businesses are viable and effectively managed;
- c) identify principal risks and ensure the implementation of appropriate systems and controls are put in place to manage these risks;
- d) ensure that there are sound succession plans for Board and Senior Management teams;
- e) develop and implement investor relations programmes or shareholders communication policy; and
- f) review the adequacy and integrity of the Group's internal control systems and management information systems including compliance with applicable laws and regulatory requirements and amendments, rules, directives and guidelines.





## Statement on Corporate Governance (Continued)

### PRINCIPLE 1 - ESTABLISHMENT OF CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

#### 1.2 Board Duties and Responsibilities (Cont'd)

In discharging its fiduciary duties, Board Committees are in place to assist in the effective performance of the Board. The Board delegates specific responsibilities to three (3) Committees, namely:

- a) The Audit Committee;
- b) The Nomination Committee; and
- c) The Remuneration Committee.

The Board Committees are guided and operate within clearly defined terms of reference. All these Committees are led mainly by Independent Non-Executive Directors of the Board. Management and third parties are invited or are co-opted to the Committees as and when required.

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

The Company will strive to comply with recommendations in the Code of Ethics 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 drafting the relevant documentation upon successful implementation of its regularization plan.

#### 1.4 Access to Information and Advice

The members of the Board in their individual capacity have access to the Company's records and information and receive quarterly detailed financial and operational reports from Management. Further, information is provided on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Agenda and discussion papers are circulated minimum seven (7) days prior to the Board and Board Committees' meeting to allow members to study, evaluate the matters to be discussed and subsequently make decisions. Procedures have been established concerning the content, presentation and timely delivery of papers for each meeting.

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, are 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.

## Statement on Corporate Governance (Continued)

### PRINCIPLE 1 - ESTABLISHMENT OF CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

#### 1.6 Board Charter

The Board has prepared the Board Charter and adopted the same on 1 March 2017. The Board is guided by its Board Charter which sets out their principal role, functions, responsibilities and powers. The Board Charter acts as a source of reference and primary induction literature providing insights to prospective Board members as well as assist the Board in the assessment of its own performance and that of its individual Directors.

The Board Charter will be reviewed as and when required and updated in accordance with the needs of the Company and any new regulations that may have an impact on discharge of the Board's responsibilities to ensure its effectiveness.

### PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD

#### 2.1 Nomination Committee

In accordance with the Terms of Reference of the Nomination Committee ("NC") its members shall be appointed by the Board comprising no fewer than three (3) members of whom shall be exclusively non-executive directors and majority shall be independent directors.

The NC is responsible for the following functions:

- (i) develop criteria to assess the competency of new candidates for directorships;
- (ii) evaluate the candidate's ability to discharge his or her responsibilities as Independent Non-Executive Director
- (iii) recommend to the Board of Directors new candidates to fill vacancies on the Board and Board Committees;
- (iv) review skills, experience, competencies and diversity in terms of gender, ethnicity and age of Non-Executive Directors and Executive Directors on an annual basis;
- (v) assess the effectiveness of the Board as a whole, the Board Committees, and individual Directors and the independence of Independent Directors;
- (vi) review the Board Charter and recommend updates and amendments;
- (vii) assess re-election and/or reappointment of Directors and make recommendations to the Board and subsequently obtain approval of shareholders at the Annual General Meeting.

During the financial year, the Committee met to conduct the annual review on the Directors' core competencies, contributions, effectiveness and further reviewed the independence of Independent Directors. The Committee also met to discuss the re-election and rotation of existing Directors and the appointment of new directors.

The attendance records of the NC Members are as follows:

| Name of NC Members  | Attendance |
|---|------------|
| Goh Tai Wai (Independent Non-Executive Director) (Chairman)                               | 3/3        |
| Mak Siew Wei (Independent Non-Executive Director)   | 3/3        |
| See Thoo Chan (Non-Independent Non-Executive Director)<br>(Appointed on 18 November 2016) | 1/1        |

## Statement on Corporate Governance (Continued)

### PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### 2.2 Recruitment Process, Annual Assessment and Gender Diversity Policy

The Board believes in a right composition of members with diverse skills, qualifications, experiences and diversity. This belief is translated into criteria set by the NC who is tasked with selecting suitable new members and making recommendations to the Board for approval and appointments.

NC periodically reviews and makes recommendations to the Board on board composition matters and recommendations, which include the identification and selection of high calibre candidates who will be able to meet the present and future needs of the Company.

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 NC is also responsible for undertaking an annual evaluation of Directors, Board committees 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; and
- g) Depth of contribution.

The NC conducted an annual assessment on Directors and Board Committees for the financial year 2016. The assessments carried out by the NC are properly documented.

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

#### 2.3 Remuneration Policies

The Board established the Remuneration Committee ("RC") which comprises three (3) members, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

| Name   | Position |
|--|----------|
| Goh Tai Wai (Independent Non-Executive Director)       | Chairman |
| See Thoo Chan (Non-Independent Non-Executive Director) | Member   |
| Mak Siew Wei (Independent Non-Executive Director)      | Member   |

## Statement on Corporate Governance (Continued)

### PRINCIPLE 2 - STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

#### 2.3 Remuneration Policies (Cont'd)

The primary responsibilities of the RC 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 performances, as 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 RC 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.

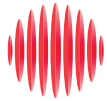
The RC met once during the financial year and the attendance records of the RC Members are as follows:

| Name of RC Members     | Attendance |
|------------------------|------------|
| Goh Tai Wai (Chairman) | 1/1        |
| See Thoo Chan          | 1/1        |
| Mak Siew Wei           | 1/1        |

Details of the remuneration of Directors of the Company during the financial year ended 31 December 2016 are as follow:

| Directors of the Company | 2016      |
|--------------------------|-----------|
| <i>Executive:</i>        |           |
| Remuneration             | –         |
| <i>Non-Executive:</i>    |           |
| Fees                     | RM300,000 |

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 Of Directors

The Non-Executive Directors who should be persons of caliber and integrity, who collectively provide skills and competencies to ensure the effectiveness of the Board. They should have the ability to exercise their duties and make judgement calls and decisions which are in the best interests of the shareholders, unfettered by any business or other relationships with the Executive Directors, ownership and any interests in the operations of the Company.

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").

The Board conducts annual reviews in respect of the independence of each and every Director and in addition it is the responsibility of each Director to make a declaration over their interest and independency to the Board at any time during his tenure of service.

#### 3.2 Tenure of Independent Directors

The Board takes cognisance of the Code's recommendation that the tenure of an Independent Director should not exceed a cumulative term of nine years. Upon the completion of the nine years, an Independent Director may continue to serve on the Board subject to the director's re-designation as non-independent director or otherwise, the Board will justify and seek shareholders' approval at the Annual General Meeting ("AGM") in the event he is retained as an Independent Director.

#### 3.3 Shareholders' Approval for the Re-appointment of Independent Director

For the financial year under review, none of the current independent Board members had served the Company for more than nine (9) years cumulatively.

#### 3.4 Separation of positions of Chairman and Executive Director

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

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 the Group's day-to-day operations which includes the implementation of policies and strategies adopted by the Board. The Executive Director is also charged with communicating matters relating to the Group's business to the Board. The Executive Director's knowledge of the Group's business and affairs contributes significantly to the attainment of the Group's goals and objectives.

#### 3.5 Composition of the Board

The Board as at the date of this statement comprises five (5) members:-

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

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

- a) Mak Siew Wei; and
- b) Goh Tai Wai.

## Statement on Corporate Governance (Continued)

### PRINCIPLE 4 – FOSTER COMMITMENT

#### 4.1 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 meetings are as follow:

| Name of Directors                             | Attendance |
|---|------------|
| See Thoo Chan                                 | 6/6        |
| Mak Siew Wei                                  | 6/6        |
| Darren Solomon Low Jun Ket                    | 6/6        |
| Goh Tai Wai                                   | 6/6        |
| Temujin Nukenov (Appointed on 29 August 2016) | 2/2        |

#### 4.2 Training

All Directors have attended and completed the Mandatory Accreditation Programme 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 2016 are as follows:-

| Training Programmes Attended  |
|---|
| Phnom Penh, Cambodia – Direction, Objective & Marketing Plan from 30 Jan – 2 Feb 2016 |
| Online Retailer Expo from 20 – 21 July 2016   |
| Mandatory Accreditation Programme 13 Oct – 14 Oct 2016                                |
| Fraud Risk Management Workshop on 31 October 2016                                     |

### PRINCIPLE 5 - UPHOLD INTEGRITY IN FINANCIAL REPORTING

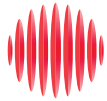
#### 5.1 Compliance with Applicable Financial Reporting Standards

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's financial position and prospects by ensuring that the financial statements and quarterly results are prepared in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards.

The Board is assisted by the Audit Committee ("AC") in reviewing the annual financial statements of the Company and the Group with the assistance of the External Auditors. The AC reviews and monitors the accuracy and integrity of the Group's financial statements before recommending to the Board for approval. The Board discusses and reviews the recommendations proposed by the AC prior to adoption of the financial statements of the Company and of the Group. The Directors exercise due care and take reasonable steps to ensure compliance with applicable accounting standards in all material aspects. For this purpose, the Directors are updated and briefed by the External Auditors. Upon approval of the financial results by the Board, the Company Secretary is then authorized to make the necessary announcements within the stipulated time frame.

At the AGM, in presenting the annual financial statements 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.





## Statement on Corporate Governance (Continued)

### PRINCIPLE 5 - UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

#### 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 AC in seeking professional advice and ensuring compliance with the relevant accounting standards. The external auditors are invited to attend the meetings of the AC and the Board whenever necessary to discuss the Group's Financial Statements.

The AC undertakes an annual assessment of the suitability and independence of the external auditors. Having assessed their performance, the AC will recommend their decision to the Board, upon which the shareholders' approval will be sought at the AGM.

### PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

#### 6.1 Framework to Manage Risks

The Statement on Risk Management & Internal Control set out on pages 19 to 20 of this Annual Report which 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 AC 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 disclosures of material information so as to build and maintain corporate creditability and investors' confidence.

To comply with corporate disclosure requirements set out by Bursa Malaysia the Group follows the main forms of information disclosure:

- a) Continuous disclosure of corporate information and news, financial results, corporate development on the Company's website at [www.nakamichi.my](http://www.nakamichi.my);
- b) Periodical disclosure in the form of full year and major investments, capital expenditures and funding activities; and
- c) Specific information disclosure as and when required, of administrative and corporate developments usually in the form of Bursa releases.

All information made available to Bursa Malaysia is immediately available to shareholders, stakeholders and the public on the Company's Investor Relations section at its website.

While the Board endeavours to keep its shareholders informed, the Board must ensure that confidential information is handled responsibly by authorized personnel to avoid leakage and improper use of such information and as such, the Group has abided by the legal and regulatory framework governing the release of materials and price-sensitive information.

#### 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 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 AC 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 will be conducting poll voting for the next AGM to comply with Paragraph 8.29 9A)(1) of the MMLR.

#### 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 Securities and the Company's website.

### COMPLIANCE STATEMENT

The Group is committed and has taken the necessary practical and appropriate steps to ensure that high standards of corporate governance are achieved in all its business dealings. The Group will continue to review its governance principles and recommendations in the pursuit of achieving the higher levels of transparency, accountability and integrity.

In this regard, the Board considers that the Group has complied substantially with the principles and recommendations as stipulated in the Code throughout the financial year ended 31 December 2016.

This statement was approved by the Board on 10 April 2017.

## 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 this time, the Company has no full time employees.

### Employee Welfare

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

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

As in the past, it is our policy to comply with environmental laws particularly governing our timber logging activities. Practical measures and considerable time and effort have 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. The Group has no active logging operations since the deconsolidation of its operating subsidiary namely, Tamabina Sdn Bhd.



# NAKAMICHI

## AUDIT COMMITTEE REPORT

The Board of Directors of Nakamichi Corporation Berhad is pleased to present the Audit Committee ("AC") report for the financial year ended 31 December 2016.

### (1) COMPOSITION

The AC comprises the following Board members:-

- (a) Goh Tai Wai – Chairman (Independent Non-Executive Director)
- (b) Temujin Nukenov (Non-Independent Non-Executive Director)
- (c) Mak Siew Wei (Independent Non-Executive Director)

### (2) SECRETARIES OF THE AC

- (a) Lee Wee Hee (MAICSA 0773340)
- (b) Rebecca Lee Ewe Ai (MAICSA 0766742)

### (3) MEETINGS AND MINUTES

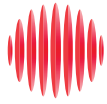
The majority of AC members present must be Independent Directors to form a quorum. Mr Temujin Nukenov was appointed as Independent Non-Executive Director on 29 August 2016 and was re-designated as Non-Independent Non-Executive Director on 11 November 2016.

The Head of Finance 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 AC. At least once a year, the AC shall meet the external auditors without any executive directors present.

The Company Secretary shall be the secretary of the Committee. The Secretary of the AC 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 AC had conducted its meeting during the year under review and the attendance record is as below:

| Name of AC Members                                 | Attendance |
|--|------------|
| Goh Tai Wai (Chairman)                             | 5/5        |
| Mak Siew Wei                                       | 5/5        |
| Temujin Nukenov<br>(Appointed on 18 November 2016) | 2/2        |



## Audit Committee Report (Continued)

### (4) SUMMARY OF ACTIVITIES

In line with the terms of reference of the AC, the following activities were carried out by the Committee during the year ended 31 December 2016:-

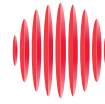
- Reviewed the external auditors' scope of work and audit plans for the year prior to the audit representatives from the external auditors presented their audit strategy and plan.
- Reviewed the results of the external audit, the audit report and the management letters.
- Considered and recommended to the Board for approval of the audit fees payable to the external auditors.
- Reviewed 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.
- Reviewed 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 were conducted in 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 AC 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. The Company is now operating at minimum capacity in view of the predicaments encountered by the Group over the operating subsidiary of the Group, therefore the internal audit function is carried out by the Board and AC.

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



# 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 are no internal auditors thus the objectives of internal control function and control activity monitoring are adequately dealt with by the Audit Committee and Board of Directors through its remit.

Naka and its subsidiaries have ceased all business operations since 2013 (except for new wholly-owned subsidiary, Nakamichi Oil And Gas Sdn Bhd which was incorporated on 8 December 2016). In view of the Group not having any business activities and due to the small size of the administrative function, there are no internal auditors within the Group during the FY2013, FY2014 and FY2015. The task of reviewing the company's internal control and risk management system reaches even a reasonably low level of complexity. However, there is a high level of review by directors and a clear requirement for them to authorise transactions.



## **Statement on Risk Management and Internal Control (Continued)**

### **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.

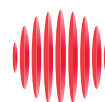
The Board Charter and the Manual of Internal Control have both been updated and refined as future business evolves and grows. Nevertheless, the Board undertakes regular and systematic reviews on the existing system of internal control so as to provide reasonable assurance that such system continue to operate satisfactorily and effectively.

### **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 10 April 2017.



**NAKAMICHI**

## **DIRECTORS' PROFILE**

### **SEE THOO CHAN**

Age 55, Malaysian, Female  
Non-Independent Non-Executive Chairman

#### **Qualifications**

- Higher School Certificate

#### **Membership of Associations**

- None

#### **Date Appointed to the Board**

- 19 March 2013

#### **Working Experience and Occupation**

- She is a member of the Nomination Committee and Remuneration Committee of the Company.
- She is a successful businesswoman having numerous years of experience in trading of telecommunication products.
- She is an Executive Director of Compugates Group of Companies.
- 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**

- 14,355,700 shares (direct and indirect interest) 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**

- None

#### **List of Convictions for Offences within the past 5 years other than traffic offences**

- None

#### **Attendance of Board Meetings**

- Details are set out in the Statement of Corporate Governance in page 11 of this Annual Report.

### **TEMUJIN NUKENOV**

Age 30, Kazakh, Male  
Non-Independent Non-Executive Director

#### **Qualifications**

- Bachelor of Science, Honours in Business Studies, Cass Business School (The City University)

#### **Membership of Associations**

- KMCC
- Kaznex Invest

#### **Date Appointed to the Board**

- 29 August 2016

#### **Date of re-designation**

- 11 November 2016

#### **Working Experience and Occupation**

- He is a member of the Audit Committee of the Company
- Samruk Kazyna, Strategy and Corporate governance Department;
- PayLink Global, Regional MD;
- Karmatura Metal, Director;
- KMCC, MD;
- Kaznex Invest, MD;
- Agrostan, General Director;

#### **Directorships of Other Public Companies**

- Kamatura Metal JSC

#### **Interest in Securities of the Company and its Subsidiaries**

- 3,900,000 shares (direct interest) in Nakamichi Corporation Berhad

#### **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 5 years other than traffic offences**

- None

#### **Attendance of Board Meetings**

- Details are set out in the Statement of Corporate Governance in page 11 of this Annual Report.

## Directors' Profile (Continued)

### GOH TAI WAI

Age 44, Malaysian, Male  
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

#### Working Experience and Occupation

- He is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.
- He has more than twenty five (25) years experience ranging from general management, 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 5 years other than traffic offences

- None

#### Attendance of Board Meetings

- Details are set out in the Statement of Corporate Governance in page 11 of this Annual Report.

### DARREN SOLOMON LOW JUN KET

Age 29, Malaysian, Male  
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

#### 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 K&K Securities Sdn Bhd.
- He was an Executive Director at mTouche Technologies Bhd, managing operations in seven countries in South East Asia.

#### Directorships of Other Public Companies

- None

#### 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

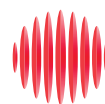
- None

#### List of Convictions for Offences within the past 5 years other than traffic offences

- None

#### Attendance of Board Meetings

- Details are set out in the Statement of Corporate Governance in page 11 of this Annual Report.



## Directors' Profile (Continued)

### **MAK SIEW WEI**

Age 42, Malaysian, Male

Independent Non-Executive Director

#### **Qualifications**

- Bachelor Degree in Management Information System

#### **Membership of Associations**

- None

#### **Date Appointed to the Board**

- 1 August 2008

#### **Working Experience and Occupation**

- He is 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 5 years other than traffic offences**

- None

#### **Attendance of Board Meetings**

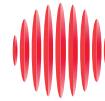
- Details are set out in the Statement of Corporate Governance in page 11 of this Annual Report.

## **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.



**NAKAMICHI**

## **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 2016.

**2) Audit and Non-audit Fees**

The amount of audit fees paid to the external auditors or a firm or company affiliated by the Group for the financial year ended 31 December 2016 amounted to RM45,000.

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 2016.

**3) Material Contracts**

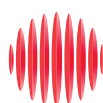
There were no material contracts entered into by the Company or its subsidiaries involving Directors and Substantial Shareholders during the financial year ended 31 December 2016.

**4) Recurrent Related Party Transactions of a Revenue or Trading Nature**

None.



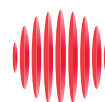
# FINANCIAL STATEMENTS



**NAKAMICHI** CORPORATION  
BERHAD



|           |  |           |  |
|-----------|--|-----------|--|
| <b>27</b> | Directors' Report  | <b>38</b> | Consolidated Statement Of Financial Position |
| <b>31</b> | Statement By Directors   | <b>39</b> | Statement Of Financial Position              |
| <b>31</b> | Statutory Declaration  | <b>40</b> | Consolidated Statement Of Changes In Equity  |
| <b>32</b> | Independent Auditors' Report   | <b>41</b> | Statement Of Changes In Equity               |
| <b>36</b> | Consolidated Statement Of Profit Or Loss<br>And Other Comprehensive Income | <b>42</b> | Consolidated Statement Of Cash Flows         |
| <b>37</b> | Statement Of Profit Or Loss And<br>Other Comprehensive Income              | <b>43</b> | Statement Of Cash Flows                      |
|           |  | <b>44</b> | Notes To The Financial Statements            |



# NAKAMICHI

## DIRECTORS' REPORT

The Directors hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

### Principal activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are disclosed in Note 12 to the financial statements.

There has been no significant change in the nature of these principal activities during the financial year except as disclosed in Note 12 to the financial statements.

### Results

|                             | Group<br>RM | Company<br>RM |
|-----------------------------|-------------|---------------|
| Loss for the financial year | 6,365,612   | 6,316,659     |

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

### Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend for the current financial year ended 31 December 2016.

### Directors

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

See Thoo Chan  
Darren Solomon Low Jun Ket  
Mak Siew Wei  
Goh Tai Wai  
Temujin Nukenov

(Appointed on 29 August 2016)

## Directors' Report (Continued)

### Directors' interests in shares

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 1965, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

| The Company           | Number of ordinary shares of RM1.00 each |           |           |                  |
|-----------------------|--|-----------|-----------|------------------|
|                       | At<br>1.1.2016                           | Bought    | Sold      | At<br>31.12.2016 |
| See Thoo Chan         |  |           |           |                  |
| - direct interest     | 7,919,100                                | –         | –         | 7,919,100        |
| - indirect interest # | 10,336,600                               | –         | 3,900,000 | 6,436,600        |
| Temujin Nukenov       |  |           |           |                  |
| - direct interest     | –  | 3,900,000 | –         | 3,900,000        |

# Deemed interested by virtue of the interest of her spouse, Goh Kheng Peow.

# Deemed interested by virtue of the interest of her son, Keane Goh Yan Han.

By virtue of their interests in the share of the Company, See Thoo Chan and Temujin Nukenov are also deemed to have interests in the shares of all its subsidiary companies to the extent the Company has an interest.

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares or debentures in the Company or its subsidiaries during the financial year.

### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 14 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

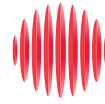
### Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

### Options granted over unissued shares

No options were granted by the Company to any person to take up unissued shares of the Company during the financial year.



## Directors' Report (Continued)

### Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of Company have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (i) which would render the writing off of bad debts and the amount of the provisions for doubtful debts inadequate in the financial statements of the Group and of the Company to any substantial extent; or
- (ii) which would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, except for the material litigation as disclosed in Note 16 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

## **Directors' Report (Continued)**

### **Subsequent Event**

The subsequent event is disclosed in Note 22 to the financial statements.

### **Auditors**

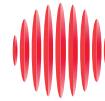
The auditors, Messrs Morison Anuarul Azizan Chew, have expressed their willingness to accept re-appointment.

Signed on behalf of the Board  
in accordance with a resolution of the Directors,

.....  
**SEE THOO CHAN**

Date: 21 April 2017

.....  
**DARREN SOLOMON LOW JUN KET**



**NAKAMICHI**

## **STATEMENT BY DIRECTORS**

**PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965 IN MALAYSIA**

We, SEE THOO CHAN and DARREN SOLOMON LOW JUN KET, being two of the Directors of NAKAMICHI CORPORATION BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 36 to 72 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 23 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors,

.....  
**SEE THOO CHAN**

.....  
**DARREN SOLOMON LOW JUN KET**

Date: 21 April 2017

## **STATUTORY DECLARATION**

**PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965 IN MALAYSIA**

I, SEE THOO CHAN, being the Director primarily responsible for the financial management of NAKAMICHI CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements and supplementary information set out on pages 36 to 72 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

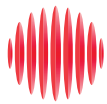
Subscribed and solemnly )  
declared by the above )  
named SEE THOO CHAN )  
at Puchong in Selangor on 21 April 2017 )

.....  
**SEE THOO CHAN**

Before me,

.....  
**SAMUEL JOHN A/L PONNIAH**  
LICENSE NO.: B437  
COMMISSIONER FOR OATHS





**NAKAMICHI**

## **INDEPENDENT AUDITORS' REPORT** TO THE MEMBERS OF NAKAMICHI CORPORATION BERHAD

### **Report on the audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Nakamichi Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 36 to 72.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

#### **Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

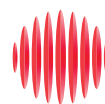
#### **Independence and Other Ethical Responsibilities**

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 to the financial statements which discloses the premise upon which the Group and the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred a net loss of RM6,365,612 and of RM6,316,659 respectively during the financial year ended 31 December 2016, and as at that date, the Group and the Company's current liabilities exceeded its current assets by RM20,237,651 and RM20,049,672 respectively and deficits of shareholders' funds of RM20,237,651 and RM20,049,670 respectively, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

On 13 April 2017, in an effort to address its financial situation, the Group has submitted its proposed regularisation scheme to Bursa Securities Malaysia Berhad ("Bursa Malaysia"). The regularisation plan is pending approval from Bursa Malaysia and the details of the regularisation plan is disclosed in Note 1 and Note 22 to the financial statements. 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.



## Independent Auditors' Report (Continued)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be key audit matters to be communicated in our report.

| Key audit matter   | How our audit addressed the key audit matter   |
|--|--|
| <b>Contingent liabilities relating to legal matters</b><br><b>(Refer to Note 16 to the financial statements)</b><br><br>We focused on this area because of the potential significance of the contingent liabilities. The assessment as to whether or not a liability should be recognised and whether amounts can be reliably estimated includes, to a certain extent, judgment from management. | Our audit procedures included periodic meetings with management and review of board minutes to discuss developments in legal proceedings. We also reviewed legal correspondences and obtained confirmations from the Group's external solicitors in order to consider the appropriateness of the disclosures made in the Group financial statements. |

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, which we obtained prior to the date of this auditors' report, and Annual Report, which are expected to be made available to after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

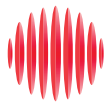
In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.



## Independent Auditors' Report (Continued)

### Auditors' Responsibilities for the Audit of the Financial Statements

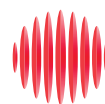
Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## **Independent Auditors' Report (Continued)**

### **Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on the following:

- (a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

### **Other Reporting Responsibilities**

The supplementary information set out in Note 22 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume any responsibility to any other person for the content of this report.

.....  
**MORISON ANUARUL AZIZAN CHEW**  
Firm Number: AF 001977  
Chartered Accountants

KUALA LUMPUR  
Date: 21 April 2017

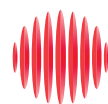
.....  
**SATHIEA SEELEAN A/L MANICKAM**  
Approved Number: 1729/05/18 (J/PH)  
Chartered Accountant

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

|  | Note     | 2016<br>RM         | 2015<br>RM       |
|--|----------|--------------------|------------------|
| Revenue  |          | –                  | –                |
| Other income   |          | –                  | –                |
| Administrative expenses                                  |          | (6,365,612)        | (471,089)        |
| <b>Loss before taxation</b>                              | <b>3</b> | <b>(6,365,612)</b> | <b>(471,089)</b> |
| Tax expense  | 5        | –                  | –                |
| <b>Loss and other comprehensive expense for the year</b> |          | <b>(6,365,612)</b> | <b>(471,089)</b> |
| <b>Loss attributable to:</b>                             |          |                    |                  |
| Owners of the Company                                    |          | (6,365,612)        | (471,089)        |
| <b>Loss for the financial year</b>                       |          | <b>(6,365,612)</b> | <b>(471,089)</b> |
| <b>Total comprehensive expense attributable to:</b>      |          |                    |                  |
| Owners of the Company                                    |          | (6,365,612)        | (471,089)        |
| <b>Total comprehensive expense for the year</b>          |          | <b>(6,365,612)</b> | <b>(471,089)</b> |
| <b>Basic loss per ordinary share (sen)</b>               | <b>6</b> | <b>(11.49)</b>     | <b>(0.85)</b>    |

The accompanying notes form an integral part of the financial statements.



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

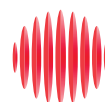
|   | Note     | 2016<br>RM         | 2015<br>RM       |
|---|----------|--------------------|------------------|
| Revenue   |          | –                  | –                |
| Other operating income  |          | –                  | –                |
| Administrative expenses   |          | (6,316,659)        | (452,138)        |
| <b>Loss before taxation</b>                                     | <b>3</b> | <b>(6,316,659)</b> | <b>(452,138)</b> |
| Tax expense   | 5        | –                  | –                |
| <b>Loss and other comprehensive loss for the financial year</b> |          | <b>(6,316,659)</b> | <b>(452,138)</b> |
| <b>Loss attributable to:</b>                                    |          |                    |                  |
| Owners of the Company   |          | (6,316,659)        | (452,138)        |
| <b>Loss for the financial year</b>                              |          | <b>(6,316,659)</b> | <b>(452,138)</b> |
| <b>Total comprehensive expense attributable to:</b>             |          |                    |                  |
| Owners of the Company   |          | (6,316,659)        | (452,138)        |
| <b>Total comprehensive expense for the year</b>                 |          | <b>(6,316,659)</b> | <b>(452,138)</b> |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

|   | Note | 31.12.2016<br>RM | 31.12.2015<br>RM<br>Restated | 1.1.2015<br>RM<br>Restated |
|---|------|------------------|------------------------------|----------------------------|
| <b>Current assets</b>                               |      |                  |                              |                            |
| Non-trade receivables, deposits and prepayments     | 7    | 49,711           | –                            | 11,625                     |
| Cash and bank balances                              |      | 1,131            | 1,190                        | 1,140                      |
|   |      | 50,842           | 1,190                        | 12,765                     |
| <b>TOTAL ASSETS</b>                                 |      | 50,842           | 1,190                        | 12,765                     |
| <b>EQUITY AND LIABILITIES</b>                       |      |                  |                              |                            |
| <b>Equity attributable to owners of the Company</b> |      |                  |                              |                            |
| Share capital                                       | 8    | 55,410,180       | 55,410,180                   | 55,410,180                 |
| Share premium                                       | 9    | 38,451,919       | 38,451,919                   | 38,451,919                 |
| Accumulated losses                                  |      | (114,099,750)    | (107,734,138)                | (107,263,049)              |
| <b>Total equity</b>                                 |      | (20,237,651)     | (13,872,039)                 | (13,400,950)               |
| <b>LIABILITIES</b>                                  |      |                  |                              |                            |
| <b>Current liabilities</b>                          |      |                  |                              |                            |
| Non-trade payables and accruals                     | 10   | 20,183,702       | 13,768,438                   | 13,308,924                 |
| Tax payables  |      | 4,244            | 4,244                        | 4,244                      |
| Provision   | 11   | 100,547          | 100,547                      | 100,547                    |
| <b>Total liabilities</b>                            |      | 20,288,493       | 13,873,229                   | 13,413,715                 |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |      | 50,842           | 1,190                        | 12,765                     |

The accompanying notes form an integral part of the financial statements.



**NAKAMICHI**

**STATEMENT OF  
FINANCIAL POSITION**  
AS AT 31 DECEMBER 2016

|   | Note | 31.12.2016<br>RM<br>Restated | 31.12.2015<br>RM<br>Restated | 1.1.2015<br>RM      |
|---|------|------------------------------|------------------------------|---------------------|
| <b>ASSETS</b>                                       |      |                              |                              |                     |
| <b>Non-current assets</b>                           |      |                              |                              |                     |
| Investment in subsidiaries                          | 12   | 2                            | –                            | –                   |
| <b>Current assets</b>                               |      |                              |                              |                     |
| Other receivable                                    | 7    | 49,711                       | –                            | –                   |
| Amount due from subsidiaries                        | 13   | –                            | –                            | –                   |
| Cash and bank balances                              |      | 1,073                        | 1,134                        | 1,084               |
|   |      | 50,784                       | 1,134                        | 1,084               |
| <b>TOTAL ASSETS</b>                                 |      | <b>50,786</b>                | <b>1,134</b>                 | <b>1,084</b>        |
| <b>EQUITY AND LIABILITIES</b>                       |      |                              |                              |                     |
| <b>Equity attributable to owners of the Company</b> |      |                              |                              |                     |
| Share capital                                       | 8    | 55,410,180                   | 55,410,180                   | 55,410,180          |
| Share premium                                       | 9    | 38,451,919                   | 38,451,919                   | 38,451,919          |
| Accumulated losses                                  |      | (113,911,769)                | (107,595,110)                | (107,142,972)       |
| <b>Total equity</b>                                 |      | <b>(20,049,670)</b>          | <b>(13,733,011)</b>          | <b>(13,280,873)</b> |
| <b>LIABILITIES</b>                                  |      |                              |                              |                     |
| <b>Current liabilities</b>                          |      |                              |                              |                     |
| Non-trade payables and accruals                     | 10   | 20,100,456                   | 13,734,145                   | 13,281,957          |
| <b>Total liabilities</b>                            |      | <b>20,100,456</b>            | <b>13,734,145</b>            | <b>13,281,957</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |      | <b>50,786</b>                | <b>1,134</b>                 | <b>1,084</b>        |

The accompanying notes form an integral part of the financial statements.

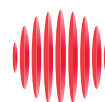


## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

|  | ← Attributable to the owners of the Company → |   |  |              |
|--|---|---|--|--------------|
|  | Share<br>capital<br>RM                        | Non-<br>Distributable<br>Share<br>premium<br>RM | Distributable<br>Accumulated<br>losses<br>RM | Total<br>RM  |
| At 1 January 2015  | 55,410,180                                    | 38,451,919                                      | (107,707,828)                                | (13,845,729) |
| Effect of prior year adjustments                               | –   | –   | 444,779                                      | 444,779      |
| At 1 January 2015 (restated)                                   | 55,410,180                                    | 38,451,919                                      | (107,263,049)                                | (13,400,950) |
| Loss and other comprehensive<br>expense for the financial year | –   | –   | (471,089)                                    | (471,089)    |
| At 31 December 2015  | 55,410,180                                    | 38,451,919                                      | (107,734,138)                                | (13,872,039) |
| Loss and other comprehensive<br>expense for the financial year | –   | –   | (6,365,612)                                  | (6,365,612)  |
| At 31 December 2016  | 55,410,180                                    | 38,451,919                                      | (114,099,750)                                | (20,237,651) |

The accompanying notes form an integral part of the financial statements.



**NAKAMICHI**

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

|  | ← Attributable to the owners of the Company → |   |  |              |
|--|---|---|--|--------------|
|  | Share<br>capital<br>RM                        | Non-<br>Distributable<br>Share<br>premium<br>RM | Distributable<br>Accumulated<br>losses<br>RM | Total<br>RM  |
| At 1 January 2015  | 55,410,180                                    | 38,451,919                                      | (107,332,723)                                | (13,470,624) |
| Effect of prior year adjustments                               | –   | –   | 189,751                                      | 189,751      |
| At 1 January 2015 (restated)                                   | 55,410,180                                    | 38,451,919                                      | (107,142,972)                                | (13,280,873) |
| Loss and other comprehensive<br>expense for the financial year | –   | –   | (452,138)                                    | (452,138)    |
| At 31 December 2015  | 55,410,180                                    | 38,451,919                                      | (107,595,110)                                | (13,733,011) |
| Loss and other comprehensive<br>expense for the financial year | –   | –   | (6,316,659)                                  | (6,316,659)  |
| At 31 December 2016  | 55,410,180                                    | 38,451,919                                      | (113,911,769)                                | (20,049,670) |

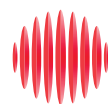
The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

|  | Note | 2016<br>RM  | 2015<br>RM |
|--|------|-------------|------------|
| <b>Cash flows from operating activities</b>  |      |             |            |
| Loss before tax  |      | (6,365,612) | (471,089)  |
| Adjustment for:  |      |             |            |
| Non-trade receivables written off  |      | –           | 11,625     |
| Operating loss before working capital changes  |      | (6,365,612) | (459,464)  |
| Changes in working capital:  |      |             |            |
| Non-trade receivables  |      | (49,711)    | –          |
| Non-trade payables   |      | 5,471,124   | 220,288    |
| Cash used in operations, representing<br>net cash used in operating activities       |      | (944,199)   | (239,176)  |
| Cash flows from financing activity   |      |             |            |
| Advances from a Director, representing<br>net cash generated from financing activity |      | 944,140     | 239,226    |
| Net (decrease)/increase in cash<br>and cash equivalent                               |      | (59)        | 50         |
| Cash and cash equivalents at 1 January   |      | 1,190       | 1,140      |
| Cash and cash equivalents at 31 December   | (i)  | 1,131       | 1,190      |

- (i) Cash and cash equivalents included in the Consolidated Statement of Cash Flows comprise cash and bank balances RM1,131 (2015: RM1,190).

**NAKAMICHI****STATEMENT OF  
CASH FLOWS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

|  | Note | 2016<br>RM  | 2015<br>RM |
|--|------|-------------|------------|
| <b>Cash flows from operating activities</b>  |      |             |            |
| Loss before tax  |      | (6,316,659) | (452,138)  |
| Adjustment for:  |      |             |            |
| Reversal of amount due to a former Director  |      | –           | –          |
| Operating loss before working capital changes  |      | (6,316,659) | (452,138)  |
| Changes in working capital:  |      |             |            |
| Non-trade receivables  |      | (49,711)    | –          |
| Non-trade payables   |      | 5,425,171   | 212,962    |
| Cash used in operations, representing<br>net cash used in operating activities       |      | (941,199)   | (239,176)  |
| Cash flows from investing activity   |      |             |            |
| Investment in a subsidiary, representing<br>net cash used in investing activity      |      | (2)         | –          |
| Cash flows from financing activity   |      |             |            |
| Advances from a Director, representing<br>net cash generated from financing activity |      | 941,140     | 239,226    |
| Net (decrease)/increase in cash and cash equivalent                                  |      | (61)        | 50         |
| Cash and cash equivalents at 1 January   |      | 1,134       | 1,084      |
| Cash and cash equivalents at 31 December   | (i)  | 1,073       | 1,134      |

- (i) Cash and cash equivalents included in the Statement of Cash Flows comprise cash and bank balances of RM1,073 (2014: RM1,134).

## **NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 DECEMBER 2016**

### **1. Basis of preparation**

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in summary of significant accounting policies.

The Group and the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred a net loss of RM6,365,612 and of RM6,316,659 respectively during the financial year ended 31 December 2016, and as at that date, the Group and the Company's current liabilities exceeded its current assets by RM20,237,651 and RM20,049,672 respectively and deficits of shareholders' funds of RM20,237,651 and RM20,049,670 respectively, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

In an effort to address its financial situation, the Group had on 28 April 2016, 22 August 2016 and 28 November 2016, announced that the Group has entered into the Memorandum of Understanding ("MOU") with Aktau Transit LLP ("AT") with the intention to enter into mutual discussion relating to a proposed collaboration by the Group together with AT to undertake a joint development of the AT Oilfields in Aktau, Kazakhstan.

On 20 January 2017 and 6 April 2017, the Group announced that the Group had entered into two agreements as follows:

- (i) Joint investment Agency Agreement ("JIAA") between Nakamichi Corporation Berhad ("Nakamichi"), Nakamichi Oil & Gas Sdn. Bhd. ("NOGSB"), a wholly-owned subsidiary of Nakamichi, Aktau Transit ("AT") and Caspian Oil Project LLP ("COP") for the appointment of NOGSB as the agent of AT to monitor and oversee the exploration development and production activities of the AT Oilfields (Proposed Joint Operations and Monitoring); and
- (ii) Investment agreement between Nakamichi, AT and COP for the investment amount of up to USD146,000,000 (equivalent to RM657,000,000) for the Proposed Joint Operations and Monitoring.

On 13 April 2017, resulting from the execution of agreement, the Group has submitted a Proposed Regularisation Scheme to Bursa Securities Malaysia Berhad ("Bursa Malaysia"). The Board of the Group has proposed to undertake two pronged approach under the Proposed Regularisation Scheme, comprising Business Regularisation Plan and Financial Regularisation Scheme.

Under the Business Regularisation Plan, the Group is diversify its core business from timber industry to upstream oil and gas industry via the Proposed Joint Operations and Monitoring. Details of the Financial Regularisation Scheme as disclosed in Note 22 to the financial statements.

As at the date of this report, the Proposed Regularisation Scheme is still pending approval from Bursa Malaysia. In view of the foregoing, the Board of Directors is of the opinion that, barring any unforeseen circumstances, pursuant to obtaining necessary approvals from the authorities and shareholders on the Proposed Regularisation Scheme, the Group will be able to generate sufficient cash in future to fulfil their obligation as and when they fall due.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(a).

## Notes to the Financial Statements (Continued)

### 1. Basis of preparation (Cont'd)

Accounting standards and amendments to accounting standards that are effective for the Group and the Company's financial year beginning on or after 1 January 2016 are as follows:

- MFRS 14, "Regulatory Deferral Accounts"
- Amendment to MFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations" (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, "Financial Instruments: Disclosures" (Annual-Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, MFRS 12 and MFRS 128, "Investment Entities: Applying the Consolidation Exception"
- Amendments to MFRS 11, "Accounting for Acquisitions of Interests in Joint Operations"
- Amendments to MFRS 101, "Disclosure Initiative"
- Amendments to MFRS 116 and MFRS 138, "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Amendments to MFRS 116 and MFRS 141, "Agriculture: Bearer Plants"
- Amendments to MFRS 119, "Employee Benefits" (Annual-Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, "Equity Method in Separate Financial Statements"
- Amendment to MFRS 134, "Interim Financial Reporting" (Annual Improvements 2012-2014 Cycle)

The above accounting standards and amendments to accounting standards effective during the financial year do not have any significant impact to the financial results and position of the Group and the Company.

Accounting standards and amendments to accounting standards that are applicable for the Group and the Company in the following periods but are not yet effective:

#### Annual periods beginning on/after 1 January 2017

##### Amendments to MFRS 107 Disclosure Initiative

The Amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities.

##### Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The Amendments clarify that decreases in value of a debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this. An example is when an entity holds a fixed-rate debt instrument (measured at fair value) and expects to collect all the contractual cash flows.

The Amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

## Notes to the Financial Statements (Continued)

### 1. Basis of preparation (Cont'd)

#### Annual periods beginning on/after 1 January 2017 (Cont'd)

##### Amendments to MFRS 2 Classification and Measurement of Share-Based Payment Transactions

The Amendments provides specific guidance on how to account for the following situations:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

##### MFRS 9 Financial Instruments

This Standard addresses the classification, measurement and recognition of financial assets and financial liabilities.

Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The Standard introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements. If a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the balance sheet, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the balance sheet.

The Standard introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, it requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model is forward-looking and it eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

In addition, the Standard introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. As a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

##### MFRS 15 Revenue from Contracts with Customers

The Standard provides clarity on revenue recognition especially on areas where existing requirements unintentionally created diversity in practice. Under MFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Extensive disclosures are required to provide greater insight into both revenue that has been recognised, and revenue that is expected to be recognised in the future from existing contracts.

## Notes to the Financial Statements (Continued)

### 1. Basis of preparation (Cont'd)

Annual periods beginning on/after 1 January 2019

#### MFRS 16 Leases

The Standard eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its balance sheet as recording certain leases as off-balance sheet leases will no longer be allowed except for some limited practical exemptions.

Effective date yet to be determined by the Malaysian Accounting Standards Board

#### Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

The Amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the Amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not), as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group is in the process of assessing the impact of MFRS 9 and MFRS 15 in the year of initial application. Aside from the above mentioned, the adoption of the accounting standards and amendments to accounting standards are not expected to have any significant impact to the financial statements of the Group and the Company.

### 2. Summary of significant accounting policies

#### (a) Critical accounting estimates and judgements

Estimates and judgements are continuously evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

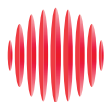
##### (i) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

##### (ii) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group and the Company carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group and the Company uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.





## Notes to the Financial Statements (Continued)

### 2. Summary of significant accounting policies (Cont'd)

#### (a) Critical accounting estimates and judgements (Cont'd)

##### (iii) Impairment of Trade and Non-trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

##### (iv) Carrying Value of Investment in Subsidiaries

Investments in subsidiaries are reviewed for impairment annually in accordance with its accounting policy as disclosed in Note 2(a)(ii) to the financial statements, or whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's and of the Company's test for impairment of investments in subsidiaries.

#### (b) Basis of consolidation

##### (i) Subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

##### (ii) Accounting for business combinations

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the reporting date. Subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Acquisitions of subsidiary are accounted for by applying the acquisition method.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011, the Group has applied Revised MFRS 3, Business Combinations, in accounting for business combinations.

## Notes to the Financial Statements (Continued)

### 2. Summary of significant accounting policies (Cont'd)

#### (b) Basis of consolidation (Cont'd)

##### (ii) Accounting for business combinations (Cont'd)

###### *Acquisitions on or after 1 January 2011*

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and / or future service.

###### *Acquisitions between 1 January 2006 to 1 January 2011*

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

## Notes to the Financial Statements (Continued)

### 2. Summary of significant accounting policies (Cont'd)

#### (b) Basis of consolidation (Cont'd)

##### (ii) Accounting for business combinations (Cont'd)

###### *Acquisitions between 1 January 2006 to 1 January 2011 (Cont'd)*

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

##### (iii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit and loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

The Group applied Revised MFRS 127, Consolidated and Separate Financial Statements since the beginning of the reporting period.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so caused the non-controlling interests to have a deficit balance.

In the previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

##### (iv) Transactions with Non-controlling interests

Transactions with Non-controlling interests are accounted for using the entity concept method, whereby, transactions with Non-controlling interests are accounted for as transactions with owners.

On acquisition of Non-controlling interest, the difference between the consideration and the Group's share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to Non-controlling interests is recognised directly in equity.

## Notes to the Financial Statements (Continued)

### 2. Summary of significant accounting policies (Cont'd)

#### (b) Basis of consolidation (Cont'd)

##### (v) Loss of control

The Group applied Revised MFRS 127, Consolidated and Separate Financial Statements since the beginning of the reporting period. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and their carrying amount would be regarded as cost on initial measurement of the investment.

##### (vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (c) Employee benefits expense

##### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined contribution plans

The Group's and the Company's contribution to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Company has no further liability in respect of the defined contribution.

#### (d) Tax expense

##### (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

## Notes to the Financial Statements (Continued)

### 2. Summary of significant accounting policies (Cont'd)

#### (d) Tax expense (Cont'd)

##### (ii) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in profit or loss or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination.

#### (e) Impairment

##### (i) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. Trade and non-trade receivables and other financial assets carried at amortised cost.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

## Notes to the Financial Statements (Continued)

### 2. Summary of significant accounting policies (Cont'd)

#### (e) Impairment (Cont'd)

##### (i) Impairment of financial assets (Cont'd)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

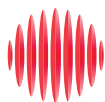
##### (ii) Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units ("CGUs")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.



## Notes to the Financial Statements (Continued)

### 2. Summary of significant accounting policies (Cont'd)

#### (f) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determines the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets.

##### Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

#### (g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, short-term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

#### (h) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

## Notes to the Financial Statements (Continued)

### 2. Summary of significant accounting policies (Cont'd)

#### (h) Financial liabilities (Cont'd)

##### Other financial liabilities

The Group's and the Company's other financial liabilities include trade and non-trade payables and amount due from subsidiary company.

Trade and non-trade payables, amount due from subsidiary company are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (i) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### (j) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group.

#### (k) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services. The management of the Company regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in the Note 17 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

#### (l) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.



## Notes to the Financial Statements (Continued)

### 3. Loss before taxation

Loss before taxation is derived after charging/(crediting):

|                                   | Group      |            | Company    |            |
|-----------------------------------|------------|------------|------------|------------|
|                                   | 2016<br>RM | 2015<br>RM | 2016<br>RM | 2015<br>RM |
| Auditors' remuneration:           |            |            |            |            |
| - statutory                       | 47,000     | 40,000     | 41,000     | 38,000     |
| - non statutory                   | (1,500)    | –          | (3,500)    | –          |
| Directors' remuneration (Note 4)  | 300,000    | 300,000    | 300,000    | 300,000    |
| Non-trade receivables written off | –          | 11,625     | –          | –          |

### 4. Directors' remuneration

|                               | Group      |            | Company    |            |
|-------------------------------|------------|------------|------------|------------|
|                               | 2016<br>RM | 2015<br>RM | 2016<br>RM | 2015<br>RM |
| Directors' remuneration:      |            |            |            |            |
| Directors of the Company      |            |            |            |            |
| Non-executive:                |            |            |            |            |
| Fees                          | 300,000    | 300,000    | 300,000    | 300,000    |
| Total Directors' remuneration | 300,000    | 300,000    | 300,000    | 300,000    |

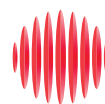
The total number of employees, inclusive of executive Directors, of the Group and the Company as at the end of the financial year was 5 and 5 (2015: 4 and 4) respectively.

### 5. Tax expense

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) at the estimated assessable profit for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expenses applicable to loss before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company are as follow:

|  | Group       |            | Company     |            |
|--|-------------|------------|-------------|------------|
|  | 2016<br>RM  | 2015<br>RM | 2016<br>RM  | 2015<br>RM |
| Loss before tax  | (6,365,612) | (471,089)  | (6,316,658) | (452,138)  |
| Tax calculated using statutory tax rate at 24% (2015: 25%) | (1,527,747) | (117,772)  | (1,515,998) | (113,035)  |
| Non-deductible expenses                                    | 1,527,747   | 117,772    | 1,515,998   | 113,035    |
|  | –           | –          | –           | –          |



## Notes to the Financial Statements (Continued)

### 6. Basic loss per ordinary share

Basic loss per ordinary share for the financial year is calculated by dividing the loss for the financial year attributable to ordinary shareholders by the number of ordinary shares outstanding during the financial year calculated as follows:

|  | 2016<br>RM | Group<br>2015<br>RM |
|--|------------|---------------------|
| Loss attributable to ordinary shareholders | 6,365,612  | 471,089             |
| Number of ordinary shares in issue         | 55,410,180 | 55,410,180          |
| Basic loss per ordinary share (sen)        | 11.49      | 0.85                |

Diluted earnings per ordinary share are not presented as the Group had no dilutive potential ordinary shares during the current and prior financial years.

### 7. Non-trade receivables, deposits and prepayments

|                                   | 31.12.2016<br>RM | Group<br>31.12.2015<br>RM | 1.1.2015<br>RM |
|-----------------------------------|------------------|---------------------------|----------------|
| Non-trade receivables             | 19,996           | 11,444                    | 11,444         |
| Deposits                          | 29,715           | 181                       | 181            |
| Less: Written off during the year | –                | (11,625)                  | –              |
|                                   | 49,711           | –                         | 11,625         |

|                       | 31.12.2016<br>RM | Company<br>31.12.2015<br>RM | 1.1.2015<br>RM |
|-----------------------|------------------|-----------------------------|----------------|
| Non-trade receivables | 19,996           | –                           | –              |
| Deposits              | 29,715           | –                           | –              |
|                       | 49,711           | –                           | –              |

### 8. Share capital

|                                 | Group and Company<br>2016      2015<br>Number of ordinary shares |             | Group and Company<br>2016      2015<br>RM      RM |             |
|---------------------------------|--|-------------|---|-------------|
| Ordinary Shares of RM1.00 each: |  |             |   |             |
| Authorised:                     |  |             |   |             |
| 1 January/31 December           | 100,000,000  | 100,000,000 | 100,000,000                                       | 100,000,000 |
| Issued and fully paid:          |  |             |   |             |
| 1 January/31 December           | 55,410,180   | 55,410,180  | 55,410,180  | 55,410,180  |

## Notes to the Financial Statements (Continued)

### 9. Share premium

The share premium is arrived at after accounting for the premium received over the nominal value of shares issued to the public.

### 10. Non-trade payables and accruals

|                        | Note | 31.12.2016<br>RM | Group<br>31.12.2015<br>RM<br>Restated | 1.1.2015<br>RM<br>Restated |
|------------------------|------|------------------|---------------------------------------|----------------------------|
| Amount due to Director | (i)  | 1,804,704        | 860,564                               | 652,143                    |
| Non-trade payables     | (ii) | 15,615,752       | 11,884,205                            | 11,814,172                 |
| Accruals               |      | 2,763,246        | 1,023,669                             | 842,609                    |
|                        |      | 20,183,702       | 13,768,438                            | 13,308,924                 |

|                         | Note | 31.12.2016<br>RM | Company<br>31.12.2015<br>RM<br>Restated | 1.1.2015<br>RM<br>Restated |
|-------------------------|------|------------------|---|----------------------------|
| Amount due to Directors | (i)  | 1,801,704        | 860,564                                 | 621,338                    |
| Non-trade payables      | (ii) | 15,567,453       | 11,849,912                              | 11,818,010                 |
| Accruals                |      | 2,731,299        | 1,023,669                               | 842,609                    |
|                         |      | 20,100,456       | 13,734,145                              | 13,281,957                 |

(i) The amount due to Directors of the Group and the Company represents interest-free advances that are unsecured, interest-free and repayable on demand.

(ii) Included in non-trade payables of;

- (a) The Group and Company is an amount due to Lo Man Heng ("LMH") of RM1,660,217 (2015: RM1,660,217), which bears interest at the rate of 2% (2015: 2%) per annum above the base lending rate of a local bank, secured by a corporate guarantee from the Company and repayable on demand.

On 14 June 2013, LMH served a winding up notice against the Company for a personal claim of an alleged amount due to LMH as at 31 May 2013 amounting to RM4,404,299. This case was dismissed by the court and the appeal on 26 May 2014 has also been dismissed.

Subsequently on 12 August 2014, LMH filed a 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 as disclosed in Note 16(a)(i).

In view of the suit with LMH that was still on-going at that time, the Directors kept the amount outstanding as at 31 May 2013 in the books but ceased to provide the interest subsequent to 31 May 2013.

## Notes to the Financial Statements (Continued)

### 10. Non-trade payables and accruals (Cont'd)

- (ii) Included in non-trade payables of; (Cont'd)
- (b) The Group and the Company is an amount due to TSB amounting to RM9,897,992 (2015: RM9,897,992) being unsecured advances, bearing interest at the rate of 2% (2015: 2%) per annum above the base lending rate of a local bank and repayable on demand. As disclosed in Note 16(a)(ii) to the financial statements, there is a law suit between TSB and the Company for the amount to which the petitioner, TSB had withdrawn the Winding Up Petition with no order to cost on 23 March 2016. However, there is no court order or written confirmation from the Plaintiff's solicitor on the withdrawal.
- (c) The Group and of the Company is an amount due to M&A Securities Sdn. Bhd. amounting to RM2,937,191 (2015: RM53,450) for the professional charges in relation to the regularisation plan.

### 11. Provisions

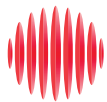
Provisions have been made in respect of certain material litigation as disclosed in Note 16 to the financial statements.

### 12. Investment in subsidiaries

|   | Company      |              |
|---|--------------|--------------|
|   | 2016<br>RM   | 2015<br>RM   |
| At cost:  |              |              |
| Unquoted share  | 37,847,355   | 37,847,353   |
| Less:   |              |              |
| Accumulated impairment losses                             | (33,268,900) | (33,268,900) |
| Compensation receivable for shortfall in profit guarantee | (4,578,453)  | (4,578,453)  |
|   | 2            | –            |

The details of the subsidiaries are as follows:

| Name of company                          | Place of incorporation | Percentage of equity held |      | Principal activity |
|--|------------------------|---------------------------|------|--------------------|
|  |                        | 2016                      | 2015 |                    |
| Nakamichi Malaysia Sdn. Bhd.             | Malaysia               | 100%                      | 100% | Dormant            |
| Capetronic Computer (Malaysia) Sdn. Bhd. | Malaysia               | 100%                      | 100% | Dormant            |
| Tamabina Sdn. Bhd. ("TSB")@              | Malaysia               | 51%                       | 51%  | In liquidation     |
| Faktor Juta Sdn. Bhd. ("FJSB")@          | Malaysia               | 51%                       | 51%  | Dormant            |
| Nakamichi Oil and Gas Sdn. Bhd.          | Malaysia               | 100%                      | –    | Dormant            |



## Notes to the Financial Statements (Continued)

### 12. Investment in subsidiaries (Cont'd)

The details of the subsidiaries are as follows: (Cont'd)

- @ The Company owns 51% of the shares in TSB. Lai Yun Fung (i.e. wife to a former Director of the Company, Lo Man Heng) ("LMH") and Lo Shwu Fen (i.e. sister of LMH) collectively own the remaining 49% of the shares in TSB.

Foo Lee Khean was appointed to the Company's Board of Directors ("BOD") on 18 March 2013 whilst See Thoo Chan ("STC") and Darren Solomon Low Jun Ket were appointed to the BOD on 19 March 2013. Prior to the appointment of the new board members, LMH was the Company's sole Executive Director. Although he was removed as the Company's Director on 29 July 2013, he remained as the Company's Chief Executive Officer.

LMH is a director of TSB and the Company's corporate representative to TSB. LYF is a Director of TSB.

The Company's new Board of Directors, via STC, had on 12 April 2013, written to LMH requesting for a majority or equal representation by the Company on TSB's board of directors and also requested changes to TSB's bank signatories. However, LMH had declined the request.

#### Notice pursuant to Section 144 of the Companies Act 1965

After failing to obtain LMH's cooperation, the Company issued a Notice dated 14 June 2013 pursuant to Section 144 of the Companies Act 1965 to TSB requesting an Extraordinary General Meeting ("EGM") to replace LMH and Lai Yun Fung.

On 14 June 2013, LMH and TSB each served a winding up notice against the Company for the claim of the alleged amount due to LMH and TSB as at 31 May 2013 amounting to RM4,404,299 and RM7,380,931 respectively. The winding up petitions against the Company was filed respectively through Kuala Lumpur High Court (Winding-Up) Petition No. 28NCC-636-07/2013 and Petition No. 28NCC-635-07/2013 on 8 July 2013.

On 4 July 2013, TSB gave notice to its members that an EGM would be held on 12 August 2013 to consider the two resolutions proposed by NCB. The said notice was signed by LMH.

However, the EGM was not held as there was insufficient quorum as Lai Yun Fung and Lo Shwu Fen did not attend the EGM, nor was any proxy appointed on their behalf. There were no explanations given to explain their non-attendance at the EGM.

In view of that, the Company on 16 August 2013 commenced a suit in Shah Alam High Court Originating Summons No. 24-1187-08/2013 inter alia to compel TSB to call and hold an EGM in the manner pleaded in the Amended Originating Summons dated 24 October 2013 and also to compel TSB to furnish its management accounts as at 30 June 2013 and all the accounting records to the Company.

On 8 November 2013, the Shah Alam High Court granted an order in terms of the said suit as disclosed further in Note 16 to the financial statements.

TSB and Lai Yun Fung filed an appeal on 11 November 2013 against the Shah Alam High Court Order dated 8 November 2013 (the Appeal) and a notice of motion dated 12 November 2013 to stay the High Court Order dated 8 November 2013 at the Court of Appeal. On 15 November 2013, the Court of Appeal granted an interim stay pending the disposal of the motion proper.

Eventually, the Court of Appeal had on 2 December 2013 dismissed the Notice of Motion dated 12 November 2013 filed by TSB and Lai Yun Fung.

## Notes to the Financial Statements (Continued)

### 12. Investment in subsidiaries (Cont'd)

On 5 December 2013, the Company filed for ex-parte leave for committal proceedings against the Directors of TSB for non-compliance of the said order. Ex-parte leave was granted by the Shah Alam High Court on 10 December 2013 and the application for committal was filed on 11 December 2013.

The application for committal was dismissed by the Shah Alam Court on 5 February 2014 and an appeal against the decision on 5 February 2014 was filed by the Company on 7 February 2014 (committal appeal).

The Company also filed an application under Order 45 of the Rules of Court 2012 on 11 February 2014 to compel the compliance of the said Order. The High Court allowed the Company's application on 28 May 2014. However, TSB filed an appeal against this decision on 2 June 2014 (the Order 45 Appeal). The Court of Appeal had on 22 July 2014 allowed:-

- (i) The Appeal; and
- (ii) The Order 45 Appeal

Since the Appeal and Order 45 Appeal were allowed, the committal appeal was withdrawn.

The Company had on 21 August 2014 filed an application for leave to appeal to the Federal Court against the Court of Appeal's order dated 22 July 2014. During case management on 16 April 2015, the Company was informed that TSB had been wound up by the High Court of Sabah and Sarawak on 3 February 2015 via a draft order.

A sealed copy of the winding up order was obtained by the Company on 28 April 2015 and an announcement was made to Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 29 April 2015 pursuant to Paragraph 8.04 and Paragraph 2.1(c) of Practise Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia, which requires a listed issuer to make an announcement where, inter alia, a winding up of of a listed issuer's subsidiary or associated company which accounts for at least 50% of the total assets employed of the listed issuer on a consolidated basis.

The Company has impaired its investment in TSB amounting to RM25,421,549 and deconsolidated TSB effective 1 January 2013 as the financial records and information of TSB from 1 January 2013 onwards were not available to the Company.

Effectively, the investment in FJSB amounting to RM51 has also been impaired and deconsolidated effective 1 January 2013 due to the same reason.

#### Acquisition in equity interest in Nakamichi Oil and Gas Sdn. Bhd.

On 8 December 2016, the Company has acquired 100% of the issued and paid up share capital in Nakamichi Oil and Gas Sdn. Bhd. comprising 2 ordinary shares of RM1.00 each fully paid up for total cash consideration of RM2. The acquisition above has no significant impact to the Group and the Company during the financial year.

### 13. Amount due from subsidiaries

|                                     | Company      |              |
|-------------------------------------|--------------|--------------|
|                                     | 2016<br>RM   | 2015<br>RM   |
| Amount due from subsidiaries        | 34,627,097   | 34,627,097   |
| Less: Accumulated impairment losses | (34,627,097) | (34,627,097) |
|                                     | -            | -            |

## Notes to the Financial Statements (Continued)

### 13. Amount due from subsidiaries (Cont'd)

Movement on the provision for impairment of amount due from subsidiaries is as follow:

|                          | Company    |            |
|--------------------------|------------|------------|
|                          | 2016<br>RM | 2015<br>RM |
| At 1 January/31 December | 34,627,097 | 34,627,097 |

The amount due from subsidiaries represents non-trade transactions that are unsecured, interest free and repayable on demand.

### 14. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

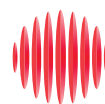
The aggregate value of transactions with related parties other than those disclosed elsewhere in the financial statements and outstanding balances were as follows:

| Name of Companies         | Type of transaction   | Transaction value |            | Balance due from as at 31 December |            |
|---------------------------|-----------------------|-------------------|------------|------------------------------------|------------|
|                           |                       | 2016<br>RM        | 2015<br>RM | 2016<br>RM                         | 2015<br>RM |
| <b>With subsidiaries:</b> |                       |                   |            |                                    |            |
| Tamabina Sdn. Bhd.        | Reversal of repayment | –                 | –          | 9,897,992                          | 9,897,992  |
| <b>With Directors:</b>    |                       |                   |            |                                    |            |
| See Thoo Chan             | Advances              | 122,258           | 239,226    | 982,822                            | 860,564    |
| Temujin Nukenov           | Advances              | 818,882           | –          | 818,882                            | –          |

### 15. Contingent liabilities

#### Corporate Guarantee

|   | Company    |            |
|---|------------|------------|
|   | 2016<br>RM | 2015<br>RM |
| Corporate guarantee issued in favour of a former Director for advances given to TSB | 966,059    | 966,059    |



## Notes to the Financial Statements (Continued)

### 15. Contingent liabilities (Cont'd)

#### Interest on amounts under litigation

The Company is exposed to potential payment of interest totaling RM1,047,941 (2015: RM1,047,941) in respect of the following litigation:

- (i) As disclosed in Note 10(ii)(a) and Note 16(a)(i) to the financial statements, the legal suit brought against the Group and the Company by a former Director, Lo Man Heng of the Company for an outstanding amount of RM1,660,217 is still on-going. This outstanding amount bears interest at the rate of 2% per annum above the base lending rate of a local bank and is repayable on demand but no further accrual of interest was made by the Group and the Company subsequent to 31 May 2013. The potential interest that may be claimed amounts to RM223,943 (2015: RM223,943).
- (ii) As disclosed in Note 10(ii)(b) and Note 20(a)(ii) to the financial statements, the legal suit brought against the Group and the Company by TSB for an outstanding amount of RM7,380,931 is still on-going. This outstanding amount bears interest at the rate of 2% per annum above the base lending rate of a local bank and is repayable on demand but no further accrual of interest was made by the Group and the Company subsequent to 31 May 2013. The potential interest that may be claimed amounts to RM823,998 (2015: RM823,998).

### 16. Material Litigation

#### (a) The Company

- (i) Kuala Lumpur High Court Civil Suit No: 22NCVC-377-08/2014, Lo Man Heng v. Nakamichi Corporation Berhad

On 12 August 2014, LMH filed a civil suit against the Company for a claim of an alleged amount due to LMH as at 31 December 2012 amounting to RM1,660,217.

The trial of action was held from 11- 12 January 2016 and 4 -5 April 2016. The Court has fixed the matter for continued trial on 2 June 2016.

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 22 March 2017. On 22 March 2017, the High Court had dismissed LMH's claim with cost of RM30,000. LMH has filed an appeal on the High Court's judgement on 31 March 2017.

Notwithstanding, the amount alleged to be outstanding above has been included in other payables as disclosed in Note 10(ii)(a) to the financial statements.

- (ii) Kuala Lumpur High Court (Winding-Up) Petition No. 28NCC-635-07/2013, Tamabina Sdn Bhd v. Nakamichi Corporation Berhad

On 14 June 2013, Tamabina Sdn. Bhd. ("TSB") served a winding up notice against the Company for a claim of an 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 (referred to in (iii) below).



## Notes to the Financial Statements (Continued)

### 16. Material Litigation (Cont'd)

#### (a) The Company (Cont'd)

- (ii) Kuala Lumpur High Court (Winding-Up) Petition No. 28NCC-635-07/2013, Tamabina Sdn Bhd v. Nakamichi Corporation Berhad (Cont'd)

As at 12 April 2016, the Company had been informed that the Petitioner, TSB, had withdrawn the Winding Up Petition with no order to cost on 23 March 2016. However, there is no court order or written confirmation from the Plaintiff's solicitor on the withdrawal.

Notwithstanding, the amount alleged to be outstanding above has been included in other payables of the Group and the Company as disclosed in Note 10(ii)(b) to the financial statements respectively.

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

On 19 June 2013, LMH filed a claim against the Company and its two shareholders, See Too Chan ("STC") and Goh Kheng Peow, in the Kuala Lumpur High Court Civil Suit No. 22NCC-433-06/2013 from removing him as a Director of the Company at the 19th Annual General meeting ("AGM") of the Company. The Court had on 26 June 2013 disallowed the motion for the removal of LMH at the AGM of the Company.

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:

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 to the Company to be paid jointly or severally by LMH.

## Notes to the Financial Statements (Continued)

### 16. Material Litigation (Cont'd)

#### (a) The Company (Cont'd)

- (iii) Kuala Lumpur High Court Civil Suit No. No. 22NCC-519-08/2013, Nakamichi Corporation Berhad v. Lo Man Heng and 4 others (Cont'd)

On 22 April 2015, LMH and two defendants to the suit filed an appeal pursuant to the Judgement dated 30 March 2015 on the above case 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 May 2017.

- (iv) Shah Alam High Court Originating Summons No. 24-1187-08/2013, Nakamichi Corporation Berhad v. Tamabina Sdn Bhd and one other party

On 16 August 2013, the Company commenced a suit in Shah Alam High Court Originating Summons No. 24-1187-08/2013 inter alia to compel TSB to call and hold an Extraordinary General Meeting in the manner pleaded in the Amended Originating Summons dated 29 October 2013 and also to compel TSB to furnish its management accounts as at 30 June 2013 and all future managements accounts to the Company.

On 8 November 2013, the High Court of Malaya at Shah Alam allowed the Company's claim via Originating Summons No. 24-1187-08/2013, Nakamichi Corporation Berhad v. Tamabina Sdn Bhd and one other party.

TSB and one other party ("Appellants") filed an appeal at the Court of Appeal on 11 November 2013 (the Appeal). The Appellants also filed a Notice of Motion dated 12 November 2013 at the Court of Appeal to stay the High Court Order of 8 November 2013. Eventually, the Court of Appeal on 2 December 2013 dismissed the Notice of Motion dated 12 November 2013 filed by the Appellants.

On 5 December 2013, the Company filed for leave for committal proceedings against the Directors of TSB for non-compliance of the said order. Ex-parte leave of application was granted by the Shah Alam High Court and the application proper was filed on 11 December 2013.

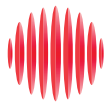
The committal proceedings were dismissed by the Shah Alam Court on 5 February 2014 and an Appeal against the decision was filed on 7 February 2014 (Committal appeal).

The Company filed an application under Order 45 of the Rules of Court 2012 on 11 February 2014 to compel the compliance of the said Order. The High Court allowed the Company's application on 28 May 2014 and an appeal against this decision was filed on 2 June 2014 (Order 45 appeal).

The Court of Appeal had on 22 July 2014 allowed:

- a. The Appellants' Appeal against the Shah Alam High Court Order dated 8 November 2013 (the Appeal);
- b. The Appellants' Appeal against decision of Shah Alam High Court in allowing the Company's application under Rule 45 of the Rules of Court 2012 (Order 45 Appeal).

Since the Appeal and Order 45 Appeal were allowed, the Committal Appeal was withdrawn.



## Notes to the Financial Statements (Continued)

### 16. Material Litigation (Cont'd)

#### (a) The Company (Cont'd)

- (v) Federal Court ("FC") Civil Application No. 8(f)-411 & 412-08/2014 Nakamichi Corporation Berhad v. Tamabina Sdn Bhd and one other party

The Company had on 21 August 2014 filed an application for leave to appeal to the FC against the Court of Appeal's order dated 22 July 2014.

Bursa Malaysia Securities Berhad and the Securities Commission of Malaysia had on 15 October 2014 and 19 January 2015 respectively filed their application to intervene in the FC Leave Applications as they had averred in its intervener application that it has an interest to be heard by the FC as it involves points of public interest which may assist the FC.

The Grounds of Judgment of the Court of Appeal Order was obtained in February 2016. As the appeal is deemed redundant and academic following the winding up of TSB, the Company filed a discontinuance of the FC Leave Application on 8 April 2016 which was agreed by the respondents on 14 April 2016.

#### (b) Nakamichi Malaysia Sdn. Bhd. ("NMSB")

- (i) DELL Security Services Sdn Bhd ("DELL")

On 26 December 2014, NMSB received a legal notice from the solicitors of DELL demanding outstanding fees on security services provided by DELL to NMSB for the period from 30 November 2009 to 31 March 2011 amounting to RM14,619.

The Directors have provided for this amount in the Group's financial statements.

- (ii) Kumpulan Wang Simpanan Pekerja ("KWSP")

KWSP filed a legal suit against NMSB and the former Directors of NMSB in the Magistrate's court in Kuala Lumpur, Summon No. A27NCV-908-03/2015 for outstanding amounts due to KWSP of RM15,119.

On 27 April 2015, KWSP allowed NMSB to repay the outstanding amounts in six monthly instalments starting from 20 May 2015 to 20 October 2015.

The Directors have provided an amount of RM16,119 including RM1,000 for cost of litigation in the Group's financial statements.

- (iii) Armour Security Systems (M) Sdn. Bhd. ("Armour")

On 25 May 2015, NMSB received a legal notice from the solicitors of Armour informing NMSB that the Magistrate's Court in Kuala Lumpur had entered in default of appearance with judgement sum including interest and cost of litigation totalling RM69,809 ("Judgement Sum") for Summon No. A72NCVC-1531-04/2015 dated 13 May 2015. The solicitors had in the said notice demanded that the Judgement Sum be paid to the solicitors within fourteen days from the date of the notice.

The Directors have provided for the Judgement Sum in the Group's financial statements.

## Notes to the Financial Statements (Continued)

### 17. Operating segments

#### Business segments

The Group is currently dormant and the business segment is investment holding.

#### Geographical segments

The activity of the Group is mainly carried out in Malaysia and no operation in other countries.

#### Major customer

The Group is currently dormant and no revenue generated.

### 18. Financial instruments

#### Categories of financial instruments

The Group and the Company have categorised its financial assets as loans and receivables and financial liabilities as other financial liabilities measured at amortised cost.

#### Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk and liquidity risk.

The Group and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group and the Company's businesses whilst managing its credit risk, interest rate risk and liquidity risk.

The following sections provide details regarding the Group and the Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

#### (a) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from non-trade receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and non-trade receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

#### *Credit risk concentration profile*

The Group has no major concentration of credit risk in their trade receivables.

#### *Exposure to credit risk*

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each of financial assets recognised in the consolidated statement of financial position.

## Notes to the Financial Statements (Continued)

### 18. Financial instruments (Cont'd)

#### (a) Credit risk (Cont'd)

##### *Intercompany balances*

The Company provides unsecured loans and advances to subsidiaries.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

#### (b) Interest rate risk

The Group's primary interest rate risk relates to interest bearing non-trade payables.

In respect of interest-bearing financial liabilities, the following table indicates its effective interest rates at the reporting date and the periods in which they reprice or mature, whichever is earlier.

#### (c) Liquidity risk

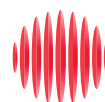
Liquidity risk arises mainly from general funding and business activities. The Group and the Company practises prudent risk management by maintaining sufficient cash balances.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

|                                 | Carrying<br>Amount<br>RM | Within<br>1 Year<br>RM |
|---------------------------------|--------------------------|------------------------|
| <b>Group<br/>2016</b>           |                          |                        |
| Non-trade payables and accruals | 20,183,702               | 20,183,702             |
| <b>2015 (Restated)</b>          |                          |                        |
| Non-trade payables and accruals | 13,768,438               | 13,768,438             |
| <b>Company<br/>2016</b>         |                          |                        |
| Non-trade payables and accruals | 20,100,456               | 20,100,456             |
| <b>2015 (Restated)</b>          |                          |                        |
| Non-trade payables and accruals | 13,734,145               | 13,734,145             |

### 19. Fair value

The financial assets and financial liabilities maturing within the next 12 months approximated fair values due to the relatively short-term maturity of the financial instruments.



## Notes to the Financial Statements (Continued)

### 20. Capital management

The Group and the Company have presently no formal policy on capital management.

Under the requirements of Practise Note 17 ("PN17") of the listing rules of Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid up capital (excluding treasury shares). The Group has not complied with this requirement and the Company has submitted a proposed regularisation plan to Bursa Malaysia Securities Berhad on 13 April 2017 which pending approval from relevant regulatory authorities.

Save for the above, there are no other external capital requirements imposed on the Group and the Company.

### 21. Prior year adjustment and comparative figures

During the financial year, the Group's management reviewed its non-trade payables and accruals of the Group and Company and have identified RM444,779 and RM189,751 respectively which has no supporting documentation prior to 1 January 2015.

The effect of the changes on the reversal of the non-supported payables to Group's and the Company's financial statements are as follows:

|  | Group<br>1.1.2015<br>RM | Company<br>1.1.2015<br>RM |
|--|-------------------------|---------------------------|
| Effect on accumulated losses:                                |                         |                           |
| As previously reported                                       | 107,707,828             | 107,332,723               |
| Effect from reversal of accruals<br>and payables written off | (444,779)               | (189,751)                 |
| As restated  | 107,263,049             | 107,142,972               |

|   | Group<br>31.12.2014<br>RM | Company<br>31.12.2014<br>RM |
|---|---------------------------|-----------------------------|
| Effect on loss for the financial year:                    |                           |                             |
| Loss for the financial year as previously reported        | 258,851                   | 243,751                     |
| Effect from reversal of accruals and payables written off | (444,779)                 | (189,751)                   |
| As restated   | 185,928                   | 54,000                      |

## Notes to the Financial Statements (Continued)

### 21. Prior year adjustment and comparative figures (Cont'd)

Comparative amounts of the Group and Company as at 1 January 2015 and 31 December 2015 have been restated as follows:

|  | As previously<br>reported<br>RM | Effect<br>on changes<br>RM | As restated<br>RM |
|--|---------------------------------|----------------------------|-------------------|
| <b><i>Statement of financial position (Group)</i></b>  |                                 |                            |                   |
| <b>1.1.2015</b>  |                                 |                            |                   |
| Non-trade payables and accruals  | 14,213,217                      | (444,779)                  | 13,308,924        |
| <b>31.12.2015</b>  |                                 |                            |                   |
| Non-trade payables and accruals  | 13,753,703                      | (444,779)                  | 13,768,438        |
| <b><i>Statement of financial position (Company)</i></b>  |                                 |                            |                   |
| <b>1.1.2015</b>  |                                 |                            |                   |
| Non-trade payables and accruals  | 13,923,896                      | (189,751)                  | 13,734,145        |
| <b>31.12.2015</b>  |                                 |                            |                   |
| Non-trade payables and accruals  | 13,471,708                      | (189,751)                  | 13,281,957        |
| <b><i>Statement of profit or loss and other comprehensive income for the financial year ended 31 December 2014 (Group)</i></b>   |                                 |                            |                   |
| Other income   | 227,022                         | 444,779                    | 671,801           |
| <b><i>Statement of profit or loss and other comprehensive income for the financial year ended 31 December 2014 (Company)</i></b> |                                 |                            |                   |
| Other income   | 227,022                         | 189,751                    | 416,773           |

### 22. Subsequent Event

On 20 January 2017 and 6 April 2017, the Group announced that the Group had entered into two agreements as follows:

- (i) Joint investment Agency Agreement ("JIAA") between Nakamichi Corporation Berhad ("Nakamichi"), Nakamichi Oil & Gas Sdn. Bhd. ("NOGSB"), a wholly-owned subsidiary of Nakamichi, Aktau Transit ("AT") and Caspian Oil Project LLP ("COP") for the appointment of NOGSB as the agent of AT to monitor and oversee the exploration development and production activities of the AT Oilfields (Proposed Joint Operations and Monitoring); and
- (ii) Investment agreement between Nakamichi, AT and COP for the investment amount of up to USD146,000,000 (equivalent to RM657,000,000) for the Proposed Joint Operations and Monitoring.

## Notes to the Financial Statements (Continued)

### 22. Subsequent Event (Cont'd)

On 13 April 2017, the Group had submitted the Proposed Regularisation Scheme as summarised below to Bursa Malaysia Securities Berhad for approval:

- (a) Proposed appointment of Nakamichi Oil and Gas Sdn. Bhd. as the agent of Aktau-Transit LLP ("AT") to monitor and oversee the subsoil use operations of the AT Oilfield ("Proposed Joint Operations and Monitoring");
- (b) Proposed diversification of Nakamichi's business into the upstream oil and gas industry which includes the exploration and production of hydrocarbons ("Proposed Diversification");
- (c) Proposed reduction of the existing capital of Nakamichi Corporation Berhad from RM93,862,099 to RM2,770,509 by the reduction of the share capital (which include the share premium of the Company) to set-off its accumulated losses pursuant to Section 116 of the Companies Act, 2016 ("Proposed Capital Reduction");
- (d) Proposed special issue of 24,935,000 new Nakamichi Corporation Berhad's shares to an identified strategic investor ("Proposed special issue of shares");
- (e) Proposed renounceable rights issue of 7,231,066,200 new Nakamichi Corporation Berhad's shares ("Rights Shares") together with 3,615,533,100 Free detachable warrants ("Warrants") at an issue price of RM0.10 per Rights Shares after the proposed capital reduction 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").

### 23. Supplementary information – realised and unrealised profits/losses

The breakdown of the retained profits of the Group and of the Company as at 31 December into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and presented in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

|                          | Group       |                        | Company     |                        |
|--------------------------|-------------|------------------------|-------------|------------------------|
|                          | 2016<br>RM  | 2015<br>RM<br>Restated | 2016<br>RM  | 2015<br>RM<br>Restated |
| Total accumulated losses |             |                        |             |                        |
| - Realised               | 114,099,750 | 107,734,138            | 113,911,769 | 107,595,110            |
| - Unrealised             | –           | –                      | –           | –                      |
|                          | 114,099,750 | 107,734,138            | 113,911,769 | 107,595,110            |

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.



## Notes to the Financial Statements (Continued)

### 24. General information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

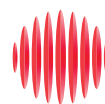
The Company is an investment holding company. The principal activities of its subsidiaries are as disclosed in Note 12 to the financial statements.

There has been no significant change in the nature of these activities during the financial year except as disclosed in Note 12 to the financial statements.

The registered office is located at No 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur.

The principal place of business is located at No. A-10-1, 10th Floor, Northpoint Office Suites, Mid Valley City, No.1 Medan Syed Putra Utara, 59200 Kuala Lumpur.

The financial statements were approved and authorised for issue by the Board of Directors on 21 April 2017.



# ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

## SHARE CAPITAL

Issued and Fully Paid-up Capital : RM55,410,180 divided into 55,410,180 ordinary shares  
 Class of Shares : Ordinary shares  
 Voting Rights : One (1) per ordinary share

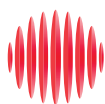
## SHAREHOLDING DISTRIBUTION SCHEDULE (AS PER THE RECORD OF DEPOSITORS)

| No. of Shareholders | Size of Shareholdings                    | No. of Shares Held | % of Shares |
|---------------------|--|--------------------|-------------|
| 17                  | Less than 100                            | 338                | *           |
| 467                 | 100 to 1,000                             | 396,094            | 0.71        |
| 1,712               | 1,001 to 10,000                          | 4,369,368          | 7.89        |
| 122                 | 10,001 to 100,000                        | 3,661,400          | 6.61        |
| 31                  | 100,001 to less than 5% of issued shares | 25,974,580         | 46.88       |
| 4                   | 5% and above of the issued shares        | 21,008,400         | 37.91       |
| <b>2,353</b>        | <b>TOTAL</b>                             | <b>55,410,180</b>  | <b>100</b>  |

\* Less than 0.01%

## LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

| Name of Shareholders   | No. of Shares Held | Percentage (%) |
|--|--------------------|----------------|
| 1. M & A Nominee (Tempatan) Sdn Bhd<br><i>Genting Utama Sdn Bhd for Goh Kheng Peow</i>                               | 6,433,600          | 11.61          |
| 2. RHB Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for See Thoo Chan</i>                            | 5,674,100          | 10.24          |
| 3. Yap Loo Mien  | 5,000,700          | 9.02           |
| 4. M & A Nominee (Asing) Sdn Bhd<br><i>Genting Utama Sdn Bhd for Temujin Nukenov</i>                                 | 3,900,000          | 7.04           |
| 5. Low Geok Eng  | 2,730,000          | 4.93           |
| 6. Alliancegroup Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Lo Man Heng (8040648)</i>          | 2,505,000          | 4.52           |
| 7. Topwish Potential Sdn Bhd   | 2,250,000          | 4.06           |
| 8. HSBC Nominees (Asing) Sdn Bhd<br><i>Exempt AN for BSI SA (BSI BK SG-NR)</i>                                       | 2,079,280          | 3.75           |
| 9. Wong Yoke Kuen  | 2,068,900          | 3.73           |
| 10. Veto Capital Sdn Bhd   | 1,814,500          | 3.27           |
| 11. Alliancegroup Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Dorothy Ng Siew May (8026639)</i> | 1,500,000          | 2.71           |
| 12. See Thoo Chan  | 1,445,000          | 2.61           |
| 13. Low Gay Kheng  | 1,032,900          | 1.86           |
| 14. Cara Kaya Sdn Bhd  | 1,000,000          | 1.80           |
| 15. Lim Haw Sek  | 1,000,000          | 1.80           |
| 16. Gan Yok Leng   | 969,700            | 1.75           |
| 17. Low Sau Peng   | 831,000            | 1.50           |
| 18. See Thoo Chan  | 800,000            | 1.44           |
| 19. RHB Capital Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Wong Yoke Kuen (CEB)</i>            | 575,100            | 1.04           |



## Analysis of Shareholdings (Continued) as at 31 March 2017

### LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS) (CONTINUED)

|     | Name of Shareholders   | No. of<br>Shares Held | Percentage<br>(%) |
|-----|--|-----------------------|-------------------|
| 20. | Amsec Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Cara Kaya Sdn Bhd</i>                   | 518,000               | 0.93              |
| 21. | Maybank Nominees (Asing) Sdn Bhd<br><i>Nomura Singapore Limited for Hon Tak Kwong (270839)</i>                 | 398,700               | 0.72              |
| 22. | Tan Hee Mee  | 285,200               | 0.51              |
| 23. | Maybank Nominees (Tempatan) Sdn Bhd<br><i>Wong Kar Zeng</i>  | 232,300               | 0.42              |
| 24. | Maybank Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Chin Lai Theng</i>                    | 229,800               | 0.41              |
| 25. | Yeoh Phek Leng   | 225,400               | 0.41              |
| 26. | Tasec Nominees (Asing) Sdn Bhd<br><i>TA Securities (HK) Ltd for Ko Chun Shun Johnson</i>                       | 224,000               | 0.40              |
| 27. | Low Gay Teong  | 213,900               | 0.39              |
| 28. | Maybank Securities Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Ang Guan Keat (REM802)</i> | 178,400               | 0.32              |
| 29. | Dorothy Ng Siew May  | 172,200               | 0.31              |
| 30. | Chew Moon @ Adam   | 125,000               | 0.23              |
|     | <b>TOTAL</b>   | <b>46,412,680</b>     | <b>83.76</b>      |

### SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

|    | NAME OF SHAREHOLDERS | DIRECT    | NO. OF SHARES HELD |             | %     |
|----|----------------------|-----------|--------------------|-------------|-------|
|    |                      |           | %                  | INDIRECT    |       |
| 1. | Goh Kheng Peow       | 6,433,600 | 11.61              | 7,922,100 # | 14.30 |
| 2. | See Thoo Chan        | 7,919,100 | 14.29              | 6,436,600 ^ | 11.62 |
| 3. | Yap Loo Mien         | 5,000,700 | 9.02               | —           | —     |
| 4. | Temujin Nukenov      | 3,900,000 | 7.04               | —           | —     |

Notes:-

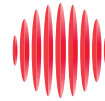
# Deemed interest by virtue of his relationship with See Thoo Chan, his spouse and Keane Goh Yan Han, his son

^ Deemed interest by virtue of her relationship with Goh Kheng Peow, her spouse and Keane Goh Yan Han, her son

### DIRECTORS' SHAREHOLDINGS (AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

|    | NAME OF DIRECTORS          | DIRECT    | NO. OF SHARES HELD |             | %     |
|----|----------------------------|-----------|--------------------|-------------|-------|
|    |                            |           | %                  | INDIRECT    |       |
| 1. | See Thoo Chan              | 7,919,100 | 14.29              | 6,436,600 ^ | 11.62 |
| 2. | Temujin Nukenov            | 3,900,000 | 7.04               | —           | —     |
| 3. | Darren Solomon Low Jun Ket | —         | —                  | —           | —     |
| 4. | Goh Tai Wai                | —         | —                  | —           | —     |
| 5. | Mak Siew Wei               | —         | —                  | —           | —     |

^ Deemed interest by virtue of her relationship with Goh Kheng Peow, her spouse and Keane Goh Yan Han, her son



## **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the Twenty-First Annual General Meeting ("21st AGM") of **NAKAMICHI CORPORATION BERHAD** will be held at Greens III, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 25 May 2017 at 10.00 a.m. for the following purposes:-

### **AGENDA**

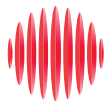
#### **AS ORDINARY BUSINESS**

1. To receive the Audited Financial Statements of the Company for the financial years ended 31 December 2015 and 31 December 2016 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 9)
2. To approve the payment of Directors' fees of RM300,000 for the financial year ended 31 December 2016. (Ordinary Resolution 1)
3. To re-elect Madam See Thoo Chan who retires pursuant to Article 113 of the Company's Articles of Association. (Ordinary Resolution 2)
4. To re-elect Mr Temujin Nukenov who retires pursuant to Article 118 of the Company's Articles of Association. (Ordinary Resolution 3)
5. To re-appoint Messrs Morison Anuarul Azizan Chew as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Board of Directors to fix their remuneration. (Ordinary Resolution 4)

#### **AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolution:

6. **Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016** (Ordinary Resolution 5)  
  
"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares issued pursuant to this resolution shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company and the Directors be and are also empowered to obtain approval for the listing and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
7. To transact any other business of the Company for which due notice shall have been received in accordance with the Company's Articles of Association and the Companies Act 2016.



**NAKAMICHI**

## **Notice Of Annual General Meeting (Continued)**

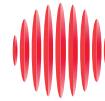
By Order of the Board  
NAKAMICHI CORPORATION BERHAD

**LEE WEE HEE (MAICSA 0773340)**  
**REBECCA LEE EWE AI (MAICSA 0766742)**  
Company Secretaries  
Kuala Lumpur

28 April 2017

### **Notes:-**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 May 2017 shall be entitled to attend, speak and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.
3. A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ('Omnibus Account'), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.



## **Notice Of Annual General Meeting (Continued)**

### **Explanatory Note on Ordinary Business**

#### **9. Audited Financial Statements of the Company for the financial years ended 31 December 2015 and 31 December 2016**

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put forward for voting.

### **Explanatory Note on Special Business**

#### **10. Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

Ordinary Resolution 5 is proposed for the purpose of obtaining a renewed General Mandate ("General Mandate"), which if passed, will empower the Directors of the Company, pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot new ordinary shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up capital of the Company for the time being as the Directors may consider such action to be in the interest of the Company. The General Mandate, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or during the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

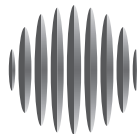
As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held 23 March 2016 and which will lapse at the conclusion of this 21st AGM.

The General Mandate, if granted, will provide flexibility to the Company for any possible fund raising activities, including but not limited to, further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions.

### **Statement Accompanying Notice of Annual General Meeting Pursuant to Paragraph 8.27 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR")**

- 1. Details of individuals who are standing for election as Directors (excluding Directors standing for re-election)**  
No individual is seeking election as a Director at the 21st Annual General Meeting ("AGM") of the Company.
- 2. General mandate for issue of securities in accordance with Paragraph 6.03(3) of MMLR**  
The details of the proposed authority for Directors of the Company to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 10 of the Notice of AGM.





**NAKAMICHI CORPORATION BERHAD (301384-H)**  
(Incorporated in Malaysia)

**FORM OF PROXY**

|                    |  |  |  |   |  |  |  |   |  |  |  |  |  |  |  |  |  |  |  |
|--------------------|--|--|--|---|--|--|--|---|--|--|--|--|--|--|--|--|--|--|--|
| CDS Account No.    |  |  |  | - |  |  |  | - |  |  |  |  |  |  |  |  |  |  |  |
| No. of Shares Held |  |  |  |   |  |  |  |   |  |  |  |  |  |  |  |  |  |  |  |

I/We ..... (NRIC No./Passport No./Co No.: ..... )  
(FULL NAME IN BLOCK LETTERS)

of .....  
(FULL ADDRESS)

being a member/members of **NAKAMICHI CORPORATION BERHAD**, hereby appoint .....  
(NRIC No./Passport No.: ..... )  
(FULL NAME IN BLOCK LETTERS)

of .....  
(FULL ADDRESS)

or failing him ..... (NRIC No./Passport No.: ..... )  
(FULL NAME IN BLOCK LETTERS)

of .....  
(FULL ADDRESS)

or failing him, the **CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us on my/our behalf at the Twenty-First Annual General Meeting ("21st AGM") of the Company to be held at Greens III, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 25 May 2017 at 10.00 a.m. and at any adjournment thereof.

| ORDINARY RESOLUTION |  | FOR | AGAINST |
|---------------------|--|-----|---------|
| 1.                  | To approve the payment of Directors' fees of RM300,000 for the financial year ended 31 December 2016 |     |         |
| 2.                  | Re-election of Madam See Thoo Chan   |     |         |
| 3.                  | Re-election of Mr Temujin Nukenov  |     |         |
| 4.                  | Re-appointment of Auditors   |     |         |
| 5.                  | Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016         |     |         |

(Please indicate with an "X" in the space provided whether you wish your votes to be cast "for" or "against" the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit)

Dated this ..... day of ..... 2017

.....  
Signature(s) of member(s)

Notes:-

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 18 May 2017 shall be entitled to attend, speak and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.
3. A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ('Omnibus Account'), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.





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AFFIX  
STAMP

The Company Secretaries  
**NAKAMICHI CORPORATION BERHAD** (301384-H)  
No. 2-1, Jalan Sri Hartamas 8  
Sri Hartamas  
50480 Kuala Lumpur  
Wilayah Persekutuan (KL)

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# 2016 ANNUAL REPORT

Nakamichi Corporation Berhad  
Company №301384 H

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