

NOTES TO THE FINANCIAL STATEMENTS

31 December, 2001

3. PROPERTY, PLANT AND EQUIPMENT

Group	Land and building ** RM	Plant, machinery and tools RM	Furniture, fittings, leasehold improvement and motor vehicles RM	Total RM
Cost				
Beginning of year	33,091,298	45,182,547	9,230,117	87,503,962
Additions	12,700	108,150	1,600,135	1,720,985
Transfers to fellow subsidiaries	-	(2,449,335)	-	(2,449,335)
Disposals	-	(171,970)	-	(171,970)
End of year	33,103,998	42,669,392	10,830,252	86,603,642
Accumulated Depreciation and Impairment Losses				
Beginning of year	1,537,946	36,928,365	7,924,828	46,391,139
Charge for the year	672,845	3,608,747	545,521	4,827,113
Transfers to fellow subsidiaries	-	(2,441,708)	-	(2,441,708)
Disposals	-	(143,914)	-	(143,914)
End of year	2,210,791	37,951,490	8,470,349	48,632,630
Net Book Value				
At 31.12.2001	30,893,207	4,717,902	2,359,903	37,971,012
At 31.12.2000	31,553,352	8,254,182	1,305,289	41,112,823
Depreciation charge for 2000	663,833	5,081,671	376,859	6,122,363

** LAND AND BUILDING

NOTES TO THE FINANCIAL STATEMENTS

31 December, 2001

3. PROPERTY, PLANT AND EQUIPMENT - continued

Cost	Long term leasehold land RM	Building RM	Total RM
Beginning of year	3,453,024	29,638,274	33,091,298
Additions	-	12,700	12,700
End of year	3,453,024	29,650,974	33,103,998
Accumulated Depreciation and Impairment Losses			
Beginning of year	-	1,537,946	1,537,946
Charge for the year	-	672,845	672,845
End of year	-	2,210,791	2,210,791
Net Book Value			
At 31.12.2001	3,453,024	27,440,183	30,893,207
At 31.12.2000	3,453,024	28,100,328	31,553,352
Depreciation charge for 2000	-	663,833	663,833

The lease period for the long term leasehold land is 99 years commencing from the date of issuance of the title deed. The title deed is in the process of being issued by the relevant authorities.

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4. SUBSIDIARIES

	Company	
	2001 RM	2000 RM
Unquoted shares, at cost	<u>33,579,080</u>	<u>33,579,080</u>

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Effective Interests		Principal Activities
		2001 %	2000 %	
Nakamichi Malaysia Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of audio and visual electronic consumer products
Capetronic Computer (Malaysia) Sdn. Bhd.	Malaysia	100	100	Dormant
Capetronic Consumer USA (HK) Limited	Bermuda	100	100	Investment holding
Capetronic (Malaysia) Purchasing Limited	British Virgin Islands	100	100	Dormant

The financial statements of Nakamichi Malaysia Sdn. Bhd. and Capetronic Consumer USA (HK) Limited have been consolidated in accordance with the principles of merger accounting as referred to in Note 2(c).

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5. INVENTORIES

	2001 RM	Group 2000 RM
At cost:		
Finished goods	149,201	2,024,155
Work-in-progress	6,404,296	3,337,531
Raw materials	46,320,453	35,926,705
	<u>52,873,950</u>	<u>41,288,391</u>
At net realisable value:		
Work-in-progress	-	1,169,000
Raw materials	-	11,023,000
Less: Provision for inventory obsolescence	-	<u>(12,192,000)</u>
	<u>-</u>	<u>-</u>
	<u>52,873,950</u>	<u>41,288,391</u>

6. TRADE RECEIVABLES

	2001 RM	Group 2000 RM
Trade receivables	58,590,767	50,178,961
Less: Provision for doubtful debts	<u>(10,522,165)</u>	<u>(10,522,165)</u>
	<u>48,068,602</u>	<u>39,656,796</u>

Included in trade receivables of the Group is an amount due from fellow subsidiaries and an affiliated company of RM20,008,078 (2000 : RM15,317,679) and RM38,282,539 (2000 : RM19,228,138) respectively.

Subsequent to the financial year, the affiliated company, a company incorporated in Japan, applied to the court of Japan for civil rehabilitation and protection from its creditors. The holding company of the Group, The Grande Holdings Limited, has indicated to the affiliated company that it will sponsor the rescue and assist in the rehabilitation of the affiliated company. The directors, after deliberating on the restructuring plan of the affiliated company, consider the carrying amount due from the affiliated company as at 31 December, 2001 fully recoverable and as such, no provision has been made against this amount due.

The provision for doubtful debts made in the previous financial year was in respect of:

- (i) old disputed trade debts in consideration of the debtor agreeing not to proceed with quality claims for goods produced and shipped by the manufacturing subsidiary of the Group; and
- (ii) debts due from a company which is insolvent and the likelihood of recovery is remote.

NOTES TO THE FINANCIAL STATEMENTS

31 December, 2001

7. OTHER RECEIVABLES

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Due from subsidiaries	-	-	60,244,062	60,627,506
Due from fellow subsidiaries	472,495	733,424	-	3,852
Deposits	261,967	366,747	-	-
Prepayments	227,455	545,399	600	300
Tax recoverable	610,149	508,450	-	-
Sundry receivables	375,230	391,352	24,705	113
	<u>1,947,296</u>	<u>2,545,372</u>	<u>60,269,367</u>	<u>60,631,771</u>

8. CASH AND BANK BALANCES

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Cash on hand and at banks	844,651	347,784	77,005	54,224
Deposits with licensed banks	8,033,200	20,820,200	-	-
	<u>8,877,851</u>	<u>21,167,984</u>	<u>77,005</u>	<u>54,224</u>

9. SHORT TERM BORROWINGS

	Group	
	2001 RM	2000 RM
Term loan	-	2,001,935
Trust receipts	585,516	2,475,708
Bank overdraft	-	3,238,058
Bankers acceptance	25,068,000	-
	<u>25,653,516</u>	<u>7,715,701</u>

The borrowings of the Group are unsecured and bear interest of 3.7% to 7.8% (2000 : 7.1% to 7.8%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 December, 2001

10. OTHER PAYABLES

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Due to a subsidiary	-	-	380	380
Due to fellow subsidiaries	1,816,077	5,224,646	55,176	-
Accruals	612,290	2,792,044	35,000	25,000
Sundry payables	2,134,058	3,608,891	6,527	3,121
	<u>4,562,425</u>	<u>11,625,581</u>	<u>97,083</u>	<u>28,501</u>

The amounts due to a subsidiary and fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

11. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2001	2000	2001 RM	2000 RM
Authorised	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid	<u>55,410,180</u>	<u>55,410,180</u>	<u>55,410,180</u>	<u>55,410,180</u>

12. MERGER DEFICIT

Pursuant to the relief given under Section 60(4) of the Companies Act, 1965, the Company has not recorded the share premium arising from the issue of 33,578,698 ordinary shares for the acquisitions of Nakamichi Malaysia Sdn. Bhd. and Capetronic Consumer USA (HK) Limited.

In prior years, the difference between the recorded carrying value of the investments in Nakamichi Malaysia Sdn. Bhd. and Capetronic Consumer USA (HK) Limited (that is the nominal value of the shares of the Company issued as consideration) and nominal value of Nakamichi Malaysia Sdn. Bhd. and Capetronic Consumer USA (HK) Limited shares transferred to the Company was treated as merger deficit in the consolidated financial statements. In the current financial year, following the early adoption of MASB 21: Business Combinations, the amount previously treated as merger deficit has been adjusted against the retained profits as disclosed in Note 20.

13. REVENUE

Revenue for the Company, if any, represents gross dividends receivable from subsidiaries. Revenue of the Group represents the invoiced value of goods sold net of returns and discounts.

14. PROVISION FOR INVENTORY OBSOLESCENCE AND REORGANISATION COSTS

In the previous financial year, the Group undertook a reorganisation exercise to meet its strategy to become a producer of medium to high end audio and visual electronic consumer products. The shift to medium/high end from low/medium end audio and visual electronic consumer products required qualified and experienced technical staff. Therefore, the Group terminated the services of certain workers. Due to the shift, the Group had to also provided against obsolete inventories comprising raw materials, work-in-progress and spare parts in relation to the discontinued models and product lines. These amounts were accordingly classified as exceptional charges to the income statement.

15. LOSS FROM OPERATIONS

Loss from operations is stated after charging / (crediting):

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Auditors' remuneration				
- statutory	48,000	51,100	5,000	5,000
- other services	10,000	10,330	-	-
Rental expenses	114,335	552,500	-	-
Staff costs	5,742,302	8,579,329	-	-
Depreciation	4,827,113	6,122,363	-	-
Loss/(gain) on disposal of property, plant and equipment	26,482	(97,278)	-	-
Directors' remuneration (Note 16)	504,447	870,270	50,000	20,000
Intangible assets written off	-	4,030	-	-
Realised (gain)/loss on foreign exchange	(150,916)	1,368,179	36	-
Unrealised loss/(gain) on foreign exchange	583,061	(2,801,193)	(210)	467
Provision for doubtful debts	-	10,511,878	-	-

NOTES TO THE FINANCIAL STATEMENTS

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16. DIRECTORS' REMUNERATION

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Directors of the Company				
Non-Executive:				
Salaries and other emoluments	336,000	733,939	-	-
Bonus	-	40,533	-	-
Directors' fees:				
- current year's provision*	40,000	20,000	40,000	20,000
- underprovision in prior year	10,000	-	10,000	-
	<u>386,000</u>	<u>794,472</u>	<u>50,000</u>	<u>20,000</u>
 Other directors in the Group				
Executive:				
Salaries and other emoluments	110,362	68,448	-	-
Bonus	8,085	7,350	-	-
	<u>118,447</u>	<u>75,798</u>	<u>-</u>	<u>-</u>
 Total	<u>504,447</u>	<u>870,270</u>	<u>50,000</u>	<u>20,000</u>

* Subject to shareholders' approval in the forthcoming Annual General Meeting.

There are no executive directors in the Company. The directors' remuneration are paid to the following directors:

2001	Salaries and other emoluments RM	Bonus RM	Fees RM	Total RM
Directors of the Company				
Mirzan bin Mahathir	336,000	-	-	336,000
Premilla Ann A/P John David	-	-	* 30,000	30,000
Yohan A Rajan	-	-	10,000	10,000
Lee Hock Chye	-	-	10,000	10,000
	<u>336,000</u>	<u>-</u>	<u>50,000</u>	<u>386,000</u>
 Other directors in the Group				
Goh Ah Nya	110,362	8,085	-	118,447
	<u>446,362</u>	<u>8,085</u>	<u>50,000</u>	<u>504,447</u>

* Includes an underprovision of directors' fee in prior year of RM10,000.