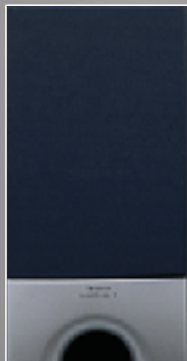


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#### BOARD OF DIRECTORS

Mirzan Bin Mahathir  
*Chairman*

*Independent Non-Executive Director*

Christopher Ho Wing On

*Non-Independent Non-Executive Director*

Ma Chi Chiu

*Non-Independent Non-Executive Director*

Yohan A Rajan

*Independent Non-Executive Director*

Lee Hock Chye

*Independent Non-Executive Director*

Michael Andrew Barclay Binney

*Non-Independent Non-Executive Director*

Paul Law Kwok Fai

*Executive Director/Chief Operating Officer*

Johan Zainuddin bin Dzulkifli

*Independent Non-Executive Director*

#### AUDIT COMMITTEE

Yohan A Rajan

*Chairman*

*Independent Non-Executive Director*

Lee Hock Chye

*Independent Non-Executive Director*

Michael Andrew Barclay Binney <sup>+</sup>

*Non-Independent Non-Executive Director*

Johan Zainuddin bin Dzulkifli <sup>^</sup>

*Independent Non-Executive Director*

<sup>+</sup>A member of the Institute of Chartered Accountants in England and Wales specified in Part II of the 1st Schedule of the Accountants Act 1967 and has more than 3 years working experience.

<sup>^</sup> A fellow of the Association of Chartered Certified Accountants and has more than 3 years working experience.

#### NOMINATION COMMITTEE

Mirzan Bin Mahathir  
*Chairman*

*Independent Non-Executive Director*

Yohan A Rajan

*Independent Non-Executive Director*

Lee Hock Chye

*Independent Non-Executive Director*

#### REMUNERATION COMMITTEE

Mirzan Bin Mahathir

*Chairman*

*Independent Non-Executive Director*

Yohan A Rajan

*Independent Non-Executive Director*

Lee Hock Chye

*Independent Non-Executive Director*

#### COMPANY SECRETARY

Gwee Ooi Teng

(MAICSA 0794701)

#### AUDITORS

Messrs Ernst & Young

Level 23A, Menara Milenium

Jalan Damanlela, Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

Tel: 03-20877000

Fax: 03-20959078

#### REGISTERED OFFICE

Level 13, Menara Milenium

8 Jalan Damanlela

Damansara Heights

50490 Kuala Lumpur

Tel: 03-27105555

Fax: 03-27103108

#### SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd

Level 7, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

Tel: 03-20849000

Fax: 03-20949940/20950292

#### STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia

Securities Berhad

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of the Company will be held at Junior Ballroom 1 (Level 2), Hotel Nikko Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Monday, 21 June 2004 at 3.00 p.m. for the purpose of transacting the following businesses:-

#### AGENDA

##### As Ordinary Business

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2003 together with the Directors' and Auditors' reports therein.

*Ordinary Resolution 1*

2. To approve the Directors' fees for Non-Executive Directors for the financial year ended 31 December 2003.

*Ordinary Resolution 2*

3. To re-elect the following Directors who are retiring in accordance with Article 113 of the Company's Articles of Association and being eligible, they have offered themselves for re-election:-

(i) Christopher Ho Wing On

*Ordinary Resolution 3*

(ii) Yohan A Rajan

*Ordinary Resolution 4*

(iii) Paul Law Kwok Fai

*Ordinary Resolution 5*

4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorize the Directors to fix their remuneration.

*Ordinary Resolution 6*

##### As Special Business

5. Authority to Directors under Section 132D of the Companies Act 1965 to allot and issue shares in the Company

To empower the Directors, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company as at the date of this Annual General Meeting and that the Directors be and are also empowered to obtain the approval for the listing of 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.

*Ordinary Resolution 7*

6. Proposed renewal of Shareholders' Mandate and proposed new Shareholders' Mandate for Nakamichi Corporation Berhad ("NCB" or "the Company") and its subsidiary companies ("the NCB Group") to enter into recurrent related party transactions of a revenue or trading nature with related parties

“THAT:-

- (1) the mandate granted by the shareholders of the Company on 27 June 2003 pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, authorising the NCB Group to enter into the recurrent related party transactions of a revenue or trading nature with parties which are related to The Grande Holdings Limited (“TGHL”), a major shareholder of the Company, which are necessary for the NCB Group’s day-to-day operations, be and is hereby renewed in respect of the recurrent related party transactions as set out in Section 2.1.2 of the circular to shareholders dated 28 May 2004 (“the Circular”) with the related parties mentioned in Section 2.1.1 of the Circular (the “Renewed Shareholders’ Mandate”); AND
- (2) approval be and is hereby given for the NCB Group to enter into the recurrent related party transactions of a revenue or trading nature with parties which are related to TGHL which are necessary for the NCB Group’s day-to-day operations, as set out in Section 2.1.2 of the Circular with the related parties mentioned in Section 2.1.1 of the Circular (the “New Shareholders’ Mandate”),

PROVIDED THAT:-

- (a) the transactions under and pursuant to the Renewed Shareholders’ Mandate and the New Shareholders’ Mandate shall be in the ordinary course of business and shall be on normal commercial terms which are not more favourable to the related parties than those available to the public and shall be on terms not to the detriment of the minority shareholders; and
- (b) disclosure shall be made in the annual report of the aggregate value of transactions conducted during the financial year pursuant to the approval hereby given;

AND THAT the authority conferred by the Renewed Shareholders’ Mandate and the New Shareholders’ Mandate shall continue to be in force until:

- (1) the conclusion of the next Annual General Meeting (“AGM”) of the Company following this 10th AGM, at which the authority conferred by the Renewed Shareholders’ Mandate and the New Shareholders’ Mandate will lapse, unless by a resolution passed at an AGM such authority is renewed;
- (2) the expiration of the period within which the next AGM of the Company after this 10th AGM is required to be held pursuant to Section 143(a) of the Act (but such period shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (3) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT, the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution.

*Ordinary Resolution 8*

7. To transact any other business for which due Notice shall have been given.

By Order Of The Board

GWEE OOI TENG  
(MAICSA 0794701)  
Company Secretary  
Kuala Lumpur  
28 May 2004

Note 1

A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy may but need not be a member of the Company.

In the case of a corporate member, the instrument appointing a proxy shall be either under its Common Seal or signed by its attorney or by an officer of the corporation duly authorized in that behalf.

Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

The instrument appointing a proxy must be deposited at the Company's Registered Office situated at Level 13, Menara Milenium, 8 Jalan Damanlela, Damansara Heights, 50490 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for holding the Meeting or at any adjournment thereof.

Note 2

Resolution pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution 7, if passed, would enable the Directors to issue up to a maximum of 10% of the issued and paid up share capital of the Company as at the date of this Annual General Meeting for such purposes as the Directors consider would be in the best interest of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next annual general meeting.

### Note 3

Resolution for the proposed renewal of Shareholders' Mandate and proposed new Shareholders' Mandate for NCB and the NCB Group to enter into recurrent related party transactions of a revenue or trading nature with related parties

The detailed information on the Recurrent Related Party Transactions is set out in the Circular to Shareholders of the Company dated 28 May 2004 in relation to the Proposed Renewal of Mandate and Proposed New Shareholders' Mandate to enter into recurrent related party transactions of a revenue or trading nature with related parties, which was dispatched together with the Company's Annual Report.

Pursuant to Paragraph 8.28 (2) of Bursa Malaysia Securities Berhad Listing Requirements, appended hereunder are the following:-

1. The names of the Directors who are standing for re-election:-

Directors retiring pursuant to Article 113 of the Company's Articles of Association

- Christopher Ho Wing On
- Yohan A Rajan
- Paul Law Kwok Fai

Further details of the Directors who are standing for re-election are set out in the section on Directors' Profile in the Annual Report.

2. A total of six (6) Board of Directors' Meetings were held in the financial year ended 31 December 2003 as follows:-

	<i>Date</i>
Board of Directors' Meeting	21 February 2003
Board of Directors' Meeting	27 February 2003
Board of Directors' Meeting	23 April 2003
Board of Directors' Meeting	28 May 2003
Board of Directors' Meeting	26 August 2003
Board of Directors' Meeting	20 November 2003

3. Details of attendances of Directors at the Board of Directors' Meetings held in the financial year ended 31 December 2003 are as follows:-

<i>Name of Director</i>	<i>Number of meetings attended</i>
(A total of six Board Meetings were held)	

Mirzan bin Mahathir	5/6
Christopher Ho Wing On	3/6
Ma Chi Chiu	6/6
Lee Hock Chye	6/6
Yohan A Rajan	6/6
Michael Andrew Barclay Binney	6/6
Samuel Yuen Kin *	3/6
Paul Law Kwok Fai	4/6
Johan Zainuddin bin Dzulkifli	6/6

*\* Resigned on 16 February 2004*



4. Date, Time and Place of the 10th Annual General Meeting

Date : Monday, 21 June 2004

Time : 3.00 p.m.

Place : Junior Ballroom 1 (Level 2), Hotel Nikko Kuala Lumpur, 165 Jalan Ampang,  
50450 Kuala Lumpur

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and the Consolidated Financial Statements for Nakamichi Corporation Berhad ("NCB or the Company") and its subsidiaries ("the Group") for the financial year ended December 31, 2003.

#### FINANCIAL REVIEW

The Group reported a turnover of RM110 million as compared with RM126 million in the previous year and a profit after tax of RM0.1 million as compared to profit after tax of RM0.6 million in 2002. The decrease in profitability is mainly due to the lower turnover in 2003.

#### DIVIDENDS

No dividend was declared in respect of the financial year ended December 31, 2003.

#### FUTURE HIGHLIGHTS

In line with our Factory's Quality Policy of "Quality is our way of life in achieving Total Customer Satisfaction", the Group shall continuously fine-tune the management of operational and production costs. This will in turn improve its efficiency and quality to meet the challenge for the year 2004 which is to achieve growth in the Group's business amidst uncertainty and increasing market competition.

The Group will still focus on its core activity of manufacturing high end Lifestyle products as well as positioning itself to offer its manufacturing capability to other Brands.

#### APPRECIATION

On behalf of the Board of Directors, I would like to extend my utmost appreciation to the management and staff of the Group for their loyalty and commitment. I also would like to express my sincere thanks to all stakeholders, shareholders, customers, suppliers, bankers for their continued support and trust.

Mirzan Bin Mahathir  
Chairman

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

Set out below is a statement of how the Group has applied the principles of the Code. The Board of Directors confirm that the Group has complied with the best practices in the Code throughout the financial year ended 31 December 2003.

#### The Board of Directors

The Board assumes responsibility for effective stewardship and control of the Group towards realising long term shareholders' value, and has established terms of reference to assist in the discharge of this responsibility.

The Board has the overall responsibility for reviewing and adopting strategic plans for the Group, overseeing the conduct of the Group's businesses, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company's systems of internal control. 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 legal experiences relevant to lead the Company, and as such, are able to bring an independent judgement to bear on issues in terms of business strategies, financial and operational performance, resources and standards of conduct.

The Board meets on a quarterly basis, with additional meetings convened as necessary. During the financial year ended 31 December 2003, six (6) Board meetings were held. Details of attendance are set out in the statement accompanying the Notice of the Tenth Annual General Meeting.

Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information to enable them to arrive at an informed decision.

The Board has delegated specific responsibilities to 3 subcommittees (Audit, Nomination and Remuneration Committees), the details of which are set out below. These Committees have the authority to examine particular issues and report back to the Board with their recommendation. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

All Directors have attended the Mandatory Accreditation Programme and will undergo relevant Continuing Education Programmes prescribed by Bursa Malaysia Securities Berhad and receive further training from time to time, particularly on relevant new laws and regulations, and changing commercial risks.

#### Board Balance

The Board currently has eight (8) members, comprising one (1) Executive Director, three (3) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors including the Chairman. The current Board composition complies with the Listing Requirements of Bursa

Malaysia Securities Berhad. A brief description of the background of each Director is presented in the Annual Report.

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

Lee Hock Chye acts as the Senior Independent Non-Executive Director. Any concerns concerning the Group may be conveyed to him.

While the Company has a holding company, the investment of minority shareholders is fairly reflected through Board representation.

#### Supply of Information

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

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

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

#### Appointments to the Board

The Malaysian Code on Corporate Governance endorses, as good practice, a formal procedure for appointment to the Board with a Nomination Committee making recommendations to the Board. The Nomination Committee was set up on 7 December 2001.

#### Nomination Committee

Mirzan bin Mahathir (Chairman)  
Lee Hock Chye  
Yohan A Rajan

The subcommittee had 1 meeting in the period which was attended by all members. All members of this Committee are independent non-executive Directors.

The Nomination Committee recommends to the Board:

- candidates for all directorships to be filled by shareholders or the Board; and
- directors to fill the seats on Board committees.

In addition, this Committee assesses:-

- and examines the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness;
- the effectiveness of the Board as a whole and the Committees of the Board; and
- the contribution of each individual Director.

The Board, through the Nomination Committee, reviews annually its required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board.

#### Re-election

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 3 years, but shall be eligible for re-election. An election of Directors shall take place each year.

#### Directors' Remuneration

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

#### Remuneration Procedure

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

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

#### Remuneration Committee

Mirzan bin Mahathir (Chairman)

Lee Hock Chye

Yohan A Rajan

This subcommittee of the Board had one (1) meeting in the period for which was attended by all members. All members of this Committee are independent non-executive Directors.

#### Disclosure

The details of the Directors' remuneration for the financial year ended 31 December 2003 are disclosed in the notes to the Audited Financial Statements for the financial year ended 31 December 2003.

#### Dialogue between companies and investors and the Annual General Meeting

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. Executive Directors and, where appropriate, the Chairman of the Audit, Nomination and Remuneration Committees are 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 days before the shareholders' meetings in the case of an ordinary resolution and twenty-one days in the case of a special resolution or Annual General Meeting. The shareholders are also kept informed of the Group's financial results and corporate developments through public announcements made to Bursa Malaysia Securities Berhad.

#### Audit Committee

Yohan A Rajan (Chairman)  
Lee Hock Chye  
Johan Zainuddin Dzulkifli  
Michael Andrew Barclay Binney

The report by the Audit Committee for the period is set out in this Annual Report.

#### Financial Reporting

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

### Internal Control

The Board has overall responsibility for maintaining a sound system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as risk management. This system can only provide reasonable but not absolute assurance against material misstatements, losses and fraud.

The Internal Audit provides independent and objective reports on the Group's management, records, accounting policies and controls to the Audit Committee. Internal Audits include evaluation of the processes by which risks are identified, assessed and managed and ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposure. The Internal Audit also ensures that recommendations to improve controls are followed through by the Management.

### Relationship with Auditors

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

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

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act 1965.

The Directors have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

The Directors have provided the Auditors with every opportunity to take all steps, undertake all inspections and seek all explanations they considered appropriate for the purpose of enabling them to give their audit report on the financial statements.



## MEMBERSHIP

The Audit Committee of the Company comprise the following Directors:-

Yohan A Rajan\*

Lee Hock Chye\*

Michael Andrew Barclay Binney<sup>++ø</sup>

Johan Zainuddin bin Dzulkifli\*<sup>^</sup>

\* Independent Non-Executive Director

<sup>++</sup> Non-Independent Non-Executive Director

ø A member of the Institute of Chartered Accountants in England and Wales specified in Part II of the 1st Schedule of the Accountants Act 1967 and has more than 3 years working experience.

<sup>^</sup> A fellow of the Association of Chartered Certified Accountants and has more than 3 years working experience.

## Secretary of the Audit Committee

Gwee Ooi Teng

The Audit Committee comprises three independent non-executive Directors with Yohan A Rajan as Chairman and one non-independent non-executive Director.

## MEETINGS AND MINUTES

Meetings shall be held not less than four times a year. The presence of external auditors will be requested, if required. Other Board members may attend meetings upon the invitation of the Audit Committee. The auditors, both internal or external, may request a meeting if they consider that one is necessary.

The quorum for meetings of Audit Committee shall be 3 members and the majority of the members present shall be independent directors.

The Secretary to the Audit Committee shall be the Company Secretary. Minutes of each meeting shall be distributed to each member of the Board. The Chairman of the Committee shall report on each meeting to the Board.

The Audit Committee had six meetings in the financial year ended 31 December 2003, which were attended by all members. The Group's Financial Controller attended all meetings. The Group's external auditors attended two meetings during the period.

## SUMMARY OF ACTIVITIES

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the year ended 31 December 2003 in the discharge of its functions and duties:-

1. Reviewed the Risk Base Audit Plan for the year ended 31 December 2003 to ensure adequate scope and coverage over the activities of the Group on a risk based approach, which was carried out by the Group Internal Audit.
2. Reviewed the Internal Audit Reports on audits carried out by the Group Internal Audit.
3. Reviewed the quarterly and annual financial statements to ensure inter alia that they were in compliance with the requirements of relevant authorities.
4. Reviewed the review of recurrent related party transactions entered into by the Company and the Group, which was carried out by the Group Internal Audit.

## INTERNAL AUDIT FUNCTION

The internal audit function of the Group is carried out and supervised by the Internal Audit of The Grande Holdings Limited, the holding company. During the financial year ended 31 December 2003, the internal audit carried out its duties in accordance with the annual audit plan and also reviewed the compliance of the new regulatory requirements of Bursa Malaysia Securities Berhad that were applicable to the Company. The internal audit function is conducted on a Group basis to ensure consistency in the control environment and the application of policies and procedures.

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

### Duties and Responsibilities

The duties and responsibilities of the Audit Committee include the following:-

- i) Oversee all matters relating to external audit including the review of the audit plan and audit report and review of external auditors' management letter and management's responses.
- ii) Oversee the internal audit department including the evaluation of the standards of internal control and financial reporting, review of internal audit programme, adequacy of the scope, functions, authority and resources of the internal audit department and audit findings and management's responses.

- iii) Review of the quarterly results and year end financial statements, focusing particularly on:-
  - any changes in accounting policies and practices;
  - significant adjustments arising from audit;
  - the going concern assumption;
  - compliance with accounting standards and other legal requirements
- iv) Review of the assistance and co-operation given by the Company's officers to the external and internal auditors.
- v) Review any related party transactions that may arise within the Company or the Group.
- vi) Nominate the external auditors for appointment, review any letter of resignation from the external auditors and proposal for reappointment of external auditors.
- vii) Consider any other matters as may be agreed to by the Audit Committee and the Board of Directors.

#### Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference and shall have unrestricted access to any information pertaining to the Group, both the internal and external auditors and to all employees of the Group. The Committee is also authorized by the Board to obtain external legal or other independent professional advice as necessary.

## Introduction

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Set out below is the Board's Internal Control Statement.

## Responsibility

The Board of Directors recognises the importance of sound internal controls and risk management practices as part of good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, as well as for reviewing the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, any system can provide only reasonable and not absolute assurance against material mis-statement or loss.

## Risk management framework

The Group has an organisation structure with clearly defined lines of accountability, of which authority is delegated at the right levels.

In October 2003, the internal auditors from the Group Internal Audit Division of the holding company, conducted a field audit to identify and analyze the following areas:

- (i) Material supply management in the purchasing department;
- (ii) Preventive maintenance of equipments and facilities in all the departments of the manufacturing plant.

The audit scope comprises the review and assessment of relevant policies and procedures adopted by the management to ensure an effective internal control mechanism is in place for the above areas under review. This includes adherence to the management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records and timely preparation of reliable information.

The outcome of the audit is that there are appropriate action plans in place to eliminate, or at least mitigate such risks as identified.

As part of the risk management of the Group, the following monitoring measures are in place: -

- (i) The manufacturing plant conducts daily and monthly meetings amongst all its departmental heads and senior staff. They report on all operational matters in each department and ascertain whether new plans need to be implemented to minimise or eliminate risks. Management will also summarise important financial and operational issues to be discussed, tabled and approved by the Executive Committee members during its monthly meetings.

- (ii) The Group's Internal Audit Division will evaluate the risk levels at appropriate times. They will perform checks on management strategies and control activities to ensure that they are properly carried out and recommend measures to improve both operational efficiency and effectiveness.

#### Other key elements of internal control

The other key elements of the Group's internal control systems are:

- clearly defined delegation of responsibilities to management, including authorisation levels for all aspects of the business;
- regular and comprehensive information provided to management, covering financial performance and key business indicators, such as staff utilisation and cash flow reports;
- a detailed budgeting process whereby operating units prepare budgets which are approved at each operating level;
- monthly monitoring of results against budget, with major variances being followed up and management action taken, wherever necessary.
- the executive committee will address pertinent information if board level decision making is required.

board of directors



Christopher  
Ho Wing On ▲



Lee Hock Chye ▲



Johan Zainuddin  
Bin Dzulrifli ▲



Ma Chi Chiu ▲



Michael Andrew  
Barclay Binney ▲



Mirzan  
Bin Mahathir ▲



Paul Law Kwok Fai ▲



Yohan A Rajan ▲

Mirzan bin Mahathir

*Malaysian*

*Chairman*

*Independent Non-Executive Director*

Mirzan bin Mahathir, aged 45, was appointed to the Board of NCB and as Chairman on 23 April 1997. He serves as Chairman of the Nomination and Remuneration Committee. He holds a Masters Degree in Business Administration from Wharton School, University of Pennsylvania, Philadelphia, USA and a Bachelor of Science (Honours) degree in Computer Science from Brighton Polytechnic, England. After obtaining his Masters in 1987, he worked for two years with Salomon Brothers Inc., an investment bank based in New York, as an Investment Banking Associate. From April 1989 to February 1990, he was seconded to the Asia Pacific Investment Banking Department of Salomon Brothers Hong Kong Ltd., where he provided extensive investment banking advice on mergers and acquisitions, privatisations and capital raising. Since his return to Malaysia in March 1990, he has been appointed as a director of several public listed companies such as Dataprep Holdings Berhad on 15 February 1990, Konsortium Logistik Berhad on 1 September 1992, Worldwide Holdings Berhad on 22 June 1993, Dolomite Corporation Berhad (formerly known as Sunway Building Technology Berhad) on 11 February 1995 and Artwright Holdings Berhad on 13 March 1996. He is also the President of Container Haulier's Association of Malaysia (CHAM) and President of the Asian Strategy and Leadership Institute (ASLI).

He has no family relationship with any Director and/or major shareholder of NCB, no conflict of interest with NCB and has never been charged for any offence within the past 10 years. He holds 14,000 ordinary shares of RM1.00 each in NCB and does not hold any shares in the subsidiary companies of NCB. He attended five (5) out of six (6) Board meetings held during the financial year ended 31 December 2003.

Christopher Ho Wing On

*Canadian*

*Non-Independent Non-Executive Director*

Christopher Ho Wing On, aged 53, was appointed to the Board of NCB on 23 April 1997. He graduated with a Bachelor of Commerce degree from the University of Toronto, Canada in 1974. Before joining The Grande Holdings Limited in 1991, he was a partner of Messrs Ernst & Young, Hong Kong from 1984 to 1991 where he retired as Senior partner. He has extensive experience in manufacturing, corporate finance, international trade and hotels. He is also the Chairman of The Grande Holdings Limited, a publicly listed company on the Stock Exchange of Hong Kong, Chairman and Group Chief Executive of Lafe Technology Limited, a publicly listed company in Singapore, and Chairman of Sansui Electric Co. Ltd, a publicly listed company on the Tokyo and Osaka Stock Exchange. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of NCB, no conflict of interest with NCB and has never been charged for any offence within the past 10 years. He is a major shareholder of NCB through his indirect interest in NCB and pursuant thereto, he is deemed interested in the shares of the subsidiary companies of NCB to the extent of his interest in NCB. He attended three (3) out of six (6) Board meetings held during the financial year ended 31 December 2003.

Michael Andrew Barclay Binney

*British*

*Non-Independent Non-Executive Director*

Michael Andrew Barclay Binney, aged 44, was appointed to the Board of NCB on 27 November 2001 and serves as a member of the Audit Committee. He qualified with a Certificate in Accountancy from Coventry University, Coventry, West Midlands, England. He is a Fellow Member of the Institute of Chartered Accountants in England & Wales and a Fellow Member of the Hong Kong Society of Accountants. He has 8 years working experience in the accounting profession and 13 years working experience in the Computer and Consumer Electronics industry, Manufacturing and Sales & Distribution sector. He is also the Managing Director of Sansui Electric Co. Ltd, a publicly listed company on the Tokyo and Osaka Stock Exchange and an Executive Director of The Grande Holdings Limited, a publicly listed company on the Stock Exchange of Hong Kong and Nakamichi Corporation Japan. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of NCB, no conflict of interest with NCB and has never been charged for any offence within the past 10 years. He does not hold any shares in NCB and its subsidiary companies. He attended six (6) out of six (6) Board meetings held during the financial year ended 31 December 2003.

Yohan A Rajan

*Malaysian*

*Independent Non-Executive Director*

Yohan A Rajan, aged 38, was appointed to the Board of NCB on 4 April 2001 and appointed as the Chairman of the Audit Committee on 21 August 2002. He serves as a member to the Nomination Committee and Remuneration Committee. He graduated from Keele University, Staffordshire, England with Bachelor of Arts (Hons.) Law & Psychology and he obtained his LLM (Corporate and Commercial Law) from University College London, England. He was a legal assistant under the Corporate Department of a legal firm in Kuala Lumpur from July 1993 to February 2000. He became a partner of the legal firm since February 2000 until today. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of NCB, no conflict of interest with NCB and has never been charged for any offence within the past 10 years. He does not hold any shares in NCB and its subsidiary companies. He attended six (6) out of six (6) Board meetings held during the financial year ended 31 December 2003.



Lee Hock Chye

*Malaysian*

*Independent Non-Executive Director*

Lee Hock Chye, aged 43, was appointed to the Board of NCB on 23 February 2001 and is a member of the Audit Committee. He serves as a member to the Nomination Committee and Remuneration Committee. He graduated from National University of Singapore with LL.B (Hons) in 1984 and was called to the Singapore Bar in 1985. He was also called to the Malaysian Bar in 1990. He is a partner of a legal firm in Kuala Lumpur specialising in banking and corporate law. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of NCB, no conflict of interest with NCB and has never been charged for any offence within the past 10 years. He does not hold any shares in NCB and its subsidiary companies. He attended six (6) out of six (6) Board meetings held during the financial year ended 31 December 2003.

Paul Law Kwok Fai

*British*

*Executive Director/Chief Operating Officer*

Paul Law Kwok Fai, aged 47, was appointed to the Board of NCB on 27 November 2001. He holds a Bachelor of Science from University of Western Ontario, Canada. He joined DataBase Asia Ltd as System Manager in year 1979. From 1987 to 1990, he moved to Management Consultancy Services, Ernst & Young HK and took the position as Manager. Currently, he is an Executive Director of The Grande Holdings Ltd. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of NCB, no conflict of interest with NCB and has never been charged for any offence within the past 10 years. He does not hold any shares in NCB and its subsidiary companies. He attended four (4) out of six (6) Board meetings held during the financial year ended 31 December 2003.

Ma Chi Chiu

*British*

*Non-Independent Non-Executive Director*

Ma Chi Chiu, aged 58, was appointed to the Board of NCB on 23 February 2001. He graduated at University of Birmingham, United Kingdom with a Bachelor of Commerce degree. He is a fellow member of the Institute of Chartered Accountants in England and Wales. With close to 20 years management experience in the Electronics Industry, he is familiar with manufacturing, operation, and finance. He is also the Vice Chairman of Sansui Electric Co. Ltd, a publicly listed company on the Tokyo and Osaka Stock Exchange. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of NCB, no conflict of interest with NCB and has never been charged for any offence within the past 10 years. He does not hold any shares in NCB and its subsidiary companies. He attended six (6) out of six (6) Board meetings held during the financial year ended 31 December 2003.

Johan Zainuddin bin Dzulkifli

*Malaysian*

*Independent Non-Executive Director*

Johan Zainuddin bin Dzulkifli, aged 41, was appointed to the Board of NCB on 18 November 2002 and serves as a member of the Audit Committee. He is a Fellow of the Association of Chartered Certified Accountants and has a Post-Graduate Diploma in Islamic Banking and Finance (UIA). He has worked with a multinational petroleum company, a merchant bank as well as public listed companies. Currently, he is a director of a private investment company. He holds no other Directorships in public companies in Malaysia.

He has no family relationship with any Director and/or major shareholder of NCB, no conflict of interest with NCB and has never been charged for any offence within the past 10 years. He does not hold any shares in NCB and its subsidiary companies. He attended six (6) out of six (6) Board meetings held during the financial year ended 31 December 2003.

As per the Record of Depositors as at 30 April 2004

Authorised Share Capital	:	RM100,000,000.00
Issued and Fully Paid-up	:	RM55,410,180.00
Class of Shares	:	Ordinary Shares of RM1.00 Each
No. of Shareholders	:	4,823
Voting Rights	:	1 Vote Per Ordinary Share

#### Analysis by size of Shareholdings

No. of Holders	Size of Holdings	No. of Shares	%
16	1 to 99	162	0.00
1,099	100 to 1,000	991,280	1.78
3,511	1,001 to 10,000	9,524,858	17.19
184	10,001 to 100,000	4,013,400	7.24
10	100,001 to 2,770,508 (*)	4,689,010	8.46
3	2,770,509 and above (**)	36,191,470	65.32
Total		55,410,180	100

\* - less than 5% of issued shares

\*\* - 5% and above of issued shares

Direct and indirect interests of Directors in the listed issuer as per the Register of Directors' shareholdings (maintained under Section 134 of the Companies Act, 1965) as at 30 April 2004

Directors	Direct	%	Indirect	%
Mirzan Bin Mahathir	14,000	0.025	-	-
Christopher Ho Wing On	-	-	*133,025,580	59.60
Ma Chi Chiu	-	-	-	-
Yohan A Rajan	-	-	-	-
Lee Hock Chye	-	-	-	-
Michael Andrew Barclay Binney	-	-	-	-
Paul Law Kwok Fai	-	-	-	-
Johan Zainuddin bin Dzulkifli	-	-	-	-

\*1Deemed interested by virtue of his deemed interest in The Grande International Holdings Ltd ('Grande International') which in turn has a substantial interest in Barrican Investments Corporation and which in turn has a substantial interest in The Grande Holdings Ltd ('Grande'). Grande owns 100% of Grande NAKS Limited which is the holding company of Nakamichi Designs Limited ('NDL') and which in turn is the holding company of Capetronic Consumer Electronics Holdings Ltd ('CCEH'). CCEH owns 47.99% of NCB. CCEH also owns 100% of Capetronic Far Eastern Holdings Ltd ('CFE') which in turn holds 11.61% in NCB. Both CCEH and CFE are substantial shareholders of NCB.

Direct and indirect interests of Directors in the related corporation of the listed issuer as per the Register of Directors' shareholdings (maintained under Section 134 of the Companies Act, 1965) as at 30 April 2004

Directors	Direct	%	Indirect	%
<hr/>				
The Grande Holdings Limited #	Number of Ordinary shares of HKD0.10 each			
Mirzan Bin Mahathir	-	-	-	-
Christopher Ho Wing On	-	-	305,081,713	66.3
Ma Chi Chiu	78,000	0.017	-	-
Yohan A Rajan	-	-	-	-
Lee Hock Chye	-	-	-	-
Michael Andrew Barclay Binney	-	-	-	-
Paul Law Kwok Fai	-	-	-	-
Johan Zainuddin bin Dzulkifli	-	-	-	-

# Grande, a company incorporated in Bermuda, listed in Hong Kong is regarded as the holding company. Grande International, a company incorporated in British Virgin Islands is regarded as the ultimate holding company.

Substantial Shareholders as per the Register of Substantial Shareholders as at 30 April 2004

No.	Shareholder	No. of Shares Held			
		Direct	%	Indirect	%
1.	Capetronic Consumer Electronics Holdings Limited	26,594,715	47.99	*16,430,865	11.61
2.	Capetronic Far Eastern Holdings Limited	6,430,865	11.61	-	-
3.	Permodalan Nasional Berhad	3,165,890	5.71	-	-
4.	Nakamichi Designs Limited	-	-	*233,025,580	59.60
5.	Grande NAKS Limited	-	-	*333,025,580	59.60
6.	The Grande Holdings Limited	-	-	*433,025,580	59.60
7.	Barrican Investments Corporation	-	-	*533,025,580	59.60
8.	The Grande International Holdings Limited	-	-	*633,025,580	59.60
9.	Christopher Ho Wing On	-	-	*733,025,580	59.60
10.	Yayasan Pelaburan Bumiputra	-	-	*83,165,890	5.71

\*1 Deemed interested by virtue of being the holding company of CFE.

\*2 Deemed interested by virtue of being the holding company of CCEH.

\*3 Deemed interested by virtue of being the holding company of Nakamichi Designs Limited.

\*4 Deemed interested by virtue of being the holding company of Grande NAKS Limited.

\*5 Deemed interested by virtue of its substantial interest in Grande.

\*6 Deemed interested by virtue of its substantial interest in Barrican Investments Corporation.

\*7 Deemed interested by virtue of his substantial interest in Grande International.

\*8 Deemed interested by virtue of its substantial interest in Permodalan Nasional Berhad.

30 Largest Securities Account Holders as per the Record of Depositors as at 30 April 2004

No.	Securities Account Holders	Shareholdings	%
1.	HSBC Nominees (Asing) Sdn Bhd Capetronic Consumer Electronics Holdings Limited No 2 Leboh Ampang 50100 Kuala Lumpur	26,594,715	48.00
2.	HSBC Nominees (Asing) Sdn Bhd Capetronic Far Eastern Holdings Limited No 2 Leboh Ampang 50100 Kuala Lumpur	6,430,865	11.61
3.	Permodalan Nasional Berhad Tingkat 4 Balai PNB 201-A Jalan Tun Razak 50400 Kuala Lumpur	3,165,890	5.71
4.	Employees Provident Fund Board Seksyen Depositori Pusat Tingkat 23 Bgn KWSP Jalan Raja Laut 50350 Kuala Lumpur	1,612,100	2.91
5.	Lembaga Tabung Haji Lembaga Tabung Haji, Bhg Pemerosesan Pelaburan L-36, 201 Jalan Tun Razak 50400 Kuala Lumpur	846,178	1.53
6.	Minister of Finance Akaun Jaminan Pinjaman Kerajaan Persekutuan Tkt 5 Blok Tengah Kementerian Kewangan Precin T 2 Pusat Pentadbiran K'jaan Persekutuan 62592 Putrajaya	426,177	0.77
7.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koperasi Polis Diraja Malaysia Berhad (514105312278) 14th Floor Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur	412,177	0.74
8.	Lembaga Tabung Angkatan Tentera Tingkat 10-12, Bangunan LTAT Jalan Bukit Bintang 55100 Kuala Lumpur	391,178	0.71

No.	Securities Account Holders	Shareholdings	%
9.	Yeoh Kean Hua 25 Market Street 30000 Ipoh Perak	225,400	0.41
10.	Tasec Nominees (Asing) Sdn Bhd TA Securities (HK) Ltd for Ko Chun Shun Johnson 13th Floor Menara TA One 22 Jalan P Ramlee 50250 Kuala Lumpur	224,000	0.40
11.	Tasec Nominees (Asing) Sdn Bhd Meespierson Asia Limited for Savern Finance Limited 13th Floor Menara TA One 22 Jalan P Ramlee 50250 Kuala Lumpur	224,000	0.40
12.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Quah Ti Di (Memo3) Level 2, 3, 4, 7 & 8 Wisma Sri Pinang 60 Green Hall 10200 Georgetown Penang	210,800	0.38
13.	BIMB Securities Sdn Bhd IVT (D01) for Dato' Dr Abdul Halim Ismail (IVT2) 1st and 2nd Floor, Podium Block Bangunan AMDB No. 1 Jalan Lumut 50400 Kuala Lumpur	117,000	0.21
14.	Liew Yoon Yee 150-15-1 Villa Flora Jln Burhanuddin Helmi T.T.D.I 60000 Kuala Lumpur	97,000	0.18
15.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Haw Poh Chai 8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur	93,000	0.17
16.	Yoong Hoi Yen 51 Jln Dato Klana Makmur 70200 Seremban Negeri Sembilan	89,300	0.16

No.	Securities Account Holders	Shareholdings	%
17.	Wong Ching Ing Lot 636 Jalan Zaitun Pujut 3B 98000 Miri Sarawak	87,000	0.16
18.	Tawakar Enterprise Sdn Bhd 6839 Jalan Permatang Pauh 13400 Butterworth Penang	72,000	0.13
19.	Goh Ah Nya 85 Jalan SS21/36 Damansara Utama 47400 Petaling Jaya	70,000	0.13
20.	Affin-ACF Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kweh Beng Hui c/o Affin-ACF Finance Berhad No. 104C, 104D & 104E Jalan Macalister 10400 Georgetown Penang	70,000	0.13
21.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Liao Thai Min (40-00088-000) 14th Floor Wisma Lee Rubber Jalan Melaka 50100 Kuala Lumpur	56,000	0.10
22.	Chan Ling Lee No. 6 Lorong Siantan Taman P Ramlee Setapak 53000 Kuala Lumpur	55,000	0.10
23.	RC Nominees (Tempatan) Sdn Bhd Jong Tze Kiong (SBB KCH) 73-75 Jalan Clarke 30300 Ipoh Perak	54,700	0.10
24.	Liao Thai Min 51 Jln Dato Klana Makmor 70200 Seremban Negeri Sembilan	54,200	0.10
25.	Lim Hock Chai 99-A Taman Thean Peng 05150 Alor Setar, Kedah	50,000	0.09



No.	Securities Account Holders	Shareholdings	%
26.	Tasec Nominees (Asing) Sdn Bhd TA Securities (HK) Ltd for Jeffrey Smith 13th Floor Menara TA One 22 Jalan P Ramlee 50250 Kuala Lumpur	50,000	0.09
27.	Ang Seng Wah No 32, Jalan Chengai 09800 Serdang Kedah	47,000	0.08
28.	Bimsec Nominees (Tempatan) Sdn Bhd Syarikat Takaful Malaysia Berhad Tkt 2 Blok Podium Bang AMDB No 1 Jalan Lumut 50400 Kuala Lumpur	47,000	0.08
29.	Tan Leh Ten No. 1 Jalan Beringin Kaw 2 Taman Chi Liung 42700 Banting Selangor	46,200	0.08
30.	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Khoo Keng Swee 21-25 Jalan Seenivasagam 30450 Ipoh Perak	43,000	0.08
TOTAL		41,961,880	75.73

List of all Properties held as at 31 December 2003

Location/ Address	Description	Current Use	Tenure and Approximate Age of Building (Years)	Land Area (sq. ft.)	Net Book Value	Date of last revaluation/ Date of acquisition
Lot No. 4A Jalan Suleiman Mohamed 3 Kawasan Perindustrian Bandar Sultan Suleiman Pelabuhan Klang Selangor Darul Ehsan	Industrial land with factory and office building	Plant and office	Leasehold 99 years from the date of issuance of the title deed	261,360	RM29.55 million	October 1998

To comply with the Bursa Malaysia Securities Berhad Listing Requirements, the following additional information are provided:-

1. Utilisation of proceeds

NCB did not undertake any fund raising corporate proposal during the financial year ended 31 December 2003.

2. Share buybacks

NCB did not purchase any of its own shares during the financial year ended 31 December 2003.

3. Options, warrants or convertible securities

NCB did not issue any options, warrants or convertible securities during the financial year ended 31 December 2003.

4. American Depositary Receipt (ADR) or Global Depositary Receipts (GDR)

NCB did not sponsor any ADR or GDR programme during the financial year ended 31 December 2003.

5. Imposition of sanctions and/or penalties

During the financial year ended 31 December 2003, there were no sanctions and/or penalties imposed on NCB and its subsidiaries, its Directors or Management by the relevant regulatory bodies.

6. Variation in results from profit estimates, forecasts or projections or unaudited results announced

The Company did not release any profit estimates, forecasts or projections for the financial year and audited results did not differ by 10% or more from the unaudited results announced.

7. Profit guarantee

No profit guarantee was given by the Company in respect of the financial year.

8. Material contracts

There were no material contracts entered into by the NCB Group which involve its Directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2003 or entered into since the end of the previous financial year.

9. Material Development

On 5 September 2002, the Tokyo District Court, Japan formally approved the Civil Rehabilitation Programme ("CRP") of Nakamichi Corporation Japan ("NCJ"). NCJ is a related party to NCB as explained in Section 2.1.1 above. Since 4 March 2002, there is an amount of approximately RM43 million that is owed by NCJ to Nakamichi (Malaysia) Sdn Bhd ("NMSB"), a wholly-owned subsidiary of NCB. The above amount arose from trade sales made by NMSB to NCJ.

Amongst others, the CRP entails a "hair-cut" of the above amount due from NCJ to NCB as follows:

- (i) 10% of the total amount is to be converted into a 10-year long term debt;
- (ii) 4% of the total amount is to be converted into new NCJ shares valued at Yen 10 each; and
- (iii) The balance of the amount of 86% is to be completely waived.

Further, upon the completion of the CRP, NCJ will no longer be a listed company but will instead be a private limited company.

In view of the above, Grande (Nominees) Limited ("GNL"), a wholly owned subsidiary of TGHL, vide its letter dated 24 February 2003 to NMSB, had offered to compensate NMSB's losses in NCJ as a result of the "haircut" by the following:

- (a) To acquire all of the long-term debt and new NCJ shares to be issued to NCB as detailed in (i) and (ii) above at NCB's stated book value; and
- (b) As consideration for (a) above and the balance of the 86% stated in (iii) above, GNL will give an equivalent value of common shares of Sansui Electric Co. Ltd ("Sansui"), a company listed on the Tokyo and Osaka Stock Exchange, to NCB.

It has been proposed by GNL that the value of Sansui shares be based on the average closing price of Sansui shares from 17 to 21 February 2003, which is Yen 14. The total number of Sansui shares to be given to NCB is therefore calculated to be 97,568,000 shares. There is no holding period requirement on the above shares.

The above is hereinafter referred to as “the Proposed Offer for Settlement”.

The Board had on 20 May 2003 appointed the following advisers to advise on the Proposed Offer for Settlement:

- a) OSK Securities Berhad as Main Adviser;
- b) PM Securities Sdn Bhd as Independent Adviser; and
- c) Messrs Cheng & Ariff as Legal Adviser,

collectively referred to as “the Advisers”.

The transaction is subject to the approval of other regulatory authority, namely the Hong Kong Stock Exchange, and NCB was informed that GNL is currently in discussion with the Hong Kong Stock Exchange to expedite this matter.

An appropriate announcement will be made after obtaining the necessary advice from the Advisers.

10. Recurrent related party transactions in the ordinary course of business

The following recurrent related party transactions were entered into in the ordinary course of business during the financial year ended 31 December 2003:-

	Financial year ended 2003	
	RM'000	
	Group	Company
Purchase of materials for manufacturing of audio/visual products from Nakamichi Corporation Japan	2,235	NIL
Purchase of materials for manufacturing of audio/visual products from Nakamichi Enterprises Limited	14,360	NIL
Purchase of materials for manufacturing of audio/visual products from NAKS Europe Limited	NIL	NIL
Sale of Nakamichi hi fi systems, home theatre systems, DVD players, car stereos and other audio visual products to Nakamichi Enterprises Limited	(109,718)	NIL
Management fee payable to The Alpha Capital Group Limited	151	NIL

The relationship with the above related parties are as follows:-

- a) Nakamichi Corporation Japan, a company involved in research, development and distribution of branded audio and visual products;
- b) Nakamichi Enterprises Limited, a company involved in the distribution of audio and visual products;
- c) NAKS Europe Limited, a company involved in the distribution of audio and visual products in Europe; and
- d) The Alpha Capital Group Limited, a company providing corporate advisory and financial services.

All of the companies listed in (a) to (d) above are wholly-owned subsidiary companies of The Grande Holdings Limited ('TGHL').

The principal activity of TGHL is investment holding. TGHL is deemed a Major Shareholder of NCB by virtue of its 100% indirect interest in Capetronic Consumer Electronics Holdings Limited ('CCEH'). CCEH in turn owns 100% of Capetronic Far Eastern Holdings Limited ('CFE'). CCEH holds 47.99% direct interest in NCB whilst CFE holds 11.61% direct interest in NCB respectively as at 30 April 2004.

TGHL is a person connected with a director of NCB, namely Mr Christopher Ho Wing On, as it is a body corporate in which Mr Christopher Ho Wing On and/or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares therein. Mr Christopher Ho Wing On is also a director of TGHL.

Mr Ma Chi Chiu, a director of NCB is also a director of TGHL, Nakamichi Corporation Japan, Nakamichi Enterprises Limited and NAKS Europe Limited. He holds 78,000 shares in TGHL (0.017% of the issued and paid-up share capital of TGHL).

Mr Michael Andrew Barclay Binney, a director of NCB is also a director of TGHL and Nakamichi Corporation Japan.

Mr Paul Law Kwok Fai is a director of NCB and also TGHL.

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

#### PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are described in Note 4 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

#### RESULTS

	Group RM	Company RM
Net profit/(loss) before tax	<u>97,328</u>	<u>(291,335)</u>

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

#### DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Mirzan bin Mahathir  
 Christopher Ho Wing On  
 Lee Hock Chye  
 Ma Chi Chiu  
 Yohan A Rajan  
 Michael Andrew Barclay Binney  
 Paul Law Kwok Fai  
 Johan Zainuddin bin Dzulkifli  
 Samuel Yuen Kin (*resigned on 16 February 2004*)

#### DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors from the Group as shown in Note 15 to the financial statements or from its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.



# DIRECTORS' INTEREST IN SHARES

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1.00 Each			
	1 January 2003	Bought	Sold	31 December 2003
The Company				
Direct				
Mirzan bin Mahathir	14,000	-	-	14,000
Indirect				
Christopher Ho Wing On	33,025,580	-	-	33,025,580

	Number of Ordinary Shares of HK\$0.10 Each			
	1 January 2003	Bought	Sold	31 December 2003
Holding company				
The Grande Holdings Limited				
Direct				
Ma Chi Chiu	78,000	-	-	78,000
Indirect				
Christopher Ho Wing On	295,067,713	63,014,000	53,000,000	305,081,713

Christopher Ho Wing On had a 100% deemed beneficial interest in the ultimate holding company, The Grande International Holdings Limited, which owned 305,081,713 ordinary shares of HKD\$0.10 each in The Grande Holdings Limited through its wholly-owned subsidiary, Barrican Investments Corporation.

By virtue of his interest in the ultimate holding company, Christopher Ho Wing On is also deemed to be interested in the shares in all its subsidiaries to the extent the ultimate holding company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

#### OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper 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 there are no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current asset which was unlikely to realise its value as shown in the accounting records in the ordinary course of business had been written down to an amount which it might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances 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.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (*continued*)

- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
  
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board  
in accordance with a resolution  
of the directors

A stylized signature in black ink, consisting of a large, sweeping 'M' followed by a circular flourish.

MIRZAN BIN MAHATHIR

A stylized signature in black ink, featuring a cursive 'M' and 'C' followed by a horizontal line.

MA CHI CHIU

26 April 2004

We, Mirzan bin Mahathir and Ma Chi Chiu, being two of the directors of Nakamichi Corporation Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 47 to 74 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and cash flows of the Group and the Company for the year then ended.

Signed on behalf of the Board  
in accordance with a resolution  
of the directors



MIRZAN BIN MAHATHIR  
26 April 2004



MA CHI CHIU

I, Michael Andrew Barclay Binney, being the director primarily responsible for the financial management of Nakamichi Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 47 to 74 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Oaths and Declaration Ordinance, Hong Kong.

Subscribed and solemnly declared by the  
abovenamed Michael Andrew Barclay Binney  
in 12th Floor, The Grande Building,  
398 Kwun Tong Road, Kowloon, Hong Kong  
on 26 April 2004



MICHAEL ANDREW BARCLAY BINNEY

Before me: Wong, Mary Teresa Tak Lan  
Notary Public, Hong Kong SAR

We have audited the accompanying financial statements set out on pages 47 to 74. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

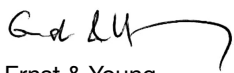
In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Without qualifying our opinion, we draw attention to Note 7 to the financial statements which highlights a receivable amounting to RM43,692,033 to be settled by Grande (Nominees) Limited, a wholly owned subsidiary of the holding company, The Grande Holdings Limited in relation to a debt settlement arrangement. This arrangement is a related party transaction which is subject to the approval by the shareholders of the Company and relevant regulatory authorities.



Ernst & Young

AF: 0039

Chartered Accountants



Wong Kang Hwee

No. 1116/01/06(J)

Partner

Kuala Lumpur, Malaysia

26 April 2004



	Note	2003 RM	2002 RM
NON-CURRENT ASSET			
Property, plant and equipment	3	<u>34,052,900</u>	<u>35,291,765</u>
CURRENT ASSETS			
Inventories	5	34,830,496	43,116,122
Trade receivables	6	273,206	168,746
Other receivables	7	46,565,259	45,730,975
Tax recoverable		101,011	610,149
Cash and bank balances	8	<u>8,922,172</u>	<u>8,449,687</u>
		<u>90,692,144</u>	<u>98,075,679</u>
CURRENT LIABILITIES			
Short term borrowings	9	1,921,000	10,000,000
Trade payables	10	9,700,314	11,641,586
Other payables	11	<u>5,703,048</u>	<u>4,402,504</u>
		<u>17,324,362</u>	<u>26,044,090</u>
NET CURRENT ASSETS		<u>73,367,782</u>	<u>72,031,589</u>
		<u>107,420,682</u>	<u>107,323,354</u>
FINANCED BY:			
Share capital	12	55,410,180	55,410,180
Reserves		<u>52,010,502</u>	<u>51,913,174</u>
Shareholders' equity		<u>107,420,682</u>	<u>107,323,354</u>

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

	Note	2003 RM	2002 RM
Revenue	13	109,894,617	126,135,544
Cost of sales		(95,454,998)	(109,920,303)
Gross profit		14,439,619	16,215,241
Other operating income		84,899	115,315
Administrative expenses		(14,140,418)	(15,077,889)
Other operating expenses		-	(28,879)
Profit from operations	14	384,100	1,223,788
Finance cost, net	17	(286,772)	(605,276)
Profit before taxation		97,328	618,512
Taxation	18	-	(497)
Net profit for the year		97,328	618,015
Earnings per share (sen)	19	0.18	1.12

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

	Share capital RM	Share premium RM	Non- distributable Exchange reserve RM	Distributable Retained profits RM	Total RM
At 1 January 2002	55,410,180	38,451,919	50,800	12,792,440	106,705,339
Net profit for the year	-	-	-	618,015	618,015
At 31 December 2002	<u>55,410,180</u>	<u>38,451,919</u>	<u>50,800</u>	<u>13,410,455</u>	<u>107,323,354</u>
At 1 January 2003	55,410,180	38,451,919	50,800	13,410,455	107,323,354
Net profit for the year	-	-	-	97,328	97,328
At 31 December 2003	<u>55,410,180</u>	<u>38,451,919</u>	<u>50,800</u>	<u>13,507,783</u>	<u>107,420,682</u>

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

	2003 RM	2002 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	97,328	618,512
Adjustments for:		
Depreciation	2,586,488	3,609,306
Gain on disposal of property, plant and equipment	(6,000)	-
Unrealised (gain)/loss on foreign exchange	(105,543)	19,338
Interest expense	291,386	608,748
Interest income	(4,614)	(3,472)
Operating profit before working capital changes	2,859,045	4,852,432
(Increase)/decrease in receivables	(429,606)	3,506,028
Decrease in inventories	8,285,626	9,757,828
Decrease in payables	(535,185)	(1,622,120)
Cash generated from operations	10,179,880	16,494,168
Taxes paid	-	(497)
Net cash generated from operating activities	10,179,880	16,493,671
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	6,000	-
Purchase of property, plant and equipment	(1,347,623)	(663,043)
Interest received	4,614	3,472
Net cash used in investing activities	(1,337,009)	(659,571)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(291,386)	(608,748)
Repayment of short term borrowings	(26,402,000)	(57,599,516)
Drawdown of short term borrowings	18,323,000	41,946,000
Net cash used in financing activities	(8,370,386)	(16,262,264)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	472,485	(428,164)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		
	8,449,687	8,877,851
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
	8,922,172	8,449,687

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

	Note	2003 RM	2002 RM
NON-CURRENT ASSET			
Investment in subsidiaries	4	<u>33,579,080</u>	<u>33,579,080</u>
CURRENT ASSETS			
Other receivables	7	59,689,940	59,980,891
Cash and bank balances	8	<u>1,767</u>	<u>1,839</u>
		<u>59,691,707</u>	<u>59,982,730</u>
CURRENT LIABILITIES			
Other payables	11	<u>73,350</u>	<u>73,038</u>
NET CURRENT ASSETS			
		<u>59,618,357</u>	<u>59,909,692</u>
		<u>93,197,437</u>	<u>93,488,772</u>
FINANCED BY:			
Share capital	12	55,410,180	55,410,180
Reserves		<u>37,787,257</u>	<u>38,078,592</u>
Shareholders' equity		<u>93,197,437</u>	<u>93,488,772</u>

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

	Note	2003 RM	2002 RM
Administrative expenses, representing			
loss from operations	14	(291,335)	(339,597)
Taxation	18	-	-
Net loss for the year		<u>(291,335)</u>	<u>(339,597)</u>

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

	Share capital RM	Non- distributable Share premium RM	Accumulated losses RM	Total RM
At 1 January 2002	55,410,180	38,451,919	(33,730)	93,828,369
Net loss for the year	-	-	(339,597)	(339,597)
At 31 December 2002	<u>55,410,180</u>	<u>38,451,919</u>	<u>(373,327)</u>	<u>93,488,772</u>
At 1 January 2003	55,410,180	38,451,919	(373,327)	93,488,772
Net loss for the year	-	-	(291,335)	(291,335)
At 31 December 2003	<u>55,410,180</u>	<u>38,451,919</u>	<u>(664,662)</u>	<u>93,197,437</u>

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

	2003 RM	2002 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(291,335)	(339,597)
Adjustment for:		
Unrealised foreign exchange (gain)/loss	(228)	10
Operating loss before working capital changes	(291,563)	(339,587)
Decrease in receivables	290,951	288,476
Increase/(decrease) in payables	540	(24,055)
Net cash used in operating activities	(72)	(75,166)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(72)	(75,166)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,839	77,005
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,767	1,839

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



## 1. CORPORATE INFORMATION

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are described in Note 4. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of the Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Lot 4A, Jalan Sultan Mohamed 3, Kawasan Perindustrian Bandar Sultan Suleiman, 42000 Port Klang, Selangor Darul Ehsan. The registered office of the Company is located at Level 13, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur.

The Company's holding company is The Grande Holdings Limited ("GHL"), a company incorporated in Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited. The Company's ultimate holding company is The Grande International Holdings Limited, a company incorporated in The British Virgin Islands.

The number of employees in the Group at the end of the year was 326 (2002 : 279). The accounting records of the Company are maintained by the employees of a subsidiary company.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 April 2004.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2003, the Group and the Company adopted the following MASB Standards for the first time:

MASB 25	Income Taxes
MASB 27	Borrowing Costs
MASB 28	Discontinuing Operations
MASB 29	Employee Benefits

The adoption of these new Standards has not given rise to any material adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(b) Revenue Recognition

(i) Sale of goods

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue relating to sale of goods is recognised net of returns and discounts when transfer of risks and rewards has been completed.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(c) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The resulting debit difference between the carrying value of the investments and the nominal value of shares acquired was treated as a merger deficit. The merger deficit had been adjusted against the retained profits pursuant to the requirement of MASB 21: Business Combinations.

Other subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

### (d) Investments in subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is charged or credited to the income statement.

### (e) Foreign Currencies

#### (i) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rates that existed when the values were determined. All exchange rate differences are taken to the income statement.

#### (ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	2003	2002
	RM	RM
United States Dollar	3.8000	3.8000
Japanese Yen	0.0353	0.0290
Hong Kong Dollar	0.4894	0.4872

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(f) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with note 2(l).

Long term leasehold land with unexpired lease tenure of 50 years or more is not depreciated.

Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Building	2.2%
Plant, machinery and tools	10% - 33 1/3%
Furniture, fittings and leasehold improvement	10% - 33 1/3%
Motor vehicles	25%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads determined on a first-in, first-out basis. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(h) Income Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred taxation is provided for, by the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principal, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilised.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred tax is 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 tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement.

Prior to the adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax liability was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

### (i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks and deposits with licensed banks, net of any outstanding bank overdrafts.

### (j) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### (k) Affiliated Company

An affiliated company is defined as an associated company of the ultimate holding company.

### (l) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (m) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

### (i) Trade and Other Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

### (ii) Trade and Other Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### (iii) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

### (iv) Share Capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### (n) Employee Benefits

#### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

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				
At 1 January 2002	33,103,998	43,592,561	10,837,141	87,533,700
Additions	12,100	1,074,609	260,914	1,347,623
Disposals	-	(50,610)	-	(50,610)
At 31 December 2003	<u>33,116,098</u>	<u>44,616,560</u>	<u>11,098,055</u>	<u>88,830,713</u>
Accumulated Depreciation				
At 1 January 2002	2,883,841	40,234,034	9,124,060	52,241,935
Charge for the year	666,823	1,267,249	652,416	2,586,488
Disposals	-	(50,610)	-	(50,610)
At 31 December 2003	<u>3,550,664</u>	<u>41,450,673</u>	<u>9,776,476</u>	<u>54,777,813</u>
Net Book Value				
At 31 December 2003	<u>29,565,434</u>	<u>3,165,887</u>	<u>1,321,579</u>	<u>34,052,900</u>
At 31 December 2002	<u>30,220,157</u>	<u>3,358,527</u>	<u>1,713,081</u>	<u>35,291,765</u>
Depreciation charge for 2002	<u>673,050</u>	<u>2,282,544</u>	<u>653,712</u>	<u>3,609,306</u>

\* LAND AND BUILDING

	Long term leasehold land RM	Building RM	Total RM
Cost			
At 1 January 2003	3,453,024	29,650,974	33,103,998
Additions	-	12,100	12,100
At 31 December 2003	3,453,024	29,663,074	33,116,098
Accumulated Depreciation			
At 1 January 2002	-	2,883,841	2,883,841
Charge for the year	-	666,823	666,823
At 31 December 2003	-	3,550,664	3,550,664
Net Book Value			
At 31 December 2003	<u>3,453,024</u>	<u>26,112,410</u>	<u>29,565,434</u>
At 31 December 2002	<u>3,453,024</u>	<u>26,767,133</u>	<u>30,220,157</u>
Depreciation charge for 2002	<u>-</u>	<u>673,050</u>	<u>673,050</u>

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.



4. INVESTMENT IN SUBSIDIARIES

	Company	
	2003	2002
	RM	RM
Unquoted shares, at cost	<u>33,579,080</u>	<u>33,579,080</u>

Details of the subsidiaries are as follows:

Name of Companies	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2003	2002	
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).

5. INVENTORIES

	Group	
	2003	2002
	RM	RM
At cost:		
Finished goods	94,672	171,014
Work-in-progress	239,268	2,385,172
Raw materials	34,496,556	40,559,936
	<u>34,830,496</u>	<u>43,116,122</u>

6. TRADE RECEIVABLES

	Group	
	2003	2002
	RM	RM
Due from fellow subsidiaries	257,939	166,355
Due from an affiliated company	9,473	-
Other trade receivables	4,825,160	4,821,757
	<u>5,092,572</u>	<u>4,988,112</u>
Less: Provision for doubtful debts	<u>(4,819,366)</u>	<u>(4,819,366)</u>
	<u>273,206</u>	<u>168,746</u>

The Group normally trades using letters of credit with credit terms ranging from 0 to 30 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

Included in trade receivables of the Group are unhedged foreign currency receivables denominated in United States Dollar amounting to RM267,412 (2002 : RM166,355).

7 OTHER RECEIVABLES

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Due from subsidiaries	-	-	59,689,940	59,980,891
Due from fellow subsidiaries	44,532,656	45,007,236	-	-
Deposits	258,167	251,767	-	-
Prepayments	1,440,619	132,756	-	-
Sundry receivables	333,817	339,216	-	-
	<u>46,565,259</u>	<u>45,730,975</u>	<u>59,689,940</u>	<u>59,980,891</u>

The amounts due from subsidiaries and fellow subsidiaries are non-trade in nature, unsecured, interest free and have no fixed terms of repayment.

Included in the amount due from fellow subsidiaries is an amount due from Grande (Nominees) Limited ("GNL"), a wholly owned subsidiary of GHL of RM43,692,033 (2002 : RM43,692,033) in relation to a debt settlement arrangement.

In the prior financial year, the affiliated company Nakamichi Corporation Japan ("NCJ"), the original debtor which is a company incorporated in Japan, applied to the court of Japan for Civil Rehabilitation Program ("CRP") and protection from its creditors. The CRP was formally approved by the Tokyo District Court on 5 September 2002.

In accordance with the CRP, 10% of the amount due from NCJ would be converted into 10-years long term debt while 4% of the amount will be compensated by new shares in NCJ valued at Yen 10 each. The remaining balance, equivalent to 86% of the amount due from NCJ, is to be waived.

In view of the above, GHL, through GNL, has made an offer to compensate the Company for any loss in respect of the debts waived as well as to acquire the new NCJ shares and the long-term debt from the Company at its stated book value, the consideration of which is to be satisfied by the issuance of 97,568,000 ordinary shares in Sansui Electric Co. Ltd ("Sansui"), a company listed on the Tokyo and Osaka Stock Exchanges or such number of shares equivalent to the amount outstanding to be determined by the relevant authorities. The above compensation by GNL would represent a full settlement of the amount owed by NCJ to the Company. Accordingly, no provision for doubtful debt has been made against the amount due.

The above arrangement is a related party transaction subject to approval by the shareholders of the Company and relevant regulatory authorities. Independent advisers have been appointed to comment on the proposed transaction.

7. OTHER RECEIVABLES (*continued*)

Included in other receivables are unhedged balances denominated in United States Dollar as follows:

	2003 RM	2002 RM
Group	44,532,656	45,007,236
Company	<u>7,526,101</u>	<u>7,582,848</u>

8. CASH AND BANK BALANCES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash on hand and at banks	8,782,172	8,449,687	1,767	1,839
Deposit with a licensed bank	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>8,922,172</u>	<u>8,449,687</u>	<u>1,767</u>	<u>1,839</u>

Deposits with a licensed bank is pledged to a bank for credit facilities granted to one of its subsidiaries.

The weighted average effective interest rate of deposits at the balance sheet date is 3.7% (2002: Nil).

Included in cash and bank balances are unhedged foreign currency balances denominated in United States Dollar of RM8,753,000 (2002 : RM7,613,041).

9. SHORT TERM BORROWINGS

	Group	
	2003	2002
	RM	RM
	1,921,000	10,000,000
Bankers acceptances	<u>1,921,000</u>	<u>10,000,000</u>

The weighted average effective interest rate for borrowings during the financial year is 4.20% (2002: 3.84%).

10. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 45 days.

11. OTHER PAYABLES

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Due to a subsidiary	-	-	380	380
Due to fellow subsidiaries	2,745,914	2,589,611	588	22,401
Accruals	688,037	562,395	45,000	45,000
Sundry payables	<u>2,269,097</u>	<u>1,250,498</u>	<u>27,382</u>	<u>5,257</u>
	<u>5,703,048</u>	<u>4,402,504</u>	<u>73,350</u>	<u>73,038</u>

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

Included in other payables are unhedged balances denominated in foreign currencies as follows:

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Currency				
United States Dollar	2,745,838	2,589,428	965	22,762
Hong Kong Dollar	<u>76</u>	<u>183</u>	<u>3</u>	<u>19</u>

12. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2003	2002	2003	2002
	RM	RM	RM	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>

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. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations is stated after charging/(crediting):

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Auditors' remuneration				
- statutory	48,000	48,000	5,000	5,000
- other services	15,100	15,100	5,500	5,500
Rental expenses	146,050	165,055	-	-
Non-executive directors' remuneration (Note 15)	376,000	369,050	40,000	37,550
Staff costs (Note 16)	7,769,334	7,302,161	-	-
Depreciation	2,586,488	3,609,306	-	-
Gain on disposal of property, plant and equipment	(6,000)	-	-	-
Realised loss on foreign exchange	26,188	9,541	8	10
Unrealised (gain)/loss on foreign exchange	<u>(105,543)</u>	<u>19,338</u>	<u>(228)</u>	<u>-</u>

Included in staff costs of the Group are executive directors' remuneration amounting to RM135,244 (2002 : RM121,365) as further disclosed in Note 15.

15. DIRECTORS' REMUNERATION

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Directors of the Company				
Non-Executive:				
Other emoluments	336,000	331,500	-	-
Directors' fees:				
- current year's provision	<u>40,000</u>	<u>37,550</u>	<u>40,000</u>	<u>37,550</u>
	<u>376,000</u>	<u>369,050</u>	<u>40,000</u>	<u>37,550</u>
Other directors in the Group				
Executive:				
Salaries	111,350	100,757	-	-
Bonus	9,350	8,500	-	-
Pension costs				
- defined contribution plans	<u>14,544</u>	<u>12,108</u>	<u>-</u>	<u>-</u>
	<u>135,244</u>	<u>121,365</u>	<u>-</u>	<u>-</u>
Total	<u>511,244</u>	<u>490,415</u>	<u>40,000</u>	<u>37,550</u>

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of directors	
	2003	2002
Non-Executive directors		
Less than RM50,000	3	4
RM300,000 - RM350,000	1	1

15. DIRECTORS' REMUNERATION (*continued*)

The directors' remuneration are paid to the following directors:

	Salaries and Other emoluments RM	Pension Costs RM	Bonus RM	Fees RM	Total RM
2003					
Directors of the Company					
Mirzan bin Mahathir	300,000	36,000	-	-	336,000
Yohan A Rajan	-	-	-	20,000	20,000
Lee Hock Chye	-	-	-	10,000	10,000
Johan Zainuddin	-	-	-	10,000	10,000
	<u>300,000</u>	<u>36,000</u>	<u>-</u>	<u>40,000</u>	<u>376,000</u>

Other directors in the Group

Goh Ah Nya	111,350	14,544	9,350	-	135,244
	<u>411,350</u>	<u>50,544</u>	<u>9,350</u>	<u>40,000</u>	<u>511,244</u>

2002

Directors of the Company

Mirzan bin Mahathir	300,000	31,500	-	-	331,500
Premilla Ann A/P John David	-	-	-	13,350	13,350
Yohan A Rajan	-	-	-	13,350	13,350
Lee Hock Chye	-	-	-	10,000	10,000
Johan Zainuddin	-	-	-	850	850
	<u>300,000</u>	<u>31,500</u>	<u>-</u>	<u>37,550</u>	<u>369,050</u>

Other directors in the Group

Goh Ah Nya	112,865	-	8,500	-	121,365
	<u>412,865</u>	<u>31,500</u>	<u>8,500</u>	<u>37,550</u>	<u>490,415</u>



16. STAFF COSTS

	Group	
	2003	2002
	RM	RM
Wages and salaries	6,728,636	6,440,666
Pension costs -defined contribution plans	648,904	652,840
Other staff related expenses	391,794	208,655
	<u>7,769,334</u>	<u>7,302,161</u>

17. FINANCE COSTS, NET

	Group	
	2003	2002
	RM	RM
Interest income	(4,614)	(3,472)
Interest expense	291,386	608,748
	<u>286,772</u>	<u>605,276</u>

18. TAXATION

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Tax underprovided in prior years	<u>-</u>	<u>497</u>	<u>-</u>	<u>-</u>

There is no tax charge for the year as the Company is in a tax loss position.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group	
	2003	2002
	RM	RM
Profit before taxation	<u>97,328</u>	<u>618,512</u>
Taxation at Malaysia statutory tax rate of 28% (2002: 28%)	27,252	173,183
Absence of tax relief for losses suffered by subsidiaries	425,296	475,513
Expenses not deductible for tax purposes	201,637	120,519
Deferred tax assets not recognised during the year	(654,185)	(768,718)
Tax expense for the year	<u>-</u>	<u>497</u>

18. TAXATION (*continued*)

	Company	
	2003	2002
	RM	RM
Loss before taxation	(291,335)	(339,597)
Taxation at Malaysia statutory tax rate of 28%(2002: 28%)	(81,574)	(95,087)
Expenses not deductible for tax purposes	81,574	95,087
	<u>-</u>	<u>-</u>

The Company has tax exempt profit available for distribution of approximately RM13 million (2002: RM13 million).

Deferred tax assets have not been recognised in respect of the following items

	Group	
	2003	2002
	RM	RM
Unutilised tax losses carried forward	3,324,239	3,324,239
Unabsorbed capital allowances	23,428,311	19,987,021
Other temporary differences	<u>3,966,718</u>	<u>9,744,387</u>

The unutilised tax losses and unabsorbed capital allowance are available indefinitely for offset against future taxable profits of the subsidiary in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they have arisen in a subsidiary that has a recent history of losses.

19. EARNINGS PER SHARE

Earnings per share of the Group is calculated by dividing the net profit for the year by the number of ordinary shares in issue during the financial year.

	Group	
	2003	2002
Net profit for the year (RM)	97,328	618,015
Number of ordinary shares in issue	55,410,180	55,410,180
Earnings per share (sen)	<u>0.18</u>	<u>1.12</u>

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2003	2002
Group	RM'000	RM'000
Purchases from Nakamichi Corporation Japan, an affiliated company	2,235	3,877
Purchases from Nakamichi Enterprises Limited, a fellow subsidiary	14,360	36,000
Sales to Nakamichi Corporation Japan, an affiliated company	(10)	(23)
Sales to Nakamichi Enterprises Limited, a fellow subsidiary	(109,718)	(125,875)
Sales to TWD Asia Limited, a fellow subsidiary	(33)	-
Management fee payable to The Alpha Capital Group Limited, a fellow subsidiary	151	560
Internal audit fee payable to The Grande Group (HK) Ltd, a fellow subsidiary	-	196

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

21. SEGMENTAL REPORTING

No segmental reporting is prepared as the Group's activities are predominantly in one industry segment and occur predominantly in Malaysia.

22. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long term interest-bearing assets as at 31 December 2003. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

22. FINANCIAL INSTRUMENTS *(continued)*

(c) Foreign Exchange Risk

The Group trades in various currencies, mainly United States Dollar and Japanese Yen. Foreign currency denominated assets and liabilities may give rise to foreign exchange exposures. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign exchange transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

(d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by trading on cash terms and the application of credit approvals, limits and monitoring procedures. Credit risks are minimised by dealing only with business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

(f) Fair Values

It is not practicable within the constraints of timeliness and cost to estimate the fair values of amounts due to and from related companies principally due to the lack of fixed repayment terms.

The carrying amounts of all other financial assets and liabilities as at 31 December 2003 are not materially different from their fair values.

23. CURRENCY

All amounts are stated in Ringgit Malaysia.

NO. OF SHARES HELD	
CDS ACCOUNT NO.	

## PROXY FORM

### NAKAMICHI CORPORATION BERHAD

(Company No. 301384-H)

I/We \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

being a member/members of Nakamichi Corporation Berhad hereby appoint

\_\_\_\_\_  
(FULL NAME)

of \_\_\_\_\_  
(ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Tenth (10th) Annual General Meeting of the Company to be held at Junior Ballroom 1 (Level 2), Hotel Nikko Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Monday, 21 June 2004 at 3.00 p.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:-

RESOLUTION		FOR	AGAINST
Ordinary Resolution 1	Receipt of the Audited Financial Statements for the financial year ended 31 December 2003 and the Directors' and Auditors' Reports		
Ordinary Resolution 2	Approval of Directors' Fees		
Ordinary Resolution 3	Re-election of Director		
Ordinary Resolution 4	Re-election of Director		
Ordinary Resolution 5	Re-election of Director		
Ordinary Resolution 6	Re-appointment of Messrs Ernst & Young as Auditors and to authorize the Directors to fix the Auditors' remuneration		
Ordinary Resolution 7	Authority to the Directors under Section 132D of the Companies Act 1965 to allot and issue shares in the Company		
Ordinary Resolution 8	Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Nakamichi Corporation Berhad and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature with related parties		

Please indicate with "x" how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004

\_\_\_\_\_  
Signature/Common Seal of Shareholder(s)

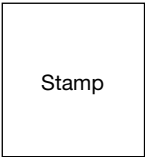
#### Note 1

A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote on a show of hands or on a poll in his stead. A proxy may but need not be a member of the Company.

In the case of a corporate member, the instrument appointing a proxy shall be either under its Common Seal or signed by its attorney or by an officer of the corporation duly authorized in that behalf.

Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

The instrument appointing a proxy must be deposited at the Company's Registered Office situated at Level 13, Menara Milenium, 8 Jalan Damanlela, Damansara Heights, 50490 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for holding the Meeting or at any adjournment thereof.



The Company Secretary  
Nakamichi Corporation Berhad  
Level 13, Menara Milenium,  
8 Jalan Damanlela  
Damansara Heights  
50490 Kuala Lumpur

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