

4. INVESTMENT IN SUBSIDIARIES - continued

Details of the subsidiaries are as follows:

Name of Companies	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2005	2004	
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. INVESTMENT

	Group	
	2005 RM	2004 RM
Quoted shares at cost	43,692,033	-
Less: Impairment losses	(15,507,328)	-
	<u>28,184,705</u>	<u>-</u>
Market value of quoted shares	<u>28,184,705</u>	<u>-</u>

The quoted shares represent 27,495,000 shares of Sansui Electric Co. Ltd ("Sansui"), a company listed on the Tokyo and Osaka Stock Exchanges which was received by a subsidiary company, Nakamichi Malaysia Sdn Bhd, pursuant to a Settlement Agreement with Grande (Nominees) Limited ("GNL") and Maple Profits Limited ("MPL") as referred to in note 8.

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6. INVENTORIES

	Group	
	2005 RM	2004 RM
At cost:		
Finished goods	8,130	612,164
Work-in-progress	942,275	1,137,450
Raw materials	7,034,062	21,673,447
	<u>7,984,467</u>	<u>23,423,061</u>

7. TRADE RECEIVABLES

	Group	
	2005 RM	2004 RM
Other trade receivables	5,470	5,470
Less: Provision for doubtful debts	(5,470)	(5,470)
	<u>-</u>	<u>-</u>

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

8. OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Due from subsidiaries	-	-	59,203,079	59,412,483
Due from fellow subsidiaries	12,496,135	46,947,942	-	-
Deposits	251,067	253,666	-	-
Prepayments	54,611	160,132	-	-
Sundry receivables	385,462	675,278	-	-
	<u>13,187,275</u>	<u>48,037,018</u>	<u>59,203,079</u>	<u>59,412,483</u>
Provision for doubtful debts	-	-	(16,917,020)	-
	<u>13,187,275</u>	<u>48,037,018</u>	<u>42,286,059</u>	<u>59,412,483</u>

8. OTHER RECEIVABLES - continued

The amounts due from the subsidiaries and fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

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

In 2002, 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 Group's losses in respect of the debts waived as well as to acquire the new NCJ shares and the longterm debt from the Group 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 Group. Accordingly, no provision for doubtful debt has been made against the amount due.

On 31 May 2004, GNL had revised their original offer where the total number of shares to be offered to the Company will now be based on the prevailing market price of the Sansui Shares over a 5 days period immediately preceding the completion date of the Proposed Compensation Offer.

On 20 December 2004, the Company's wholly owned subsidiary, Nakamichi Malaysia Sdn. Bhd. ("NMSB") had entered into a conditional Settlement Agreement with GNL and Maple Profits Limited ("MPL"), for the compensation of the entire amount of debt owed by NCJ and MPL as at 31 December 2003 amounting to RM28,495,833 and RM15,196,200. The long term debt and new NCJ shares received pursuant to the CRP Settlement and NCJ and MPL's debt as stated at NMSB's book value, will be acquired for a total consideration of RM43,692,033, to be settled by way of the transfer of such number of Sansui Shares equivalent to the said amount.

The actual number of Sansui Shares to be transferred to NMSB had been determined based on the average market price of Sansui Shares over the five (5) days period from 26 October 2005 to 1 November 2005 ("AMP"). Based on the AMP of YEN46 per Sansui Share, GNL had on 9 November 2005 completed the transfer of 27,495,000 Sansui Shares to NMSB.

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8. OTHER RECEIVABLES - continued

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

	Group	
	2005 RM	2004 RM
Group	12,496,135	46,947,942
Company	-	7,526,101

9. CASH AND BANK BALANCES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash on hand and at banks	7,697,309	7,956,046	1,713	1,823
Deposit with a licensed bank	150,566	145,194	-	-
	<u>7,847,875</u>	<u>8,101,240</u>	<u>1,713</u>	<u>1,823</u>

Deposits with a licensed bank are pledged to a bank for credit facilities granted to a subsidiary, Nakamichi Malaysia Sdn Bhd.

The interest rate and maturity of the deposit as at the balance sheet date are as follows:

	Interest rates %		Maturity (days)	
	2005	2004	2005	2004
Deposit with licensed bank	3.7%	3.7%	365	365

Included in cash and bank balances are unhedged foreign currency balances denominated in United States Dollar of RM7,574,700 (2004: RM7,619,281).

10. SHORT TERM BORROWINGS

	Group	
	2005 RM	2004 RM
Bankers acceptances	961,000	1,390,000

The weighted average effective interest rate for borrowings during the financial year is 4.2% (2004 : 4.2%).

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11. TRADE PAYABLES

The normal trade credit term ranges from 30 to 45 days (2004: 30 to 45 days).

12. OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Due to a subsidiary	-	-	378	380
Due to fellow subsidiaries	16,802,187	4,121,465	9,711	1,432
Due to an affiliated company	-	72,163	-	-
Accruals	535,157	766,671	45,000	45,000
Sundry payables	581,028	1,447,887	13,808	15,430
	<u>17,918,372</u>	<u>6,408,186</u>	<u>68,897</u>	<u>62,242</u>

The amounts due to the subsidiary, fellow subsidiaries and affiliated company are 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	
	2005 RM	2004 RM	2005 RM	2004 RM
Currency				
United States Dollar	16,748,974	4,120,618	4,575	965
Hong Kong Dollar	<u>2,726</u>	<u>847</u>	<u>2,726</u>	<u>847</u>

13. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2005 RM	2004 RM	2005 RM	2004 RM
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid	<u>55,410,180</u>	<u>55,410,180</u>	<u>55,410,180</u>	<u>55,410,180</u>

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14. 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.

15. LOSS FROM OPERATIONS

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

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Auditors' remuneration				
- statutory	38,000	48,000	5,000	5,000
- other services	8,000	17,100	8,000	7,500
Rental expenses	-	125,291	-	-
Non-executive directors' remuneration (Note 16)	376,000	376,000	40,000	40,000
Staff costs (Note 17)	4,569,169	7,412,918	-	-
Depreciation	1,996,556	2,202,504	-	-
Loss/(gain) on disposal of property, plant and equipment	960	(85,838)	-	-
Provision for stock obsolescence	11,801,368	13,864,510	-	-
Provision for impairment loss in investment	15,507,328	-	8,193,798	-
(Write back of)/ provision for doubtful debts	-	(4,811,878)	16,917,020	-
Realised (gain)/loss on foreign exchange	(227,259)	132,991	(18)	1
Unrealised loss/(gain) on foreign exchange	343,224	44,891	(403)	(3)

Included in staff costs of the Group are executive directors' remuneration amounting to RM203,840 (2004: RM185,198) as further disclosed in Note 16.