

notes to the financial statements

31 December 2005

16. DIRECTORS' REMUNERATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Directors of the Company				
Non-Executive:				
Other emoluments	336,000	336,000	-	-
Directors' fees	40,000	40,000	40,000	40,000
	<u>376,000</u>	<u>376,000</u>	<u>40,000</u>	<u>40,000</u>
Other directors in the Group				
Executive:				
Salaries and bonus	182,000	165,350	-	-
Pension costs				
- defined contribution plans	21,840	19,848	-	-
	<u>203,840</u>	<u>185,198</u>	<u>-</u>	<u>-</u>
Total	<u>579,840</u>	<u>561,198</u>	<u>40,000</u>	<u>40,000</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	
	2005 RM	2004 RM
Non-Executive directors		
Less than RM50,000	3	3
RM300,000 - RM350,000	1	1

17. STAFF COSTS

	Group	
	2005 RM	2004 RM
Wages and salaries	3,715,169	6,324,854
Pension costs - defined contribution plans	466,975	569,907
Other staff related expenses	387,025	518,157
	<u>4,569,169</u>	<u>7,412,918</u>

notes to the financial statements

31 December 2005

18. FINANCE COSTS, NET

	Group	
	2005 RM	2004 RM
Interest income	(5,372)	(5,194)
Interest expense	52,017	126,244
	<u>46,645</u>	<u>121,050</u>

19. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Malaysian income tax	1,163	1,688	-	-
Under provision of income tax in prior years	101,011	-	-	-
	<u>102,174</u>	<u>1,688</u>	<u>-</u>	<u>-</u>

There is no tax charge for the Company in 2005 as the Company is in a tax loss position.

A reconciliation of income tax expense applicable to loss 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	
	2005 RM	2004 RM
Loss before taxation	(25,785,420)	(14,036,160)
Taxation at Malaysia statutory tax rate of 28%	(7,219,918)	(3,930,125)
Absence of tax relief for losses suffered by subsidiaries	253,393	217,832
Expenses not deductible for tax purposes	184,787	192,943
Utilisation of previously unrecognised unabsorbed capital allowance	-	(1,040,450)
Underprovision of tax expense in prior years	101,011	-
Deferred tax assets not recognised during the year	6,782,901	4,561,488
Tax expense for the year	<u>102,174</u>	<u>1,688</u>

19. TAXATION - continued

	Company	
	2005	2004
	RM	RM
Loss before taxation	(25,326,987)	(266,293)
Taxation at Malaysia statutory tax rate of 28%	(7,091,556)	(74,562)
Expenses not deductible for tax purposes	7,091,556	74,562
	-	-

The Company has tax exempt profit available for distribution of approximately RM13 million (2004 : RM13 million).

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

	Group	
	2005	2004
	RM	RM
Unutilised tax losses carried forward	11,844,854	3,324,239
Unabsorbed capital allowances	28,673,038	27,609,378
Other temporary differences	29,290,113	15,659,889

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 is not probable that future taxable income for the subsidiary will be sufficient to allow the benefits to be realised.

20. LOSS PER SHARE

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

	Group	
	2005	2004
	RM	RM
Net loss for the year (RM)	(25,887,594)	(14,037,848)
Number of ordinary shares in issue	55,410,180	55,410,180
Loss per share (sen)	(46.72)	(25.33)

notes to the financial statements

31 December 2005

21. OTHER SIGNIFICANT RELATED PARTY TRANSACTIONS

	2005 RM ('000)	2004 RM ('000)
Group		
Purchases from Sansui Electric Co. Ltd, an associate company of the holding company	1,646	4,773
Purchases from Nakamichi Corporation Japan, an affiliated company	-	67
Purchases from Capetronic Displays Limited, a fellow subsidiary	1,204	-
Purchase from Tomei Asia Limited, a fellow subsidiary	84	622
Sales to Capetronic AV Limited, a fellow subsidiary	(7,943)	-
Sales to Nakamichi Enterprises Limited, a fellow subsidiary	-	(41,955)
Sales to Nakamichi Corporation Limited, a fellow subsidiary	(6,511)	-
Sales to Akai Sales Pte Ltd, a fellow subsidiary	(46)	-
Management fee payable to The Grande Capital Group Limited, a fellow subsidiary	-	110

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.

22. SEGMENTAL REPORTING

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

23. 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 not to 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 2005. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes, rather they are mostly placed in fixed deposits.

23. 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 2005 are not materially different from their fair values.

24. CURRENCY

All amounts are stated in Ringgit Malaysia.

NAKAMICHI CORPORATION BERHAD

(Company No: 301384 H)
(Incorporated in Malaysia)

FORM OF PROXY

(please refer to the notes below)

No. of ordinary shares held

I/We _____ NRIC No./Co.No./CDS No.: _____
(Full name in block letters)

of _____
(Full address)

being a member/members of **NAKAMICHI CORPORATION BERHAD** hereby appoint the following person(s):

Name of proxy, NRIC No. & Address

No. of shares to be represented by proxy.

1. _____

2. _____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Twelfth Annual General Meeting of the Company to be held at Hang Tuah Ballroom, Level 6, Le Meridien Kuala Lumpur, 2 Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Friday, 16 June 2006 at 4.00 p.m. My/our proxy/proxies is/are to vote as indicated below:-

RESOLUTIONS RELATING TO :	FIRST PROXY		SECOND PROXY	
	For	Against	For	Against
1. Adoption of Reports and Financial Statements				
2. Approval of Directors' fees				
3. Re-election of Director – Ma Chi Chiu				
4. Re-election of Director – Lee Hock Chye				
5. Re-election of Director – Johan Zainuddin Bin Dzulkifli				
6. Re-appointment of Auditors – Messrs Ernst & Young				
7. Authority to the Directors to issues shares up to 10% of the issued capital of the Company				
8. Proposed Renewal of Shareholders' Mandate for recurrent related party transactions				

(Please indicate with a "✓" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion).

Dated this day of 2006

.....
Signature/Common Seal

Notes :-

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/her stead. A proxy may but need not be a member of the Company.
2. 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 authorised in that behalf.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Stamp

The Company Secretary
Nakamichi Corporation Berhad
Level 15-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur



ANNUAL REPORT 2005