

**NAKAMICHI CORPORATION BERHAD**  
(Company No.: 301384-H)  
ANNUAL REPORT 2008

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# Contents

2	Corporate Information
3	Notice of the Fifteenth Annual General Meeting
4	Statement Accompanying Notice of Annual General Meeting
5	Message from the Executive Chairman
6	Statement of Corporate Governance
12	Audit Committee Report
16	Statement on Internal Control
17	Directors' Profile
20	Analysis of Shareholdings
23	Property of the Group
24	Additional Compliance Information
25	Financial Statements
	Form of Proxy

## Corporate Information

### BOARD OF DIRECTORS

**Datuk Maj (H) Goh Tian Chuan**  
*Executive Chairman*

**Jasen Vun Vui Fen**  
*Executive Director*

**Foo Lee Khean**  
*Non-Independent Non-Executive Director*

**Chen Heng Mun**  
*Non-Independent Non-Executive Director*

**Dato' Hj Mohammad Mokhtar Bin Hj Hasan**  
*Independent Non-Executive Director*

**Yahya Bin Razali**  
*Independent Non-Executive Director*

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

### AUDIT COMMITTEE

**Yahya Bin Razali**  
*Independent Non-Executive Director*  
*(Chairman of Audit Committee)*

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

**Foo Lee Khean**  
*Non-Independent Non-Executive Director*

### NOMINATION COMMITTEE

**Yahya Bin Razali**  
*Independent Non-Executive Director*  
*(Chairman of Nomination Committee)*

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

**Dato' Hj Mohammad Mokhtar Bin Hj Hasan**  
*Independent Non-Executive Director*

### REMUNERATION COMMITTEE

**Yahya Bin Razali**  
*Independent Non-Executive Director*  
*(Chairman of Remuneration Committee)*

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

### COMPANY SECRETARIES

**Kang Shew Meng**  
*(MAICSA No. 0778565)*

**Seow Fei San**  
*(MAICSA No. 7009732)*

### AUDITORS

**Messrs Baker Tilly Monteiro Heng**  
Monteiro Heng Chambers  
No. 22, Jalan Tun Sambanthan 3  
50470 Kuala Lumpur  
Tel : 03-2274 8988  
Fax : 03-2272 1864

### REGISTERED OFFICE

312, 3<sup>rd</sup> Floor  
Block C, Kelana Square  
17, Jalan SS7/26  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7803 1126  
Fax : 03-7806 1387

### SHARE REGISTRAR

**Mega Corporate Services Sdn. Bhd.**  
Level 15-2, Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : 03-2692 4271  
Fax : 03-2732 5388

### STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia Securities Berhad

## Notice of the Fifteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of the Company will be held at Concorde III, Level 2, Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Monday, 25 May 2009 at 10.00 a.m. for the purpose of transacting the following businesses:

### AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Directors' and Auditors' reports thereon. **Resolution 1**
2. To approve the payment of Directors' fees. **Resolution 2**
3. To re-elect the following Directors who are retiring in accordance with the Company's Articles of Association:
 

(a) Yahya Bin Razali	(Article 113)	<b>Resolution 3</b>
(b) Datuk Goh Tian Chuan	(Article 118)	<b>Resolution 4</b>
(c) Jasen Vun Vui Fen	(Article 118)	<b>Resolution 5</b>
(d) Chen Heng Mun	(Article 118)	<b>Resolution 6</b>
(e) Mak Siew Wei	(Article 118)	<b>Resolution 7</b>
(f) Dato' Hj Mohammad Mokhtar Bin Hj Hasan	(Article 118)	<b>Resolution 8</b>
4. To appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 9**

### As Special Business

To consider and if thought fit, to pass the following ordinary resolution with or without any modifications:

5. Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.  
 "THAT, pursuant to Section 132D of the Companies Act, 1965 and subject to the approval from the relevant governmental/regulatory authorities, the Directors be and are hereby empowered 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 for the time being 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." **Resolution 10**
6. To transact any other business which may properly be transacted at an Annual General Meeting for which due Notice shall have been given.

By Order of the Board

**KANG SHEW MENG**  
**SEOW FEI SAN**  
Company Secretaries

Petaling Jaya  
30 April 2009

## Notice of the Fifteenth Annual General Meeting *cont'd*

### Notes:

1. A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Companies Commission of Malaysia.
2. A member may appoint up to two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under Securities Industry (Central Depository) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing the proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or signed by its attorney or by an officer duly authorised.
4. The Form of Proxy must be deposited at the office of the Share Registrar of the Company at Mega Corporate Services Sdn. Bhd., 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.

### Explanatory Notes on Special Business:

#### Ordinary Resolution 10

The proposed Resolution 10, 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 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.

## Statement Accompanying Notice of Annual General Meeting

Directors who are standing for re-election at the Fifteenth Annual General Meeting of the Company are as follows:

- |  |               |
|--|---------------|
| • Yahya Bin Razali                       | (Article 113) |
| • Datuk Goh Tian Chuan                   | (Article 118) |
| • Jasen Vun Vui Fen                      | (Article 118) |
| • Chen Heng Mun                          | (Article 118) |
| • Mak Siew Wei                           | (Article 118) |
| • Dato' Hj Mohammad Mokhtar Bin Hj Hasan | (Article 118) |

The details of the Directors and their shareholdings are set out on pages 17, 18, 19 and 22 of this Annual Report.

## Message from the Executive Chairman

### OVERVIEW

2008 witnessed a year of unprecedented global economic turmoil and financial crisis. Around the world, stock markets have fallen, large financial institutions have collapsed or been bought out, and governments in even the wealthiest nations have had to come up with rescue packages to bail out their financial systems. Many have even lost their jobs due to reducing sales and desperate cost cutting measures. Amidst this turmoil, the electrical and electronics industry is not spared and have been hardest hit and will continue to be severely affected moving forward.

### FINANCIAL AND OPERATIONS REVIEW

In tandem with the above, the Group recorded a lower revenue of RM4.6 million as compared to RM8.3 million in the preceding year. However, in spite of the lower revenue the Group chalked up a net profit of RM1.3 million for 2008 as compared to a net loss of RM23.5 million for the preceding year. This was mainly due to a net waiver obtained for the amounts due to former related companies amounting to RM3.7 million. Moreover, the Group incurred retrenchment costs and an impairment loss on its investment in Sansui Electric Co. Ltd. totaling RM17.6 million in 2007. Excluding the net waiver, retrenchment costs and impairment loss, the Group registered a net loss of RM2.4 million in 2008 as compared to a net loss of RM5.9 million in the prior year.

### PROSPECTS

The year 2009 is shaping up to be an even tougher year than 2008. As it is now, the global economy is plagued by protracted consumer and corporate spending, sluggishness in overall sales and excess inventory piles up. These negative factors are however, mitigated to a certain extent, by the various stimulus packages announced by governments around the world to boost consumer and corporate spending.

The Board continues to review the audio and visual consumer electronic products business to overcome the challenges faced especially in this global economic recession.

The Board also wishes to highlight on the Company's ongoing proposed acquisition of 51% equity interest in Tamabina Sdn. Bhd. ("TSB") ("Proposed Acquisition") which is expected to diversify the future income stream of the Group to include extraction and sale of timber logs. With the guaranteed profit as part of the terms of the Proposed Acquisition, the Group would be assured of future earnings from TSB.

The Proposed Acquisition has received all necessary approvals and is now pending completion. The Board is hopeful and expecting to complete the Proposed Acquisition in 2009.

### APPRECIATION

On behalf of the Board, I wish to express my sincere thanks to all our loyal shareholders for your perseverance and wish to reiterate that the Board is committed to improve the Group's performance and enhance value to the shareholders.

I would like to express our sincere gratitude to our valued customers, business partners, bankers and the relevant government authorities for their continued support and trust.

I also wish to express my gratitude to my fellow Board members, the Management and staff of the Group for their loyalty and commitment.

**DATUK MAJ (H) GOH TIAN CHUAN**, PGDK, ASDK  
*Executive Chairman*

## Statement of Corporate Governance

The Board of Directors of the Company 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 shareholders' value and the financial position of the Company and the Group. To this end, the Board fully supports the recommendations of the Malaysian Code of Corporate Governance ("the Code").

Set out below is a statement of how the Group has applied the principles of good corporate governance and the extent to which it has complied with the best practices set out in the Code. The Board of Directors confirmed that the Group has complied with the best practices in the Code throughout the financial year ended 31 December 2008.

### A. BOARD OF DIRECTORS

#### I. Board of Directors

The Board assumes responsibility for effective stewardship and control of the Group towards realising long term shareholders' value.

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 operation 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 and when necessary. During the financial year ended 31 December 2008, four (4) Board meetings were held. Details of Board members' attendance at Board meeting for the financial year ended 31 December 2008 are as follows:

Name of Director	Attendance
Datuk Goh Tian Chuan ( <i>appointed on 8 July 2008</i> )	2 of 2
Jasen Vun Vui Fen ( <i>appointed on 3 February 2009</i> )	N/A
Chen Heng Mun ( <i>appointed on 23 June 2008</i> )	2 of 2
Foo Lee Khean	3 of 4
Dato' Hj Mohammad Mokhtar Bin Hj Hasan ( <i>appointed on 1 April 2009</i> )	N/A
Yahya Bin Razali	4 of 4
Mak Siew Wei ( <i>appointed on 1 August 2008</i> )	2 of 2

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 sub-committees (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 recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.



## Statement of Corporate Governance *cont'd*

### A. BOARD OF DIRECTORS *cont'd*

#### II. Board Balance

The Board currently has seven (7) members, comprising two (2) Executive Directors, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. 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 this Annual Report under Directors' Profile.

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 conducts its business.

Datuk Goh Tian Chuan is the Executive Chairman of the Board while Jasen Vun Vui Fen acted as the Executive Director. There was a clear division of responsibility between these two roles to ensure balance of power and authority. Yahya Bin Razali, the Audit Committee Chairman, is the Independent Non-Executive Director to whom concerns may be conveyed.

#### III. 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.

#### IV. Appointments to the Board

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

#### V. Nomination Committee

The Nomination Committee comprises the following Board members:

- (a) Yahya Bin Razali (*Chairman*) (*Independent Non-Executive Director*)
- (b) Mak Siew Wei (*Independent Non-Executive Director*)  
(*Appointed on 1 August 2008*)
- (c) Dato' Hj Mohammad Mokhtar Bin Hj Hasan  
(*Appointed on 13 April 2009*)
- (d) Chia Tien Foh (*Independent Non-Executive Director*)  
(*Resigned on 20 June 2008*)
- (e) Robert Koong Yin Leong (*Independent Non-Executive Director*)  
(*Appointed on 8 July 2008 and resigned on 28 July 2008*)



## Statement of Corporate Governance *cont'd*

### A. BOARD OF DIRECTORS *cont'd*

#### V. Nomination Committee *cont'd*

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.

#### VI. Re-Election of Directors

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.

### B. DIRECTORS' REMUNERATION

#### I. The Remuneration

The Company has adopted the objective as recommended by the Code to determine the remuneration for a Director so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual 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.

#### II. 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.

#### III. Remuneration Committee

The Remuneration Committee comprises the following Board members:

- (a) Yahya Bin Razali (*Chairman*) (*Independent Non-Executive Director*)
- (b) Mak Siew Wei (*Independent Non-Executive Director*)  
(*Appointed on 1 August 2008*)

## Statement of Corporate Governance *cont'd*

### B. DIRECTORS' REMUNERATION *cont'd*

#### III. Remuneration Committee *cont'd*

- (c) Chia Tien Foh (*Independent Non-Executive Director*)  
(*Resigned on 20 June 2008*)
- (d) Robert Koong Yin Leong (*Independent Non-Executive Director*)  
(*Appointed on 8 July 2008 and resigned on 28 July 2008*)

During the financial year there were no remuneration and fees payable or paid to the Directors of the Company.

### C. DIALOGUE WITH SHAREHOLDERS AND INVESTORS AND THE ANNUAL GENERAL MEETING

The Annual General Meeting is the principal forum for communicating with the shareholders of the Company. At each Annual General Meeting, the Board encourages shareholders to participate in the question and answer session. The 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 notices 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.

### D. ACCOUNTABILITY AND AUDIT

#### I. Audit Committee

The Audit Committee comprises of the following Board members:

- (a) Yahya Bin Razali (*Chairman*) (*Independent Non-Executive Director*)
- (b) Mak Siew Wei (*Independent Non-Executive Director*)  
(*Appointed on 1 August 2008*)
- (c) Foo Lee Khean (*Non-Independent Non-Executive Director*)  
(*Appointed on 27 March 2009*)
- (d) Chia Tien Foh (*Independent Non-Executive Director*)  
(*Resigned on 20 June 2008*)
- (e) Robert Koong Yin Leong (*Independent Non-Executive Director*)  
(*Appointed on 8 July 2008 and resigned on 28 July 2008*)
- (f) Michael Andrew Barclay Binney (*Non-Independent Non-Executive Director*)  
(*Resigned on 31 December 2008*)

## Statement of Corporate Governance *cont'd*

### D. ACCOUNTABILITY AND AUDIT *cont'd*

#### I. Audit Committee *cont'd*

The report by the Audit Committee for the financial year ended 31 December 2008 is set out on pages 12 to 15 in this Annual Report.

#### II. 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.

#### III. Statement of Directors' Responsibility for Preparing the 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 of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and apply them consistently;
- made judgements 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 the 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 of the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

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

#### IV. 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 Function 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 Function also ensures that recommendations to improve controls are followed through by the Management.

## Statement of Corporate Governance *cont'd*

### D. ACCOUNTABILITY AND AUDIT *cont'd*

#### IV. Internal Control *cont'd*

The Statement on Internal Control set out on page 16 of this Annual Report provides an overview of the state of internal controls within the Group.

#### V. 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.

### E. DIRECTORS' TRAINING

All Directors have attended and completed the Mandatory Accreditation Programme.

The Board believes that continuous training for the Directors is important to enable them to discharge their duties effectively. The Directors were encouraged to attend training programmes and seminars to ensure that they are kept abreast on issues pertaining to the constantly changing environment within which the business of the Group operates, particularly in the areas of corporate governance and regulatory compliance.

Conferences, seminars and training programmes attended by Directors in 2008 and up to the date of this report are as follows:

Director	Name of conferences, seminars and training programme attended
Datuk Maj (H) Goh Tian Chuan Jasen Vun Vui Fen Foo Lee Khean Yahya Bin Razali Mak Siew Wei	<ul style="list-style-type: none"> <li>Managing taxes and duties during this economic downturn and tax audit</li> <li>2009 economy and market outlook</li> </ul>
Chen Heng Mun	<ul style="list-style-type: none"> <li>The 4th Asia Pacific audit and governance summit 2008</li> <li>2008 National Accountants Conference</li> <li>Managing taxes and duties during this economic downturn and tax audit</li> <li>2009 economy and market outlook</li> </ul>

There was no training attended by Dato' Hj Mohammad Mokhtar Bin Hj Hasan due to his new appointment to the Board on 1 April 2009.

### F. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

The Group did not undertake any corporate social responsibility activities during the financial year ended 31 December 2008.

The above statement is made in accordance with the resolution of the Board of Directors dated 13 April 2009.

## Audit Committee Report

### COMPOSITION

The Audit Committee (the “Committee”) comprises the following Board members:

- (a) Yahya Bin Razali (*Independent Non-Executive Director*)  
(*Chairman of Audit Committee*)
- (b) Mak Siew Wei (*Independent Non-Executive Director*)  
(*Appointed on 1 August 2008*)
- (c) Foo Lee Khean (*Non-Independent Non-Executive Director*)\*  
(*Appointed on 27 March 2009*)
- (d) Chia Tien Foh (*Independent Non-Executive Director*)  
(*Resigned on 20 June 2008*)
- (e) Robert Koong Yin Leong (*Independent Non-Executive Director*)  
(*Appointed on 8 July 2008 and resigned on 28 July 2008*)
- (f) Michael Andrew Barclay Binney (*Non-Independent Non-Executive Director*)  
(*Resigned on 31 December 2008*)

\* A member of the Malaysian Institute of Accountants

### SECRETARY OF THE AUDIT COMMITTEE

- (a) Kang Shew Meng
- (b) Seow Fei San

### MEETINGS AND MINUTES

The quorum for meetings of Audit Committee shall be two (2) members and the majority of the members present shall be independent directors.

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 and external, may request a meeting if they consider that one is necessary.

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.

## Audit Committee Report *cont'd*

### MEETINGS AND MINUTES *cont'd*

During the financial year 2008, four (4) Audit Committee meetings were called but due to lack of quorum, there were only two (2) meetings held. Two (2) Audit Committee meetings were aborted due to unforeseen circumstances resulting from lack of quorum. For the two (2) meetings where the quorum was not present, all matters required the Audit Committee's review were discussed by the Board. The attendance record of the Audit Committee meetings held is as follows:

The details of attendance at the Audit Committee meetings in financial year 2008:

Date of Meeting	Total Committee Members	Attendance by Committee Members (Percentage Attendance)	
		Independent	Non-Independent
27 August 2008	3	2(100%)	1(100%)
7 November 2008	3	2(100%)	1(100%)

The details of attendance by individual Committee Member in financial year 2008:

Name of Member	Total Meetings Attended by Member	Percentage Attendance
1. Yahya Bin Razali	2	100%
2. Mak Siew Wei	2	100%
3. Michael Andrew Barclay Binney ( <i>Resigned on 31 December 2008</i> )	2	100%

Since the last annual report until the date of this report, the Audit Committee had two (2) meetings with the external auditors without the presence of the executive board members and management.

### 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 2008:

- Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.
- Reviewed with the external auditors the results of the audit, the audit report and the management letters.
- Held two (2) separate meetings with the external auditors without the presence of the executive board members and management.
- Considered and recommended to the Board for approval of the audit fees payable to the external auditors.
- Reviewed the independence, objectivity and effectiveness of the external auditors and the services provided, including non-audit services (if any).
- Reviewed the internal auditors' scope of work, function, competency and resources in carrying out the internal audit work.
- Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response. Discussed with Management, actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.

## Audit Committee Report *cont'd*

### SUMMARY OF ACTIVITIES *cont'd*

- Reviewed the effectiveness of the Enterprise Risk Management framework and risk assessment reports. Significant risks issues were summarised and communicated to the Board for consideration and resolution.
- Reviewed the Annual Report and the Audited Financial Statements of the Group and the Company, prior to the submission to the Board for their consideration and approval, to ensure that the Audited Financial Statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards as determined and set out by The Malaysian Accounting Standard Board ("MASB"). Any significant issues resulting from the audit of the financial statements by the external auditors were deliberated upon.
- Reviewed the quarterly unaudited financial results announcements of the Group before recommending them to the Board for its approval. The review and discussion of these announcements was conducted with the presence of the Executive Directors.
- In respect of the quarterly and year end financial statements, reviewed the Company's compliance with the Listing Requirements of the Bursa Malaysia, MASB and other relevant legal and regulatory requirements.

### INTERNAL AUDIT FUNCTION

The Internal Audit Function of the Group has been outsourced to an independent consultant, Columbus Circle Advisory Sdn.Bhd., to carry out the internal audit activities and to assist the Committee in discharging its duties and responsibilities, and to ensure a sound system of internal control is in place for the Group.

During the financial year ended 31 December 2008, the internal auditor carried out its duties in accordance with the annual internal audit plan. The internal audit is conducted on a Group basis to ensure consistency in the control environment and the application of policies and procedures.

The internal audit report was issued to the Committee incorporated with findings, recommendations to improve on the weaknesses noted in the course of the audit and management's responses on the findings.

The cost incurred for the Internal Audit Function for the financial year ended 31 December 2008 is RM15,349.

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### Duties and Responsibilities

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

- Review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- 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.
- Oversee the internal audit department including the evaluation of the standards of the internal control and financial reporting, review of internal audit programme, adequacy of the scope, functions, authority, resources and effectiveness of the internal audit department and audit findings and management's responses.



## Audit Committee Report *cont'd*

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE *cont'd*

#### Duties and Responsibilities *cont'd*

- (d) 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; and
  - compliance with accounting standards and other legal requirements.
- (e) Review of the assistance and co-operation given by the Company's officers to the external and internal auditors.
- (f) Review any related party transactions that may arise within the Company or the Group.
- (g) Nominate the external auditors for appointment; review any letter of resignation from the external auditors and proposal for reappointment of external auditors.
- (h) Consider any other matters as may be agreed to by the Audit Committee and the Board of Directors.

#### Authority

The Committee is authorised 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.

## Statement on Internal Control

### INTRODUCTION

This Statement on Internal Control by the Board of Directors ("Board") on the Group is made pursuant to the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") and in accordance with the Principles and Best Practices provisions relating to internal controls provided in the Malaysian Code on Corporate Governance ("Code"). This statement is guided by the *Statement on Internal Control: Guidance for Directors of Public Listed Companies*.

### BOARD'S RESPONSIBILITIES

The Board acknowledges its overall responsibility for the Group's systems of internal controls as well as reviewing the adequacy, integrity and effectiveness of these systems. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying and managing the significant risks faced by the Group. The process is in place up to the date of approval of the annual report and is subject to review by the Board.

The key features of the internal control systems are described below.

### RISK MANAGEMENT AND INTERNAL CONTROL

#### Risk Management

The Group has a formalised risk management policy and risk reporting structure. The Group has in place a database of risks and controls created and information filtered to produce a risk register and risk profiles. Key risks are identified, scored and categorised to highlight the source of risk, their financial impacts and the likelihood of occurrence. The risk profile is reported to the Audit Committee and the Board.

#### Internal Control

Issues relating to the corporate and business operations are highlighted to the Board's attention during Board meetings. Further independent assurance is provided by the Group Internal Audit Function and the Audit Committee. The Audit Committee reviews internal control matters and update the Board on significant issues for the Board's attention and action.

The Group's internal audit function is outsourced to an independent external consultant, has a primary function to assure the Board, through the Audit Committee, that the systems of internal controls function as intended. Further details of the Internal Audit Function are set out on page 14 of the Audit Committee Report.

We considered the risks of the Group in formulating our strategies and plans which were approved and adopted by the Board. The strategies and plans are monitored and revised as the need arises.

### OTHERS

The other salient features of the Group's systems of internal controls are as follows:

- ❖ Quarterly review of the financial performance of the Group by the Board and the Audit Committee;
- ❖ Clearly defined organisation structure and delegation of responsibilities;
- ❖ Adequate insurance of major assets to ensure that the Group is sufficiently covered against any mishap that will result in material losses to the Group; and
- ❖ Management reports covering financial performance and key business indicators.

The above statement is made in accordance with the resolution of the Board dated 13 April 2009.

## Directors' Profile

### **DATUK MAJ (H) GOH TIAN CHUAN**

*Executive Chairman  
Malaysian, aged 47*

Datuk Goh Tian Chuan was appointed to the Board on 8 July 2008 as a Non-Independent Non-Executive Chairman. He was redesignated as Executive Chairman on 3 February 2009.

He was a Senior Police Officer attached to the Police Head Quarters, Kepyau, Kota Kinabalu, Sabah for 13 years. He started his own business after leaving the police force in the year 1994. He joined Everise Ventures Sdn. Bhd. and a number of other subsidiaries of Repco Holdings Berhad in October 1995. In September 2000, he was appointed as a Non-Executive and Non-Independent Director of Repco Holdings Berhad and resigned on 27 August 2004. On 8 November 2004, he was appointed as a Non-Independent and Non-Executive Director of Cepatwawasan Group Berhad. He was redesignated as Chief Executive Officer on 8 April 2005 and as Chairman of the company from 25 July 2005 to 31 October 2005. He was also an Executive Director of Nucleus Electronics Ltd., which is listed on the Main Board of the Stock Exchange of Singapore from 1 June 2006 to 6 March 2007. Currently, he is the Executive Chairman of Jotech Holdings Berhad and AIC Corporation Berhad, companies listed on the Bursa Malaysia Securities Berhad.

He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been charged for any offence within the past 10 years. His shareholding in the Company is disclosed on page 22 of this Annual Report. He does not hold any shares in the Company's subsidiaries.

### **JASEN VUN VUI FEN**

*Executive Director  
Malaysian, aged 35*

Jasen Vun Vui Fen was appointed to the Board on 3 February 2009 as an Executive Director. He graduated with a Bachelor of Commerce in Marketing and Bachelor of Business in Property. He has vast experience in property consultation work with keen interest in financial services. Currently, he is working with Henry Butcher Malaysia (Sabah) Sdn. Bhd., a licensed property consultancy firm as valuer.

He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been charged for any offence within the past 10 years. His shareholding in the Company is disclosed on page 22 of this Annual Report. He does not hold any shares in the Company's subsidiaries.

### **FOO LEE KHEAN**

*Non-Independent Non-Executive Director  
Malaysian, aged 46*

Foo Lee Khean was appointed to the Board on 23 February 2007 as an Executive Director and subsequently redesignated to Non-Independent Non-Executive Director on 3 February 2009. He is a member of the Audit Committee of the Board.

He is a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants. He joined Coopers & Lybrand Malaysia in 1987 in the restructuring and recovery department before leaving as a Senior Associate in 1989 to join PriceWaterhouse,

## Directors' Profile *cont'd*

Singapore ("PwC"), also in the restructuring and recovery department. He left PwC in 1990 to join Arthur Anderson, Singapore before being transferred to Arthur Anderson, Malaysia in 1992 in the corporate recovery and corporate finance division. Following the merger of Arthur Andersen with Ernst & Young in 2002, he was the director of Corporate Finance. In 2005, he left Ernst & Young to join as a partner of Strategic Capital Advisory. He is also a director of SMIS Corporation Berhad, a company listed on Bursa Malaysia Securities Berhad.

He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been charged for any offence within the past 10 years. He does not hold any shares in the Company and its subsidiary companies.

### **CHEN HENG MUN**

*Non-Independent Non-Executive Director  
Malaysian, aged 39*

Chen Heng Mun was appointed to the Board on 23 June 2008 as a Non-Independent Non-Executive Director. He is currently the Executive Director/Chief Financial Officer of AIC Corporation Berhad ("AIC"), a company listed on the Main Board of Bursa Malaysia Securities Berhad. Prior to joining AIC as the Group Accountant in February 1996, he worked for five years in KPMG, an international public accounting firm. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and CPA Australia. He is also a Non-Executive Director of AV Ventures Corporation Berhad, a company listed on the Bursa Malaysia Securities Berhad.

He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been charged for any offence within the past 10 years. He does not hold any shares in the Company and its subsidiary companies.

### **DATO' HJ MOHAMMAD MOKHTAR BIN HJ HASAN**

*Independent Non-Executive Director  
Malaysian, aged 57*

Dato' Hj Mohammad Mokhtar Bin Hj Hasan was appointed to the Board on 1 April 2009 as an Independent Non-Executive Director. He is a member of the Nomination Committee of the Board. He holds a Masters in Business Administration (MBA) from Phoenix International University, New Zealand and a Diploma in Police Science from University Kebangsaan Malaysia. He retired as the Deputy Commissioner of Police in 2007 after having served the Malaysian Royal Police for more than 38 years. During his tenure in the police force, he was instrumental in leading large scale crime prevention operations throughout the country within the various positions he held which included Deputy Director, Criminal Investigation Department, Officer in-charge of Police District and Commanding Officer of the Police Field Force and many more. Consequently, he was honoured with numerous commendations and awards for outstanding leadership and general management, amongst others. His last position was as the Sabah State Deputy Commissioner of Police. He brings with him a wealth of experience in law enforcement, disaster and crisis management as well as staff management. He is also a Director of Mexter Technology Berhad, a Company listed on the Mesdaq of Bursa Malaysia Securities Berhad.

He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been charged for any offence within the past 10 years. He does not hold any shares in the Company and its subsidiaries companies.

## Directors' Profile *cont'd*

### **YAHYA BIN RAZALI**

*Independent Non-Executive Director  
Malaysian, aged 53*

Yahya Bin Razali was appointed to the Board on 12 December 2007 as an Independent Non-Executive Director. He is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of the Board.

He obtained his Bachelor of Science (Finance) from Southern Illinois University and MBA from Berkeley, United States in 1982 and 1984 respectively. He worked with the Ministry of Culture, Youth and Sports of Malaysia from 1977 to 1979. In 1984, he joined the United State Leasing Corporation, San Francisco, United States as a Financial Analyst. In 1986, he worked as a Consultant with Alexander Proudfoot Productivity Consultant Pte. Ltd. in Singapore. He also held the position of Investment Manager and Executive Director for Selangor Foundation and Grand United Holdings Berhad respectively from 1988 to 1993. He was the Fund Manager cum Associate Director for Spectrum Asset Management Sdn. Bhd., a licensed fund management company and an independent and Non-Executive Director of RNC Corporation Berhad for 1998 to 2004. Currently, he is also a director of AIC Corporation Berhad, a company listed on Bursa Malaysia Securities Berhad.

He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been charged for any offence within the past 10 years. He does not hold any shares in the Company and its subsidiary companies.

### **MAK SIEW WEI**

*Independent Non-Executive Director  
Malaysian, aged 34*

Mak Siew Wei was appointed to the Board on 1 August 2008. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Board.

He pursued his education in the United States and graduated with a Bachelor's degree in Management Information System and subsequently worked for Marvic International (NY) Ltd. in New York as Business Development Manager for 3 years. Currently, he is a businessman with interest in financial services. He is also a Director of Jotech Holdings Berhad and AV Ventures Corporation Berhad, companies listed on the Bursa Malaysia Securities Berhad.

He has no family relationship with any Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been charged for any offence within the past 10 years. He does not hold any shares in the Company and its subsidiary companies.

## Analysis of Shareholdings as at 8 April 2009

Authorised Capital	:	RM100,000,000
Issued and fully paid-up Capital	:	RM55,410,180
Class of Shares	:	Ordinary shares of RM1.00 each fully paid up
Voting Right	:	One vote per ordinary share

### ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No. of Shareholders	No. of Shares	%
Less than 100 shares	17	242	0.00*
100 to 1,000 shares	632	554,904	1.00
1,001 to 10,000 shares	2,212	5,605,400	10.12
10,001 to 100,000 shares	128	3,845,100	6.94
100,001 to less than 5% of issued shares	39	25,587,754	46.18
5% and above of issued shares	4	19,816,780	35.76
<b>TOTAL</b>	<b>3,032</b>	<b>55,410,180</b>	<b>100.00</b>

\* The actual percentage is 0.0004%

### 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares held	%
1.	TA NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR GOH KHENG PEOW</i>	6,300,000	11.37
2.	RHB NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR SEE THOO CHAN</i>	5,674,100	10.24
3.	CHAN SOW PHENG	4,200,000	7.58
4.	HSBC NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR RBS COUTTS BANK LTD. (SG BRANCH)</i>	3,642,680	6.57
5.	KONG KOK KEONG	2,500,000	4.51
6.	RHB NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR GOH KHENG PEOW</i>	2,291,000	4.14
7.	AIBB NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	2,000,000	3.61
8.	BONUS RIVER SDN. BHD.	1,725,000	3.11
9.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR SEE THOO CHAN (CEB)</i>	1,445,000	2.61
10.	JUDDY CHU YEN TIEN	1,360,000	2.45

## Analysis of Shareholdings as at 8 April 2009 *cont'd*

### 30 LARGEST SHAREHOLDERS *cont'd*

No.	Name	No. of Shares held	%
11.	LIM HAW SEK	1,000,000	1.81
12.	HSBC NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR RBS COUTTS BANK LTD. (HK BRANCH)</i>	975,000	1.76
13.	EU YEOK CHENG	942,800	1.70
14.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR JUDDY CHU YEN TIEN (8026715)</i>	844,700	1.53
15.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR DOROTHY NG SIEW MAY</i>	788,800	1.42
16.	OSK NOMINEES (TEMPATAN) SDN. BERHAD <i>PLEDGED SECURITIES ACCOUNT FOR HAN AIK SIEW</i>	766,500	1.38
17.	M.I.T NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR WONG YOKE KUEN (MG0098-325)</i>	721,900	1.30
18.	LOW GEOK ENG	687,400	1.24
19.	KALAYARASU A/L SUBRAMANIAM	608,400	1.10
20.	YAP LOO MIEN	560,000	1.01
21.	INNOSABAH NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR ANTARA REKA SDN. BHD.</i>	543,200	0.98
22.	WONG JIN FAH	501,400	0.91
23.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN (8026702)</i>	500,000	0.90
24.	MAYBAN NOMINEES (ASING) SDN. BHD. NOMURA SINGAPORE LIMITED FOR HON TAK KWONG (270839)	487,000	0.88
25.	MAYBAN NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR KOPERASI POLIS DIRAJA MALAYSIA BERHAD (514105312278)</i>	412,177	0.74
26.	KOPERASI PEGAWAI-PEGAWAI MELAYU MALAYSIA BERHAD (MOCCIS)	391,177	0.71
27.	JAMIL BIN MOHD GHAZALI	359,300	0.65
28.	GAN YOK LENG	354,700	0.64
29.	FONG KENG HUNG	300,000	0.54
30.	WONG YOKE KUEN	288,200	0.52
		<b>43,170,434</b>	<b>77.91</b>



## Analysis of Shareholdings

as at 8 April 2009 *cont'd*

### SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders)

No.	Name	No. of Shares Held			
		Direct	%	Indirect	%
1.	Goh Kheng Peow	8,816,000	15.91	7,119,100 <sup>(a)</sup>	12.85
2.	See Thoo Chan	7,119,100	12.85	8,816,000 <sup>(b)</sup>	15.91

**Notes:-**

<sup>(a)</sup> Deemed interested by virtue of his spouse, See Thoo Chan's shareholding

<sup>(b)</sup> Deemed interested by virtue of her spouse, Goh Kheng Peow's shareholding

### DIRECTORS' INTERESTS

(as per Register of Directors' Shareholdings)

No.	Name	No. of Shares Held			
		Direct	%	Indirect	%
1.	Datuk Goh Tian Chuan	2,500,000	4.51	-	-
2.	Jasen Vun Vui Fen	258,500	0.47	-	-

## Property of the Group as at 31 December 2008

Location/Address	Description	Current Use	Tenure and Approximate Age of Building (Years)	Land Area (sq.ft.)	Net Book Value	Age of Building (Years)	Date of Acquisition
Lot 4A, Jalan Sultan Mohamed 3, Kawasan Perindustrian Bandar Sultan Suleiman, 42000 Port Klang, Selangor Darul Ehsan	Industrial land with factory and office building	Plant and office	Leasehold 99 years from the date of issuance of title deed	257,171	RM25.87 million	10	October 1998

## Additional Compliance Information

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

**1. Utilisation of Proceeds**

The Company did not undertake any fund raising corporate proposal during the financial year ended 31 December 2008.

**2. Share Buybacks**

The Company did not purchase any of its own shares during the financial year ended 31 December 2008.

**3. Options, Warrants or Convertible Securities**

The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2008.

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

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2008.

**5. Imposition of Sanctions and/or Penalties**

During the financial year ended 31 December 2008, there were no sanctions and/or penalties imposed on the Company 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 the audited results of the Group did not differ by 10% or more from the unaudited results announced.

**7. Profit Guarantee**

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

**8. Non-Audit Fees**

Non-audit fees paid/payable to the external auditors by the Group and the Company for the financial year ended 31 December 2008 amounted to RM2,000.00.

**9. Revaluation of Landed Properties**

The Company does not have a revaluation policy on landed properties.

**10. Material Contracts Involving Directors' Interest**

There were no contracts involving Directors' interests which have been entered into by the Company and its subsidiary companies since the end of the previous financial year.

**11. Recurrent Related Party Transactions in the Ordinary Course of Business**

There were no recurrent related party transactions entered into in the ordinary course of business during the financial year ended 31 December 2008.

# FINANCIAL STATEMENTS

26	Directors' Report
30	Consolidated Balance Sheet
31	Balance Sheet
32	Consolidated Income Statement
33	Income Statement
34	Statements of Changes in Equity
35	Consolidated Cash Flow Statement
37	Cash Flow Statement
38	Notes to the Financial Statements
64	Statement by Directors
64	Statutory Declaration
65	Independent Auditors' Report

## Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are disclosed in Note 6 to the financial statements. There had been no significant change in the nature of these principal activities during the financial year.

### RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	1,344,828	(14,882,139)
Attributable to:		
Equity holders of the Company	1,344,828	(14,882,139)

### DIVIDENDS

No dividends were paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2008.

### RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

### BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

## Directors' Report *cont'd*

### CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

### VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

### CONTINGENT AND OTHER LIABILITIES

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

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

In the opinion of the directors, no contingent liabilities or other liabilities of the Group and of the Company have 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

### CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

### ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, except for investment in a subsidiary written off of RM14,739,418, the results of the operations of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

In the opinion of the directors, except for a net waiver of amount due to former related companies of RM3,742,604, the results of the operations of the Group for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## Directors' Report *cont'd*

### ITEMS OF AN UNUSUAL NATURE *cont'd*

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.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company did not issue any shares and debentures.

### DIRECTORS

The directors in office since the date of the last report are:

Yahya Bin Razali	
Foo Lee Khean	
Chen Heng Mun	(Appointed on 23.06.2008)
Datuk Goh Tian Chuan	(Appointed on 08.07.2008)
Mak Siew Wei	(Appointed on 01.08.2008)
Jasen Vun Vui Fen	(Appointed on 03.02.2009)
Dato' Hj Mohammad Mokhtar Bin Hj Hasan	(Appointed on 01.04.2009)
Michael Andrew Barclay Binney	(Resigned on 31.12.2008)
Chia Wai Sim	(Appointed on 01.07.2008, Resigned on 06.11.2008)
Robert Koong Yin Leong	(Resigned on 28.07.2008)
Chia Tien Foh	(Resigned on 20.06.2008)

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the interests of the directors who held office at the end of the financial year, in shares in the Company and its related corporations during the financial year ended 31 December 2008 are as follows:

	Number of Ordinary Shares of RM1.00 each			
	At Date of Appointment	Bought	Sold	At 31.12.2008
The Company				
<b>Nakamichi Corporation Berhad</b>				
<b>Direct interest</b>				
Datuk Goh Tian Chuan	2,500,000	-	-	2,500,000

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in the ordinary shares of the Company and its related corporations during the financial year.



## Directors' Report *cont'd*

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### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party or any of its related corporation to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 22 to the financial statements.

### AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

**DATUK GOH TIAN CHUAN**  
*Director*

**FOO LEE KHEAN**  
*Director*

Shah Alam  
13 April 2009

## Consolidated Balance Sheet

as at 31 December 2008

		Group	
	Note	2008 RM	2007 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	22,767,274	23,696,739
Prepaid land lease payment	5	3,063,379	3,101,002
Other investment	7	5,684,261	5,684,261
<b>Total non-current assets</b>		<b>31,514,914</b>	<b>32,482,002</b>
<b>Current assets</b>			
Prepaid land lease payment	5	34,879	32,135
Trade receivables	8	45,286	675,753
Other receivables, deposits and prepayments	9	643,753	15,390,097
Cash and cash equivalents	10	14,064	353,745
<b>Total current assets</b>		<b>737,982</b>	<b>16,451,730</b>
<b>TOTAL ASSETS</b>		<b>32,252,896</b>	<b>48,933,732</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	11	55,410,180	55,410,180
Reserves		(24,255,858)	(25,545,154)
Shareholders' funds		31,154,322	29,865,026
<b>Total equity</b>		<b>31,154,322</b>	<b>29,865,026</b>
<b>Current liabilities</b>			
Other payables and accruals	12	1,098,574	19,068,706
<b>Total liabilities</b>		<b>1,098,574</b>	<b>19,068,706</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>32,252,896</b>	<b>48,933,732</b>

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

## Balance Sheet

as at 31 December 2008

		Company	
	Note	2008 RM	2007 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	6	2	14,739,420
<b>Total non-current assets</b>		2	14,739,420
<b>Current assets</b>			
Other receivables, deposits and prepayments	9	21,455,357	21,658,282
Cash and bank balances	10	1,383	1,493
<b>Total current assets</b>		21,456,740	21,659,775
<b>TOTAL ASSETS</b>		21,456,742	36,399,195
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	11	55,410,180	55,410,180
Reserves		(33,976,045)	(19,093,906)
Shareholders' funds		21,434,135	36,316,274
<b>Total equity</b>		21,434,135	36,316,274
<b>Current liabilities</b>			
Other payables and accruals	12	22,607	82,921
<b>Total current liabilities</b>		22,607	82,921
<b>Total liabilities</b>		22,607	82,921
<b>TOTAL EQUITY AND LIABILITIES</b>		21,456,742	36,399,195

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

## Consolidated Income Statement

for the financial year ended 31 December 2008

		Group	
	Note	2008 RM	2007 RM
Revenue	13	4,604,243	8,283,644
Cost of sales		(4,503,735)	(8,275,759)
<b>Gross Profit</b>		100,508	7,885
Other income		4,706,110	6,860
Administrative expenses		(3,461,790)	(23,541,009)
<b>Operating profit/(loss)</b>	14	1,344,828	(23,526,264)
Finance costs		-	(234)
<b>Profit/(Loss) before taxation</b>		1,344,828	(23,526,498)
Taxation	16	-	(800)
<b>Profit/(Loss) for the financial year</b>		1,344,828	(23,527,298)
<b>Attributable to:</b>			
Equity holders of the Company		1,344,828	(23,527,298)
<b>Earnings/(Loss) per ordinary share (sen)</b>			
- basic	17	2.43	(42.46)
- diluted		-	-

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

## Income Statement

for the financial year ended 31 December 2008

	Note	Company	
		2008 RM	2007 RM
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Other income		46,197	-
Administrative expenses		(14,928,336)	(217,171)
<b>Operating loss</b>	14	(14,882,139)	(217,171)
Finance costs		-	-
<b>Loss before taxation</b>		(14,882,139)	(217,171)
Taxation	16	-	-
<b>Loss for the financial year</b>		(14,882,139)	(217,171)

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

## Statements of Changes in Equity

for the financial year ended 31 December 2008

	← Non-distributable →				
	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Accumulated Losses RM	Total RM
<b>Group</b>					
Balance as at 1 January 2007	55,410,180	38,451,919	50,800	(40,518,480)	53,394,419
Foreign currency translation differences representing net expense recognised directly in equity	-	-	(2,095)	-	(2,095)
Net loss for the financial year	-	-	-	(23,527,298)	(23,527,298)
Balance as at 31 December 2007	55,410,180	38,451,919	48,705	(64,045,778)	29,865,026
Foreign currency translation differences representing net expense recognised directly in equity	-	-	(55,532)	-	(55,532)
Net profit for the financial year	-	-	-	1,344,828	1,344,828
Balance as at 31 December 2008	55,410,180	38,451,919	(6,827)	(62,700,950)	31,154,322
<b>Company</b>					
Balance as at 1 January 2007	55,410,180	38,451,919	-	(57,328,654)	36,533,445
Net loss for the financial year	-	-	-	(217,171)	(217,171)
Balance as at 31 December 2007	55,410,180	38,451,919	-	(57,545,825)	36,316,274
Net loss for the financial year	-	-	-	(14,882,139)	(14,882,139)
Balance as at 31 December 2008	55,410,180	38,451,919	-	(72,427,964)	21,434,135

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

## Consolidated Cash Flow Statement for the financial year ended 31 December 2008

	Group	
	2008	2007
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit/(Loss) before taxation	1,344,828	(23,526,498)
Adjustments for:		
Amortisation of prepaid land lease payment	34,879	32,135
Depreciation	752,560	851,214
Gain on strike off of a subsidiary	-	(1,289)
Impairment loss on an investment	-	14,713,592
Interest expenses	-	234
Interest income	(944)	(6,860)
Loss on disposal of property, plant and equipment	-	293,486
Gain of foreign currency translation reserve	(50,800)	-
Unrealised loss on foreign exchange	867	106,379
Waiver of debts due to former related companies (net)	(3,742,604)	-
Operating loss before working capital changes	(1,661,214)	(7,537,607)
Changes In Working Capital:		
Receivables, deposits and prepayments	40,679	(6,754,666)
Payables and accruals	1,087,215	7,486,798
Cash used in operations	(533,320)	(6,805,475)
Tax paid	-	(800)
Net Operating Cash Flow	(533,320)	(6,806,275)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	944	6,860
Proceeds from disposal of property, plant and equipment	192,695	199,679
Net Investing Cash Flow	193,639	206,539
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Interest paid	-	(234)
Net Financing Cash Flow	-	(234)



## Consolidated Cash Flow Statement

for the financial year ended 31 December 2008 *cont'd*

	Group	
	2008	2007
	RM	RM
NET DECREASE IN CASH AND CASH EQUIVALENTS	(339,681)	(6,599,970)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	-	(581,096)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	353,745	7,534,811
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	14,064	353,745

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

## Cash Flow Statement

for the financial year ended 31 December 2008

	Company	
	2008	2007
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Loss before taxation	(14,882,139)	(217,171)
Adjustments for:		
Amount owing by subsidiaries written off	5,245	-
Investment in a subsidiary written off	14,739,418	49
Net unrealised foreign exchange gains	-	(9,669)
Waiver of amount due to former related companies	(46,197)	-
Operating loss before working capital changes	(183,673)	(226,791)
Changes in Working Capital:		
Receivables	197,680	227,015
Payables	(14,117)	(284)
Cash used in operations	(110)	(60)
Tax paid	-	-
Net Operating Cash Flow	(110)	(60)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(110)	(60)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	1,493	1,553
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	1,383	1,493

The accompanying notes form an integral part of these financial statements

## Notes to the Financial Statements

### 1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are stated in Note 6 to the financial statements. There had been no significant change in the nature of these principal activities during the financial year.

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

The registered office of the Company is located at 312, 3<sup>rd</sup> Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.

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 financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors ("Board") in accordance with a resolution of the directors on 13 April 2009.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

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

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 2.3 to the financial statements.

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the directors' best knowledge of current events and actions, and therefore actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

## Notes to the Financial Statements *cont'd*

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 2.2 New and Revised FRSs, Amendments to FRS and IC Interpretations

##### (a) *Adoption of Revised FRSs, Amendments to FRS and IC Interpretations*

The Group and the Company had adopted the following revised FRS, amendments to FRS and IC Interpretations ("IC Int") that are relevant to their operations and are mandatory for the current financial year:

##### **Revised FRS**

FRS 107	Cash Flow Statements
FRS 111*	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120*	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

##### **Amendments to FRS**

FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
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##### **IC Interpretations\***

IC Int 1	Changes in Existing Decommissioning, Restoration & Similar Liabilities
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments
IC Int 5	Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds
IC Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical & Electronic Equipment
IC Int 7	Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economics
IC Int 8	Scope of FRS 2

*\*FRS 111, FRS 120 and all the IC Int above are not applicable to the Group and the Company. Hence no further disclosure is further warranted.*

The Group had applied FRS 134 for its quarterly results in 2008.

The adoption of the above revised FRSs, amendments to FRS and IC Int did not result in any substantial changes in the Group's and the Company's accounting policies, and have any material impact on the results and the financial positions of the Group and the Company.

## Notes to the Financial Statements *cont'd*

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 2.2 New and Revised FRSs, Amendments to FRS and IC Interpretations *cont'd*

##### **(b) FRS and IC Int that are issued, not yet effective and have not been early adopted**

The Group and the Company have not adopted the following new FRS and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company.

		Effective for financial periods beginning on or after
<b><u>New FRS</u></b>		
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010
<b><u>IC Int</u></b>		
IC Int 9	Reassessment of Embedded Derivatives	1 January 2010
IC Int 10	Interim Financial Reporting and Impairment	1 January 2010

Other than FRS 4 which is not applicable to the Group and the Company and FRS 139, the directors do not anticipate that the application of the above new FRS and IC Int, when they are effective, will have a material impact on the results and the financial position of the Group and the Company.

The Group and the Company has applied the transitional provision in FRS 139.103AB which exempts entities from disclosing the possible impact arising from the initial recognition of this standard on the financial statements of the Group and of the Company as required by paragraph 30(b) of FRS 108.

#### 2.3 Significant Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:

##### **(a) Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

## Notes to the Financial Statements *cont'd*

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 2.3 Significant Accounting Policies *cont'd*

##### (a) *Basis of Consolidation* *cont'd*

Acquisitions of subsidiary companies are accounted for using the purchase method except for certain business combinations which were accounted using the merger method as subsidiary companies that were consolidated prior to 1 January 2006 in accordance with FRS 122<sup>2004</sup> Business Combinations, the generally accepted accounting principles prevailing at that time. The Group has taken advantage of the exemption provided by FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

Previously, acquisition of subsidiaries as disclosed in Note 6 to the financial statements 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. This has been adjusted against the retained profits.

Going forward, subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the net fair value of the Group's share of the identifiable net assets, liabilities and contingent liabilities represents goodwill. Any excess of the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Intra-group transactions and balances, and resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on consolidation to the extent of the cost of the asset that can be recovered. The extent of the costs that cannot be recovered is treated as write downs or impairment losses as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency with the accounting policies adopted by the Group.

Minority interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Company, directly or indirectly through the subsidiary. It is measured at the minorities' share of the fair values of the subsidiary's identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary's equity since that date.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

## Notes to the Financial Statements *cont'd*

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 2.3 Significant Accounting Policies *cont'd*

##### (b) *Subsidiaries*

Subsidiaries are those corporations in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at costs less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(f). On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in the income statement.

In the Group's consolidated financial statements, the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets together with any goodwill is reflected as a gain or loss on disposal in the consolidated income statement.

##### (c) *Property, Plant and Equipment and Depreciation*

All property, plant and equipment are initially stated at cost. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(f).

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement as incurred.

All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The annual rates used for this purpose are as follows:

Building	2.2%
Plant, machinery and tools	10%-33 1/3%
Furniture, fittings and leasehold improvement	10%
Computer equipment	20%
Motor vehicles	25%

## Notes to the Financial Statements *cont'd*

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 2.3 Significant Accounting Policies *cont'd*

##### (c) **Property, Plant and Equipment and Depreciation** *cont'd*

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date. The effects of any revisions of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the financial year the asset is derecognised.

##### (d) **Prepaid Land Lease Payment**

Leasehold land held for own use is classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land elements and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payment and are amortised on a straight-line basis over the lease term.

##### (e) **Investments**

Investments in subsidiaries and other investments are stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(f).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to income statement.

##### (f) **Impairment of Assets**

The carrying amount of assets other than financial assets, inventories and assets arising from employee benefits and non-current assets (or disposal groups) classified as held for sales, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset or CGU exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.



## Notes to the Financial Statements *cont'd*

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 2.3 Significant Accounting Policies *cont'd*

##### (f) **Impairment of Assets** *cont'd*

Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement.

##### (g) **Receivables**

Receivables are carried at anticipated realisable values. In estimating the realisable values, an allowance is made for doubtful receivables based on a review of all outstanding amounts as at the balance sheet date. Bad debts are written off to the income statement during the financial year in which they are identified.

##### (h) **Payables**

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

##### (i) **Taxation**

The tax expense in the income statements represents the aggregate amount of 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 tax is provided for, using 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 principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

## Notes to the Financial Statements *cont'd*

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 2.3 Significant Accounting Policies *cont'd*

##### (i) **Taxation** *cont'd*

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, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

##### (j) **Provision for Liabilities**

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses. 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

##### (k) **Financial Instruments**

Financial instruments are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as 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 Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### (l) **Share Capital**

###### **Ordinary Shares**

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the income statement. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

## Notes to the Financial Statements *cont'd*

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 2.3 Significant Accounting Policies *cont'd*

##### **(m) Revenue Recognition**

###### *(i) Sale of Goods*

The Group recognised revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Revenue relating to sale of goods is recognised net of sales taxes, returns, rebates and discounts and upon transfer of significant risks and rewards of ownership to the buyer.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

###### *(ii) Dividend Income*

Dividend incomes from subsidiaries are recognised when the right to receive the payment is established while dividends from subsidiaries and other investments are recognised when received.

##### **(n) Employee Benefits**

###### *(i) Short Term Employee Benefits*

Wages, salaries, bonuses, social security contribution and non-monetary benefits are recognised as an expense in the financial year in which the associated services are rendered by the employees. 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. Short term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

###### *(ii) Post-Employment Benefits*

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the income statement in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

##### **(o) Foreign Currencies**

###### *(i) Functional and Presentation Currency*

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and presentation currency.

###### *(ii) Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## Notes to the Financial Statements *cont'd*

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 2.3 Significant Accounting Policies *cont'd*

##### (o) Foreign Currencies *cont'd*

##### (ii) Transactions and Balances *cont'd*

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rate ruling at the date when the fair values was determined.

When a gain or loss on a non-monetary item is recognised directly in equity, any corresponding exchange gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the income statement, any corresponding exchange gain or loss is recognised in the income statement.

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

##### (p) Borrowing Costs

Borrowing costs are recognised in income statements as an expense in the income statements as an expense in the period in which they are incurred.

##### (q) Segment Reporting

Segment reporting is presented for enhanced assessments of the Group's risks and returns. A business segment is a group of assets and operation engaged in providing products or services that are subject to risk and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

## Notes to the Financial Statements *cont'd*

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

#### 2.3 Significant Accounting Policies *cont'd*

##### *(q) Segment Reporting cont'd*

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

Segment revenue, expense, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between operating units within a single segment. Segment revenue and segment expense exclude dividends from within the Group.

All income, expenses, assets and liabilities are directly allocated to each reported segment. Interest income and other income and expenses which cannot be allocated to respective segment on a reasonable basis are disclosed as either unallocated income or unallocated expenses, while the related assets and liabilities are disclosed as unallocated assets and unallocated liabilities.

The accounting policies used in deriving the individual segment revenue, segment results, segment assets and segment liabilities are the same as those disclosed in the summary of significant accounting policies.

Transfers between segments are priced at the estimated fair value of the products or services as negotiated between the operating units.

##### *(r) Cash and Cash Equivalents*

For the purpose of cash flow statements, cash and cash equivalents comprise cash in hand, bank balances, fixed deposits, demand deposits and short term highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, net of bank overdrafts and deposits pledged to financial institutions.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:

#### *(i) Useful Lives of Property, Plant and Equipment*

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

## Notes to the Financial Statements *cont'd*

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

#### (i) Useful lives of Property, Plant and Equipment *cont'd*

In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

#### (ii) Impairment of Investment in Subsidiaries

The Group tests investment in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

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

#### (iii) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

#### (iv) Deferred Tax Assets

Deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying values of unrecognised tax losses and capital allowances of the Group was RM34,206,016 (2007: RM74,787,258).

#### (v) Allowance for Doubtful Debts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance of doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

## Notes to the Financial Statements *cont'd*

### 4. PROPERTY, PLANT AND EQUIPMENT

Group	Building RM	Plant, Machinery and Tools RM	Other Assets* RM	Total RM
<b>2008</b>				
<b>Cost</b>				
At 1 January 2008	29,638,284	8,573,070	9,670,656	47,882,010
Disposals	(43,836)	(1,985,703)	(6,394)	(2,035,933)
Exchange differences	1,034	46,861	151	48,046
At 31 December 2008	29,595,482	6,634,228	9,664,413	45,894,123
<b>Accumulated Depreciation</b>				
At 1 January 2008	6,180,488	8,359,656	9,645,127	24,185,271
Depreciation for the financial year	681,351	45,677	25,532	752,560
Disposals	(34,195)	(1,813,887)	(6,397)	(1,854,479)
Exchange differences	564	42,782	151	43,497
At 31 December 2008	6,828,208	6,634,228	9,664,413	23,126,849
<b>Net Book Value at 31 December 2008</b>	22,767,274	-	-	22,767,274
<b>2007</b>				
<b>Cost</b>				
At 1 January 2007	29,663,074	15,261,109	9,726,379	54,650,562
Disposals	(21,040)	(6,518,170)	(55,176)	(6,594,386)
Exchange differences	(3,750)	(169,869)	(547)	(174,166)
At 31 December 2007	29,638,284	8,573,070	9,670,656	47,882,010
<b>Accumulated Depreciation</b>				
At 1 January 2007	5,525,621	14,427,814	9,630,613	29,584,048
Depreciation for the financial year	664,274	116,710	70,230	851,214
Disposals	(8,706)	(6,037,339)	(55,176)	(6,101,221)
Exchange differences	(701)	(147,529)	(540)	(148,770)
At 31 December 2007	6,180,488	8,359,656	9,645,127	24,185,271
<b>Net Book Value at At 31 December 2007</b>	23,457,796	213,414	25,529	23,696,739

\* Other assets consist of leasehold improvement, furniture and fittings, computers and motor vehicles.

## Notes to the Financial Statements *cont'd*

### 5. PREPAID LAND LEASE PAYMENT

	Group	
	2008 RM	2007 RM
<b>Cost:</b>		
At 1 January/31 December	3,453,024	3,453,024
Accumulated amortisation:		
At 1 January	319,887	287,752
Amortisation during the year	34,879	32,135
At 31 December	354,766	319,887
Carrying value:		
At 31 December	3,098,258	3,133,137
Less: Current portion	(34,879)	(32,135)
Non Current portion	3,063,379	3,101,002

### 6. INVESTMENT IN SUBSIDIARIES

	Company	
	2008 RM	2007 RM
<b>At cost:</b>		
Unquoted shares in Malaysia	7,847,302	33,578,700
Less: Accumulated Impairment losses	(7,847,300)	(18,839,280)
	2	14,739,420



## Notes to the Financial Statements *cont'd*

### 6. INVESTMENT IN SUBSIDIARIES *cont'd*

Details of subsidiaries are as follows:

	Effective Equity Interests		Principal Activities
	2008	2007	
	%	%	
Direct subsidiaries			
Nakamichi Malaysia Sdn. Bhd. <sup>#</sup>	100	100	Assembly and sale of audio and visual electronic consumer product
Capetronic Computer (Malaysia) Sdn. Bhd.	100	100	Dormant
NMSB Electronics Limited*	-	100	Dormant

\* During the financial year, NMSB Electronics Limited was de-registered from the registrar of companies.

<sup>#</sup> The auditor's report of this subsidiary contained a qualified audit opinion on the existence, the carrying value and ownership of its other investment.

The financial statements of Nakamichi Malaysia Sdn. Bhd. have been consolidated in accordance with the principles of merger accounting as referred to in Note 2.3(a).

### 7. OTHER INVESTMENT

	Group	
	2008 RM	2007 RM
<b>At cost:</b>		
Quoted shares outside Malaysia	43,692,033	43,692,033
Less: Accumulated impairment losses	(38,007,772)	(38,007,772)
At 31 December	5,684,261	5,684,261
Market value of quoted shares	6,322,805	5,684,261

The quoted shares represents 27,495,000 bearer shares of Sansui Electric Co. Ltd. ("Sansui"), a company listed on the Tokyo and Osaka Stock Exchanges which was received on 9 November 2005 by a subsidiary, Nakamichi Malaysia Sdn. Bhd. (NMSB), pursuant to a Settlement Agreement dated 20 December 2004 with Grande (Nominees) Limited and Maple Profit Limited, which are former related companies of the Group.

On 7 August 2007, the Company announced that the certificates for the 27,495,000 bearer shares of Sansui owned by NMSB which were entrusted to the custody of a law firm in Tokyo, Japan are missing due to the abandonment of the said law firm and the disappearance of the only principal and partner of the said law firm.

## Notes to the Financial Statements *cont'd*

### 7. OTHER INVESTMENT *cont'd*

The Board had filed a police report in Tokyo, Japan for the missing share certificates in order to facilitate the investigation into the missing share certificates and locating the missing partner of the said firm. The investigation of the missing shares certificates is currently ongoing.

### 8. TRADE RECEIVABLES

The Group's normal trade credit terms range from 30 days to 60 days (2007: 30 days to 60 days). Other credit terms are assessed and approved on a case-to-case basis.

### 9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Due from subsidiaries	-	-	51,079,055	58,792,577
Due from former related companies	15,332,744	14,699,492	-	-
Other receivables	590,625	590,625	-	-
Deposits	42,750	40,400	-	-
Prepayments	10,378	59,580	-	-
	15,976,497	15,390,097	51,079,055	58,792,577
Less: Allowance for doubtful debts	-	-	(29,623,698)	(37,134,295)
Less: Waiver of amounts due from former related companies	(15,332,744)	-	-	-
	643,753	15,390,097	21,455,357	21,658,282

The amounts due from subsidiaries and former related companies are unsecured, interest free and have no fixed terms of repayment. Former related companies refer to subsidiaries of the Company's previous holding and ultimate holding companies, The Grande Holdings Limited and The Grande International Holdings Limited respectively. These amounts due were waived in accordance with a waiver of debt agreement dated 30 September 2008 during the financial year.

## Notes to the Financial Statements *cont'd*

### 10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash and bank balances	14,064	191,831	1,383	1,493
Deposit with a licensed bank	-	161,914	-	-
	14,064	353,745	1,383	1,493

The weighted average effective interest rate and the remaining maturities of the deposit as at the balance sheet date are as follows:

	Interest rate (%)		Maturity (days)	
	2008	2007	2008	2007
Deposit with a licensed bank	-	3.5	-	239

### 11. SHARE CAPITAL

	2008		2007	
	Number of Shares Unit	RM	Number of Shares Unit	RM
Ordinary shares of RM1.00 each				
Authorised				
At the beginning/end of the financial year	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
At the beginning/end of the financial year	55,410,180	55,410,180	55,410,180	55,410,180

## Notes to the Financial Statements *cont'd*

### 12. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Due to former related companies	19,102,002	17,269,432	43,197	43,971
Other payables	182,158	97,520	3,607	950
Accruals	299,137	936,836	19,000	38,000
Provision for termination benefit	590,625	764,918	-	-
	20,173,922	19,068,706	65,804	82,921
Less: Waiver of amounts due to former related companies	(19,075,348)	-	(43,197)	-
	1,098,574	19,068,706	22,607	82,921

The amounts due to former related companies are unsecured, interest free and have no fixed terms of repayment. Former related companies refer to subsidiaries of the Company's previous holding and ultimate holding companies, The Grande Holdings Limited and The Grande International Holdings Limited respectively. These amounts due were waived in accordance with a waiver of debt agreement dated 30 September 2008 during the financial year.

### 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.

## Notes to the Financial Statements *cont'd*

### 14. OPERATING PROFIT/(LOSS)

Operating profit/(loss) before tax has been arrived at after charging :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Amortisation of prepaid land lease payment	34,879	32,135	-	-
Amount owing by subsidiaries written off	-	-	5,245	-
Auditor's remuneration:				
- statutory	35,690	43,000	16,000	18,000
- non statutory	2,000	2,000	2,000	2,000
Depreciation	752,560	851,214	-	-
Director's remuneration:				
- fees	-	23,500	-	23,500
- other emoluments	-	212,390	-	-
Impairment loss on other investment	-	14,713,592	-	-
Interest expenses	-	234	-	-
Loss on disposal of property, plant and equipment	-	293,486	-	-
Loss on struck off a subsidiary	-	-	-	49
Investment in a subsidiary written off	-	-	14,739,418	-
Net realised foreign exchange losses	55,787	66,584	6,746	-
Net unrealised foreign exchange losses	867	106,379	-	-
Rental of premises	863,445	640,171	-	-
Waiver of amounts due from former related companies	15,332,744	-	-	-
And crediting:				
Gain on struck off a subsidiary	-	1,289	-	-
Interest income	944	6,860	-	-
Net unrealised foreign exchange gains	-	-	-	9,669
Waiver of amounts due to former related companies	19,075,348	-	46,197	-

## Notes to the Financial Statements *cont'd*

### 15. EMPLOYEE BENEFITS

	Group	
	2008 RM	2007 RM
Wages and salaries	274,303	1,817,543
Pension costs - defined contribution plans	10,375	207,715
Termination benefits	-	2,895,705
Other employee benefits	4,375	215,267
	<u>289,053</u>	<u>5,136,230</u>

Included in employee benefits expense of the Group are executive director's remuneration amounting to RM Nil (2007: RM212,390).

### 16. TAXATION

	Group	
	2008 RM	2007 RM
Income tax:		
- current year	-	800

The income tax is calculated at the Malaysian Statutory rate of 26% (2007: 27%) of the estimated assessable profit for the financial year. The statutory tax rate will be reduced to 25% from the current year's rate of 26% for the Year of Assessment 2009.

## Notes to the Financial Statements *cont'd*

### 16. TAXATION *cont'd*

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

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit/(Loss) before taxation	1,344,828	(23,526,498)	(14,882,139)	(217,171)
Taxation at Malaysian applicable tax rate of 26% (2007: 27%)	349,655	(6,352,154)	(3,869,356)	(58,636)
Different tax rates in other countries	(43,900)	102,976	-	-
Tax effects arising from				
- non-taxable income	(14,661)	-	(12,011)	-
- non-deductible expenses	10,260,029	4,354,219	3,881,367	58,636
- effect of deferred tax assets not recognised in the financial statements	(10,551,123)	1,895,759	-	-
Tax expense for the financial year	-	800	-	-

The amount of temporary differences for which no deferred tax assets have been recognised are as follows:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Unutilised tax losses	34,206,016	49,879,977
Unabsorbed capital allowances	-	24,907,281
	<u>34,206,016</u>	<u>74,787,258</u>

Included in the above are unutilised tax losses amounting to RM521,882 (2007: RM962,959) that arose in Singapore and are available indefinitely for offset against future taxable profits of the Singapore branch.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

## Notes to the Financial Statements *cont'd*

### 17. EARNINGS/(LOSS) PER SHARE

#### Basic Earnings/(Loss) Per Share

The basic earnings/(loss) per share for the financial year has been calculated based on the Group's profit/(loss) for the financial year attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Profit/(Loss) for the year	1,344,828	(23,527,298)
Weighted average number of ordinary shares in issue	55,410,180	55,410,180
Basic earning/(loss) per ordinary share (sen)	2.43	(42.46)

#### Diluted Earnings Per Share

Diluted earnings per share have not been presented as there were no potential ordinary shares outstanding in both the current and previous financial year.

### 18. CAPITAL COMMITMENT

Capital expenditure for investment not provided for in the financial statements is as follow:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Approved and contracted for acquisition of company (refer to Note 22)	30,000,000	30,000,000

### 19. SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (a) Identification of Related Parties

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

The Company has controlling related party relationships with its holding companies, direct and indirect subsidiaries.



## Notes to the Financial Statements *cont'd*

### 19. SIGNIFICANT RELATED PARTY TRANSACTIONS *cont'd*

#### (b) Significant Related Party Transactions and Balances

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group	
	2008	2007
	RM	RM
<b>Former related companies:**</b>		
Rental of premises payable to Akai Sales Pte. Ltd.	-	640,171
Purchases from Nakamichi Corporation Limited	-	7,962,839
Sale of property, plant and equipment to Capetronic Displays Limited	-	172,500
Sale of property, plant and equipment to E-Zone Management Pte. Ltd.	-	420
Sale of property, plant and equipment to Nakamichi Corporation Limited	-	15,440
Salary of employees payable to Akai Sales Pte. Ltd.	-	411,231
Management fee payable to The Grande Capital Group Limited	-	30,816

**\*\* Former related companies are companies within The Grande Holdings Limited and The Grande International Holdings Limited group of companies.**

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 those obtainable in transactions with unrelated parties.

There is no disclosure for compensation to key management personnel of the Company as the authority and responsibility for planning, directing and controlling the activities of the entity is performed by the Board.

### 20. SEGMENTAL REPORTING

#### (a) Reporting Format

The Group's activities are predominantly in one business segment. Secondary information is reported geographically.

Segment capital expenditure is the total cost incurred during the period to acquire segments assets.

#### (b) Business Segment

The Group's sole business segment is the manufacture and sale of audio and visual electronic consumer products and hence segmental reporting by business segment is not presented.

## Notes to the Financial Statements *cont'd*

### 20. SEGMENTAL REPORTING *cont'd*

#### (c) Geographical Segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical segments of its customers. The Group's sole business segment operates predominantly in Singapore having relocated its operations from Malaysia since the last financial year.

The following table provides an analysis of the Group's revenue by geographical segment:

	2008 RM	2007 RM
Asia	2,652,799	3,736,761
Europe	1,083,212	2,556,279
North America	493,381	1,047,614
Middle East	114,291	599,234
Others	260,560	343,756
	<u>4,604,243</u>	<u>8,283,644</u>

The following is an analysis of the carrying amount of segment assets, analysed by geographical segments:

	Segment Assets		Capital Expenditure	
	2008 RM	2007 RM	2008 RM	2007 RM
Malaysia	32,197,260	48,009,898	-	-
Singapore	55,636	923,834	-	-
	<u>32,252,896</u>	<u>48,933,732</u>	<u>-</u>	<u>-</u>

### 21. FINANCIAL INSTRUMENTS

#### (i) Financial Risk Management and Objectives

The Company is exposed to credit, liquidity and foreign exchange risks that arise in the normal course of business. The Company's overall financial risk management objectives are to ensure that adequate financial resources are available for the development of the Group's business and to minimise any potential adverse effects on the financial performance and position based on its prevailing capability and capacity. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy restricts their engagement in speculative transactions.

## Notes to the Financial Statements *cont'd*

### 21. FINANCIAL INSTRUMENTS *cont'd*

#### (i) Financial Risk Management and Objectives *cont'd*

##### (a) Credit Risk

The management has a credit procedure in place to monitor and minimise the exposure of default. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedure.

The maximum exposure to credit risk for the Company is represented by the carrying amount of the financial instrument.

##### (b) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

##### (c) Foreign Currency Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency either than the functional currency of the operations to which they relate.

The currencies giving rise to this risk is primarily United States Dollars ("USD"), Hong Kong Dollars ("HKD") and Japanese Yen ("JPY"). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The net unhedged financial assets and liabilities of the Group that are not denominated in Ringgit Malaysia are as follows:

Functional Currency of Group companies	Net Financial Assets/(Liabilities) Held in Non- Functional Currencies			
	United States Dollars RM	Hong Kong Dollars RM	Japanese Yen RM	Total RM
<b>As at 31 December 2008</b>				
Ringgit Malaysia	18,628	-	-	18,628
<b>As at 31 December 2007</b>				
Ringgit Malaysia	(2,730,225)	215,651	(13,074)	(2,527,648)

## Notes to the Financial Statements *cont'd*

### 21. FINANCIAL INSTRUMENTS *cont'd*

#### (ii) Fair Values

##### (a) *Recognised Financial Instruments*

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheet of the Company, except for amounts owing to holding company and amounts owing by/(to) fellow subsidiaries.

It is not practical to estimate the fair values of the said amounts due principally to the inability to estimate the settlement date without incurring excessive costs as these amounts lack a fixed repayment term. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually received and settled.

##### (b) *Unrecognised Financial Instruments*

There were no unrecognised financial instruments as at 31 December 2008.

### 22. SIGNIFICANT EVENTS

On 17 December 2007, the Company had entered into a conditional sale and purchase agreement ("SPA") with two individuals ("the Vendors") for the acquisition by the Company of 51% equity interest in Tamabina Sdn. Bhd. ("TSB") comprising 51,000 ordinary shares for a cash consideration of RM30,000,000 ("Proposed Acquisition").

TSB had on 29 May 2007 entered into the Log Extraction and Timber Sale Agreement ("Extraction and Sale Agreement") with Rakyat Berjaya Sdn. Bhd. ("RBSB") and Sabah Berjaya Sdn. Bhd. ("SBSB") for:

- (i) the appointment of TSB by RBSB to extract at its own cost and expense, all the Commercial Timber ("Extracted Logs") from a designated area within the Concession Area ("TSB Concession Area") on an exclusive basis; and
- (ii) the purchase by TSB from SBSB all Extracted Logs from the TSB Concession Area on an exclusive basis.

As part of the terms of the Proposed Acquisition, the Vendors jointly and severally guarantee that TSB shall achieve an audited profit after taxation of not less than RM12,000,000 per annum ("Guaranteed Profit") for each of the three (3) financial years ending 31 December 2009, 31 December 2010 and 31 December 2011.

On 2 April 2008, the Company announced that the Foreign Investment Committee had vide its letter dated 26 March 2008 stated that it has no objection to the Proposed Acquisition subject to TSB increasing its Bumiputera equity condition to at least 30% before 30 June 2010.

The Proposed Acquisition has received approval from the shareholders of the Company on 13 June 2008.

On 3 December 2008, the Company entered into a Supplemental Agreement with the vendors to extend the completion date to end on a business day falling before the expiry of 180 days from 3 December 2008.

On 3 December 2008, the Company also entered into a Novation Agreement with Yap Siaw Lin ("YSL") and Lai Yun Fung ("LYF") for the novation of all benefits, rights and obligations of YSL under and pursuant to the SPA and the Supplemental Agreement to LYF.

The proposed Acquisition is currently pending completion.

### 23. COMPARATIVE FIGURES

The Comparative Figures have been audited by a firm of Chartered Accountants other than Messrs Baker Tilly Monteiro Heng.

## Statement by Directors

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We, DATUK GOH TIAN CHUAN and FOO LEE KHEAN, being two of the directors of NAKAMICHI CORPORATION BERHAD., do hereby state that in the opinion of the directors, the financial statements set out on pages 30 to 63, are properly drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of the financial position of the Group and of the Company as at 31 December 2008 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

On behalf of the board,

**DATUK GOH TIAN CHUAN**  
*Director*

**FOO LEE KHEAN**  
*Director*

Shah Alam  
13 April 2009

## Statutory Declaration

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I, FOO LEE KHEAN, being the director primarily responsible for the financial management of NAKAMICHI CORPORATION BERHAD., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 30 to 63 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**FOO LEE KHEAN**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 13 April 2009.

Before me,

**ZULKIFLA MOHD DAHLIM**  
Commissioner for Oaths  
License No.: W541

## **Independent Auditors' Report to the Members of Nakamichi Corporation Berhad (Incorporated in Malaysia)**

### **Report on the Financial Statements**

We have audited the financial statements of Nakamichi Corporation Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of the significant accounting policies and other explanatory notes, as set out on pages 30 to 63.

The financial statements of the Group and the Company as at 31 December 2007 was audited by another firm of chartered accountants whose report dated 6 May 2008 expressed a qualified audit opinion on the financial statements as follows:

*"As disclosed in Note 6 to the financial statements, as at 31 December 2007, the Group via its wholly-owned subsidiary, Nakamichi Malaysia Sdn. Bhd., had investment in shares in Sansui Electric Co. Ltd. ("Sansui") with a carrying value of RM5,684,261. As disclosed in Note 22(c) to the financial statements, the Company had announced during the year that the share certificates in respect of the above investment were missing.*

*The certificates of those shares were not made available for our audit and we were unable to perform appropriate alternative audit procedures to satisfy ourselves as to the existence and ownership of the above investment."*

#### *Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 ("the Act") in Malaysia. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. Except as described in the Basis for Qualified Opinion paragraph below, we conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Independent Auditors' Report** **to the Members of Nakamichi Corporation Berhad** *cont'd* **(Incorporated in Malaysia)**

### *Basis for Qualified Opinion*

As disclosed in Note 7 to the financial statements, the Group via its wholly-owned subsidiary, Nakamichi Malaysia Sdn. Bhd. ("NMSB"), had investments in bearer shares in Sansui Electric Co. Ltd. ("Sansui") with a carrying value of RM5,684,261 as at 31 December 2008. The Company had on 7 August 2007, announced that the share certificates in respect of the above said investment were missing.

As at the date of this audit report, the share certificates are still missing and we were unable to carry out appropriate alternative audit procedures to obtain sufficient and appropriate audit evidence to satisfy ourselves as to existence, the carrying value and ownership of the said investment.

### *Opinion*

In our opinion, except for the effects of such adjustments described in the Basis for Qualified Opinion paragraph, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards and the provisions of the Act in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the financial year ended on that date.

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

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act;
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in a form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes; and
- (c) Except for the subsidiary with a qualified auditors' report as disclosed in Note 6 to the financial statements, the auditors' reports for the remaining subsidiaries were not subject to any qualification material to the consolidated financial statements and did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Matters**

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

**BAKER TILLY MONTEIRO HENG**  
No. AF 0117  
*Chartered Accountants*

**M. J. MONTEIRO**  
No. 828/05/10 (J/PH)  
*Partner*

Kuala Lumpur  
13 April 2009

**NAKAMICHI CORPORATION BERHAD** (301384-H)**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. &amp; 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 Fifteenth Annual General Meeting of the Company to be held at Concorde III, Level 2, Concorde Hotel Shah Alam, 3 Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Monday, 25 May 2009 at 10.00 a.m. My/our proxy/proxies is/are to vote as indicated below:-

RESOLUTIONS RELATING TO:	FIRST PROXY		SECOND PROXY	
	For	Against	For	Against
1. Receive Reports and Financial Statements				
2. Approval of Director's fees				
3. Re-election of Director – Yahya Bin Razali				
4. Re-election of Director – Datuk Goh Tian Chuan				
5. Re-election of Director – Jasen Vun Vui Fen				
6. Re-election of Director – Chen Heng Mun				
7. Re-election of Director – Mak Siew Wei				
8. Re-election of Director – Dato' Hj Mohammad Mokhtar Bin Hj Hasan				
9. Appointment of Auditors – Messrs Baker Tilly Monteiro Heng				
10. Authority to the Directors to issue shares up to 10% of the issued capital of the Company				

(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. The first named proxy shall be entitled to vote on a show of hands).

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

\_\_\_\_\_  
Signature/Common Seal**Notes :-**

1. A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and need not be an advocate, an approved company auditor or a person appointed by the Companies Commission of Malaysia.
2. A member may appoint up to two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under Securities Industry (Central Depository) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing the proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or signed by its attorney or by an officer duly authorised.
4. The Form of Proxy must be deposited at the office of the Share Registrar of the Company at Mega Corporate Services Sdn. Bhd., 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.



FOLD THIS FLAP FOR SEALING

THEN FOLD HERE

**AFFIX  
STAMP**

The Share Registrar  
**NAKAMICHI CORPORATION BERHAD**  
c/o Mega Corporate Services Sdn. Bhd.  
Level 15-2, Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur

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