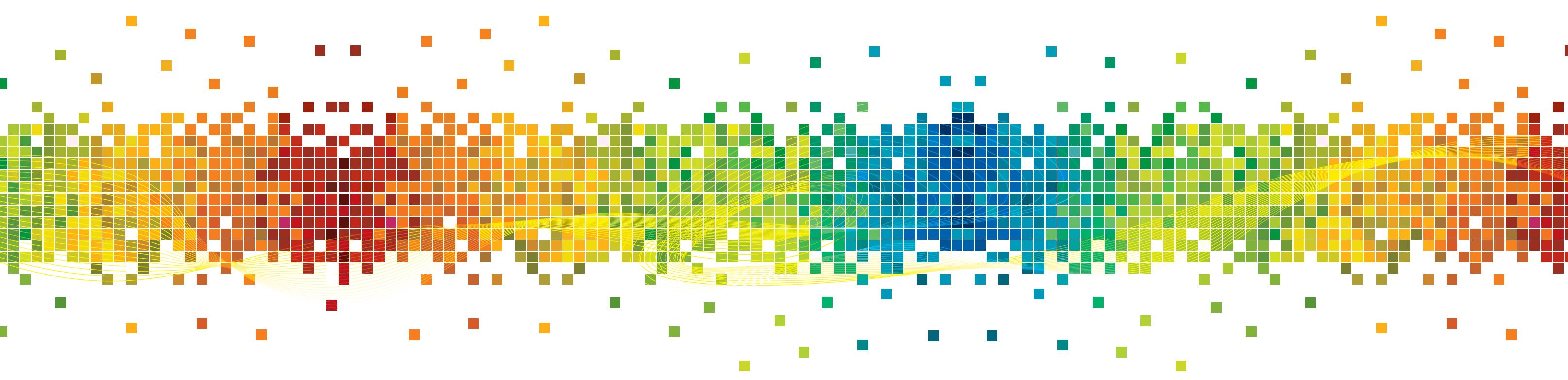


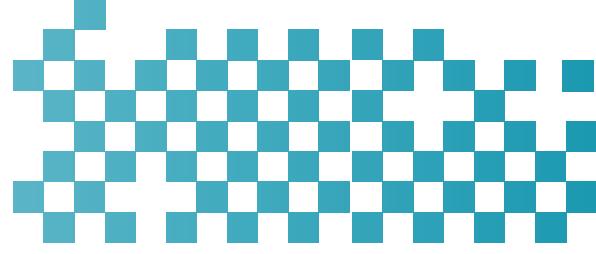
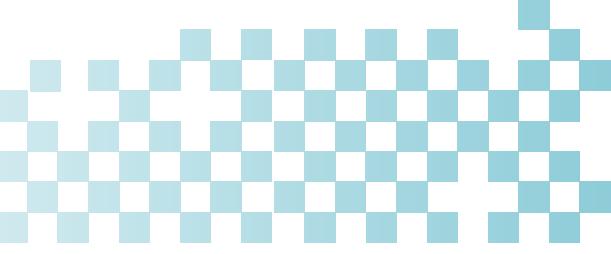
**NAKAMICHI CORPORATION BERHAD**  
(Company No.: 301384-H)

annual report  
2009

NAKAMICHI CORPORATION BERHAD (Company No.: 301384-H)

ANNUAL REPORT 2009





# Contents

Corporate Information	
	2
Notice of the Sixteenth Annual General Meeting	
	3
Message from the Executive Chairman	
	5
Statement of Corporate Governance	
	7
Audit Committee Report	
	15
Statement on Internal Control	
	19
Directors' Profile	
	20
Analysis of Shareholdings	
	24
Property of the Group	
	27
Other Disclosures	
	28
Financial Statements	
	29
Form of Proxy	

# Corporate Information

## BOARD OF DIRECTORS

<b>Datuk Maj (H) Goh Tian Chuan</b> <i>Executive Chairman</i>	<b>Dato' Hj Mohamad Mokhtar Bin Hj Hasan</b> <i>Independent Non-Executive Director</i>
<b>Jasen Vun Vui Fen</b> <i>Executive Director</i>	<b>Yahya Bin Razali</b> <i>Independent Non-Executive Director</i>
<b>Chen Heng Mun</b> <i>Executive Director</i>	<b>Mak Siew Wei</b> <i>Independent Non-Executive Director</i>
	<b>Tan Chi Siong</b> <i>Independent Non-Executive Director</i>

## AUDIT COMMITTEE

**Yahya Bin Razali**  
*Chairman*

**Mak Siew Wei**

**Tan Chi Siong**

## NOMINATION COMMITTEE

**Yahya Bin Razali**  
*Chairman*

**Mak Siew Wei**

**Dato' Hj Mohamad Mokhtar Bin Hj Hasan**

## REMUNERATION COMMITTEE

**Yahya Bin Razali**  
*Chairman*

**Mak Siew Wei**

## COMPANY SECRETARIES

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

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

## 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

## AUDITORS

Messrs Baker Tilly Monteiro Heng  
Monteiro Heng Chambers  
No. 22, Jalan Tun Sambanthan 3  
50470 Kuala Lumpur  
Tel : 03-2274 8988  
Fax : 03-2260 1708

## PRINCIPAL BANKERS

RHB Bank Berhad  
Hong Leong Bank Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad

## 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  
Website : [www.naka.com.my](http://www.naka.com.my)

# Notice of the Sixteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixteenth 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 Friday, 18 June 2010 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 2009 together with the Directors' and Auditors' reports thereon. [Resolution 1](#)
2. To re-elect the following Directors who are retiring in accordance with the Company's Articles of Association:
  - (a) Yahya Bin Razali (Article 113) [Resolution 2](#)
  - (b) Chen Heng Mun (Article 113) [Resolution 3](#)
  - (c) Tan Chi Siong (Article 118) [Resolution 4](#)
3. To appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration. [Resolution 5](#)

## As Special Business

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

### Authority to 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 6](#)

5. 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  
26 May 2010

# Notice of the Sixteenth 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 Company's Share Registrar's office 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:

Authority to issue shares pursuant to Section 132D of the Companies Act 1965

The proposed Resolution 6, if passed, will give the Directors of the Company, from the date of the Sixteenth Annual General Meeting, authority to issue shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Fifteenth Annual General Meeting held on 25 May 2009 and which will lapse at the conclusion of the Sixteenth Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

# Message from the Executive Chairman

## OVERVIEW

The world economy showed signs of emerging from the worst recession since World War II, earlier than expected. Malaysia being an open economy is adversely affected in 2009 with exports contracting sharply, following the global financial crisis and economic downturn. The significant decline in exports in turn affected domestic demand. Consequently, economic growth contracted by 6.2% in the first quarter of 2009. However the Gross Domestic Product ("GDP") recorded a smaller decline of 3.9% in the second quarter, aided by speedy and effective implementation of stimulus packages as well as monetary easing. Overall the Malaysian economy contracted by 1.7% in 2009 (2008: +4.6%).

## FINANCIAL AND OPERATIONS REVIEW

The Company completed its acquisition of the 51% equity interest in Tamabina Sdn Bhd ("TSB") towards the end of the second quarter of 2009. TSB, which is involved in the extraction and sale of timber logs represents the timber segment (a new segment) to the Group. In relation to the acquisition of TSB, the vendors of TSB had guaranteed on the achievement by TSB of an audited consolidated profit after taxation of not less than RM12 million for each of the three (3) financial periods of twelve (12) months each ending 30 June 2010, 30 June 2011 and 30 June 2012.

The Group's revenue for 2009 increased by RM24.2 million as compared with the preceding year due to the revenue contribution from the timber segment. Comparing year on year, the Group registered an increase in its net profit from RM1.3 million for 2008 to RM1.8 million for 2009. The improvement was due mainly to the profit contribution from the timber segment and a negative goodwill arising on acquisition of the timber segment. However, the improvement was partially off set by the impairment losses incurred on other investment and property totaling RM6.4 million and amortisation of the fair value of the timber rights of RM5.0 million. Also noteworthy is that included in the preceding year was a net waiver obtained for the amounts due to former related companies amounting to RM3.7 million.

The audio and visual segment persists to be challenging as can be seen from its revenue contribution falling from RM4.6 million in 2008 to RM2.7 million in 2009. It is an inherent fact that the audio and visual segment which is a subset of the electrical and electronics industry operates in a very competitive environment where there are constant and immense pricing pressures which inadvertently results in loss of margin and volume.

The timber segment which commenced operations in April 2009 generated a revenue and net profit of RM29.4 million and RM2.0 million respectively. A total of 78,627 cubic meter (m<sup>3</sup>) and 62,736 m<sup>3</sup> of timber were felled and sold in 2009 respectively.

## OUTLOOK

Economy for the year 2010 is expected to benefit from stabilising global economic conditions, augmented by fiscal measures and accommodative monetary policy. GDP growth is forecast to turn around driven by domestic demand, particularly the private expenditure and supported by expected recovery in the external demand. The prospect for sustained growth will depend importantly on the recovery in the private sector demand, particularly when effects of the policy measures begin to diminish.

The Board shall continue to review the audio and visual segment of business especially in this challenging time.

# Message from the Executive Chairman

*cont'd*

## OUTLOOK *cont'd*

With regards the timber segment, timber trade in Malaysia has been on the rise in early 2010 having registered an increase in exports in timber and wood products. Importers are replenishing their stock. The general price level of hard wood from Malaysia has risen and is expected to further increase in 2010. Consequently this will improve the margins earned by our timber segment. The Board wishes to highlight that the implementation of Reduced Impact Logging ("RIL") in Sabah in 2010 will involve a number of practical measures that will require considerable amount of resources, efforts and time in adhering to the requirements.

On this note, the Group is committed to and has undertaken measures to implement RIL for its timber segment. Intensive planning, time and careful implementation of timber harvesting operations will be undertaken to minimise the environmental impact on forest stands and soils.

In view of the above, the Board is cautiously optimistic that the year 2010 to be satisfactory.

## 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 ("Board") 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.

## 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 operational 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 2009, five (5) Board meetings were held. Details of Board members' attendance at Board meeting for the financial year ended 31 December 2009 are as follows:

Name of Director	Attendance
Datuk Goh Tian Chuan	5 of 5
Jasen Vun Vui Fen	5 of 5
Chen Heng Mun	5 of 5
Dato' Hj Mohammad Mokhtar Bin Hj Hasan <i>(Appointed on 1 April 2009)</i>	4 of 4
Yahya Bin Razali	5 of 5
Mak Siew Wei	5 of 5
Tan Chi Siong <i>(Appointed on 2 February 2010)</i>	N/A
Foo Lee Khean <i>(Resigned on 4 September 2009)</i>	4 of 4

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

# Statement of Corporate Governance

*cont'd*

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

### II. Board Balance

The Board currently has seven (7) members, comprising three (3) Executive Directors and four (4) 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 conduct its business.

Datuk Goh Tian Chuan is the Executive Chairman of the Board while Jasen Vun Vui Fen and Chen Heng Mun acted as the Executive Directors. There was a clear division of responsibility between these Directors 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 a Nomination Committee making recommendations to the Board.

# Statement of Corporate Governance

*cont'd*

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

### 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*)
- (c) Dato' Hj Mohammad Mokhtar Bin Hj Hasan (*Independent Non-Executive Director*)

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 Director 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.

# Statement of Corporate Governance

*cont'd*

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

### 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*)

### IV. Details of Remuneration

The number of directors of the Company whose remuneration and fees received from the Group, fall in the following bands:

	Executive		Non-Executive	
	2009	2008	2009	2008
RM100,000 – RM149,000	1	-	-	-
Below RM50,000	1	-	5	-

The aggregate remuneration of Directors with categorisation into appropriate components is as follows:

RM'000	Executive		Non-Executive	
	2009	2008	2009	2008
Remuneration	153	-	-	-
Fees	-	-	95	-

The Board has considered disclosure details of the remuneration of each Director. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the "range disclosure" as required by the listing requirements.

## C. DIALOGUE BETWEEN COMPANIES 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 Committee is 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 (14) days before the shareholders' meetings in the case of an ordinary resolution and twenty-one (21) 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.

# Statement of Corporate Governance

*cont'd*

## 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*)
- (c) Tan Chi Siong (*Independent Non-Executive Director*)  
(*Appointed on 2 February 2010*)
- (d) Chen Heng Mun (*Executive Director*)  
(*Appointed on 4 September 2009, resigned on 13 April 2010*)
- (e) Foo Lee Khean (*Non-Independent Non-Executive Director*)  
(*Resigned on 4 September 2009*)

The report by the Audit Committee for the financial year ended 31 December 2009 is set out on pages 15 to 18 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.

# Statement of Corporate Governance

*cont'd*

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

### 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 ensuring that controls which are instituted are appropriate and can effectively address acceptable risk exposures. The Internal Audit Function also ensures that recommendations to improve controls are followed through by the Management.

The Statement on Internal Control set out on page 19 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 2009 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	<ul style="list-style-type: none"><li>• Managing Taxes &amp; Duties During This Economic Downturn and Tax Audit</li><li>• 2009 Economy &amp; Market Outlook</li><li>• Essential Updates for Directors</li><li>• The Spirit Of Corporate Governance In Body Corporation</li><li>• Malaysian Capital Markets 2010 Forum</li></ul>
Jasen Vun Vui Fen	<ul style="list-style-type: none"><li>• Managing Taxes &amp; Duties During This Economic Downturn and Tax Audit</li><li>• 2009 Economy &amp; Market Outlook</li><li>• Mandatory Accreditation Programme</li></ul>

## Statement of Corporate Governance

*cont'd*

### E. DIRECTORS' TRAINING *cont'd*

Director	Name of conferences, seminars and training programme attended
Chen Heng Mun	<ul style="list-style-type: none"> <li>• Managing Taxes &amp; Duties During This Economic Downturn and Tax Audit</li> <li>• 2009 Economy &amp; Market Outlook</li> <li>• Accounting Challenges In Turbulent Times</li> <li>• Economic Seminar</li> <li>• Essential Updates for Directors</li> <li>• The Spirit Of Corporate Governance In Body Corporation</li> <li>• High Level Forum For Directors</li> <li>• National Accountants Conference 2009: The New Economic Model: Value Chain Transformation</li> <li>• Tax Summit 2009</li> <li>• Corporate Governance: Lessons from Hong Kong</li> </ul>
Dato' Hj Mohammad Mokhtar Bin Hasan	<ul style="list-style-type: none"> <li>• Corporate Governance: "Say it as it is"</li> <li>• Corporate Governance: "Is your long term incentive plan driving sustainable long term results?"</li> </ul>
Yahya Bin Razali	<ul style="list-style-type: none"> <li>• Managing Taxes &amp; Duties During This Economic Downturn and Tax Audit</li> <li>• 2009 Economy &amp; Market Outlook</li> <li>• Technical Briefing: Main Market Listing Requirements</li> <li>• The Challenges of Implementing FRS 139</li> </ul>
Mak Siew Wei	<ul style="list-style-type: none"> <li>• Managing Taxes &amp; Duties During This Economic Downturn and Tax Audit</li> <li>• 2009 Economy &amp; Market Outlook</li> <li>• The Spirit of Corporate Governance in Body Corporation</li> <li>• Corporate Governance: "Is your long term incentive plan driving sustainable long term results?"</li> </ul>
Tan Chi Siong (Appointed on 2 February 2010)	<ul style="list-style-type: none"> <li>• Winding Up, Restructuring &amp; Liquidators</li> <li>• A Critique of Recent Tax Cases: Discerning The Judicial Mood</li> <li>• Law of Contract and Its Commercial Implications</li> <li>• Financial Due Diligence</li> <li>• Taxation Seminar 2009</li> <li>• Avoiding Pitfalls in Joint Ventures</li> <li>• Offshore Companies-How It Benefits You &amp; Pitfalls To Watch</li> <li>• Expand Your Business Horizons-Add Value to Your Current Range of Services</li> <li>• Risk Based Internal Audit</li> <li>• Workshop on: A Critique of Recent Tax Cases</li> <li>• Creditors &amp; Members' Voluntary Liquidation</li> <li>• Capital Raising for Corporations</li> <li>• Practical Guide To Deal with Bursa Malaysia's Inquiry</li> <li>• National Seminar on Taxation 2009</li> <li>• Corporate Insolvency &amp; Winding up</li> <li>• Mandatory Accreditation Programme</li> </ul>

# Statement of Corporate Governance

*cont'd*

## F. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Our Group believes the improvement in the conditions surrounding our stakeholders, employees, society and the environment is vital to the growth of the Group. Our corporate social responsibilities covers the following key areas:

### **Employee Welfare**

Employees are provided with medical and healthcare insurance and adequate leave and compensation programs which commensurate with their rank and level of employments.

Further, the Group acknowledges the need to provide a healthy and balanced lifestyle to its employees. In this aspect, various initiatives, such as an annual dinner was organised during the year.

### **Supply Chain**

The Group in its procurement policies strives wherever possible to source locally in the nation's interest and for products which adhere to good environment practices.

### **Environmental Preservation**

It is our policy to comply with environmental laws particularly governing our timber logging activities. Practical measures and considerable time and effort has been made to implement Reduced Impact Logging ("RIL"). RIL entails careful planning and control of timber harvesting to minimise the environmental impact on forest stands and soils.

# Audit Committee Report

## COMPOSITION

The Audit Committee comprises the following Board members:

- (a) Yahya Bin Razali (*Independent Non-Executive Director*)  
(*Chairman*)
- (b) Mak Siew Wei (*Independent Non-Executive Director*)
- (c) Tan Chi Siong (*Independent Non-Executive Director*)\*  
(*Appointed on 2 February 2010*)
- (d) Chen Heng Mun (*Executive Director*)\*  
(*Appointed on 4 September 2009, resigned on 13 April 2010*)
- (e) Foo Lee Khean (*Non-Independent Non-Executive Director*)\*  
(*Resigned on 4 September 2009*)

\* Members of the Malaysian Institute of Accountants

## SECRETARIES 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*

The Audit Committee had five (5) meetings during the financial year ended 31 December 2009 and the attendance record is as follows:

<b>Date of Meeting</b>	<b>Total Committee Members</b>	<b>Attendance by Committee Members</b>	
		<b>Independent</b>	<b>Non-Independent</b>
24 February 2009	2 of 2	2(100%)	-
13 April 2009	3 of 3	2(100%)	1(100%)
25 May 2009	3 of 3	2(100%)	1(100%)
17 August 2009	3 of 3	2(100%)	1(100%)
24 November 2009	3 of 3	2(100%)	1(100%)

The details of attendance by individual Committee Member in financial year 2009:

<b>Name of Member</b>	<b>Total Meetings attended by Member</b>	<b>Percentage Attendance</b>
1. Yahya Bin Razali	5	100%
2. Mak Siew Wei	5	100%
3. Tan Chi Siong <i>(Appointed on 2 February 2010)</i>	N/A	N/A
4. Chen Heng Mun <i>(Appointed on 4 September 2009)</i> <i>(Resigned on 13 April 2010)</i>	1	100%
5. Foo Lee Khean <i>(Resigned on 4 September 2009)</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 directors 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 2009:

- 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 separate meetings with the external auditors without the presence of the 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.

# Audit Committee Report

*cont'd*

## SUMMARY OF ACTIVITIES *cont'd*

- 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 controls based on improvement opportunities identified in the internal audit reports.
- 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, applicable Approved Accounting Standards set out by the 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 Advisory Sdn. Bhd. (*formerly known as Columbus Circle Advisory Sdn Bhd*), in carrying out the internal audit activities and to assist the Committee in discharging its duties and responsibilities, and in ensuring that a sound system of internal controls is in place in the Group.

During the financial year ended 31 December 2009, the internal audit carried out its duties in accordance with the Annual Internal Audit Plan. The internal audit function 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 incorporating 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 2009 is RM19,740.

# Audit Committee Report

*cont'd*

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

### Duties and Responsibilities

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

- (a) 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.
- (b) 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.
- (c) Oversee the Internal Audit Function including the evaluation of the standards of the internal controls and financial reporting, review of internal audit programme, adequacy of the scope, functions, authority, resources and effectiveness of the Internal Audit Function and audit findings and management's responses.
- (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 authorised 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 Controls

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 and 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 17 in 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;
- 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.

## Directors' Profile

### DATUK MAJ (H) GOH TIAN CHUAN

*Executive Chairman*

*Malaysian, aged 48*

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, Kepayan, 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 Cepatwawan Group Berhad. Subsequently, he was redesignated as Chief Executive Officer on 8 April 2005 and as Chairman of Cepatwawan Group Berhad from 25 July 2005 to 31 October 2005.

He was also an executive director of Nucleus Electronics Ltd ("Nucleus"), which is listed on the Main Board of the Stock Exchange of Singapore from 1 June 2006 to 6 March 2007.

He is the Executive Chairman of Jotech Holdings Berhad ("Jotech") and AIC Corporation Berhad ("AIC"), both listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

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 26 of this Annual Report. He does not hold any shares in the Company's subsidiaries.

### JASEN VUN VUI FEN

*Executive Director*

*Malaysian, aged 36*

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 markets. Currently, he is a businessman and prior to joining the Company, he has 10 years working experience in Henry Butcher Malaysia (Sabah) Sdn Bhd, an international property consultancy firm. He is also a member of the Institution of Surveyors, Malaysia.

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 26 of this Annual Report. He does not hold any shares in the Company's subsidiaries.

## Directors' Profile

*cont'd*

### CHEN HENG MUN

*Executive Director*

*Malaysian, aged 40*

Chen Heng Mun was appointed to the Board on 23 June 2008 as a Non-Independent Non-Executive Director and was a member of the Audit Committee on 4 September 2009. He was re-designated as an Executive Director on 13 April 2010 and resigned as an Audit Committee member on even date. He is currently the Executive Director/Chief Financial Officer of AIC. 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-Independent Non-Executive Director of AV Ventures Corporation Berhad ("AVCB"), a company listed on the Main Market 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 subsidiary companies.

### DATO' HJ MOHAMMAD MOKHTAR BIN HJ HASAN

*Independent Non-Executive Director*

*Malaysian, aged 58*

Dato' Hj Mohammad Mokhtar Bin Hj Hasan was appointed to the Board on 1 April 2009 as an Independent Non-Executive Director and as a member of the Nomination Committee on 13 April 2009. He graduated with a Masters in Business Administration and Diploma in Police Science. He has vast experience of solid security, investigation, training, disaster and crisis management and staff management. He retired with the rank of Deputy Commissioner of Police in 2007 and was honoured from Sultan of Pahang with numerous commendations and awards. He is also an Independent Non-Executive Director of Mexter Technology Berhad, a company listed on the ACE Market 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 54*

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.

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. He is also an Independent Non-Executive Director of AIC. He was also an Independent Non-Executive Director of RNC Corporation Berhad for the period 1998 to 2004.

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 35*

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.

He pursued his education in the United States and graduated with a Bachelor degree in Management Information System and subsequently worked for Marvic International (NY) Ltd. in New York as a Business Development Manager for 3 years. Currently, he is a businessman with interest in financial services. He is also an Independent Non-Executive Director of Jotech and AVCB.

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.

### **TAN CHI SIONG**

*Independent Non-Executive Director*

*Malaysian, aged 34*

Tan Chi Siong was appointed to the Board and Audit Committee on 2 February 2010.

He is a partner of Richard Lean, Tan & Co. (Chartered Accountants), a public accounting firm and is also a director and shareholder of Richard Lean & Tan Taxation Services Sdn. Bhd., a taxation services firm. He is also the Company Secretary of several government linked companies in Sabah. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Taxation, Institute of Internal Auditors Malaysia and Association of Chartered Certified Accountants.

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 7 May 2010

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	604	527,804	0.95
1,001 to 10,000 shares	2,116	5,290,400	9.55
10,001 to 100,000 shares	125	3,870,700	6.98
100,001 to less than 5% of issued shares	40	32,396,934	58.47
5% and above of issued shares	3	13,324,100	24.05
<b>TOTAL</b>	<b>2,905</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.	RHB NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR SEE THOO CHAN</i>	5,674,100	10.24
2.	CHAN SOW PHENG	4,650,000	8.39
3.	TA NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR GOH KHENG PEOW</i>	3,000,000	5.41
4.	KONG KOK KEONG	2,500,000	4.51
5.	RHB NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR GOH KHENG PEOW</i>	2,291,000	4.13
6.	AIBB NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN</i>	2,000,000	3.61
7.	VETO CAPITAL SDN. BHD.	1,814,500	3.27
8.	M.I.T NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR GOH KHENG PEOW (MG0050-325)</i>	1,800,000	3.25
9.	TOPWISH POTENTIAL SDN. BHD.	1,800,000	3.25
10.	HSBC NOMINEES (ASING) SDN. BHD. <i>EXEMPT AN FOR BSI SA (BSI BK SG-NR)</i>	1,725,080	3.11
11.	BONUS RIVER SDN. BHD.	1,725,000	3.11

## Analysis of Shareholdings

as at 7 May 2010

*cont'd*

### 30 LARGEST SHAREHOLDERS *cont'd*

No	Name	No.of Shares Held	%
12.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR DOROTHY NG SIEW MAY</i>	1,595,000	2.88
13.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR GOH KHENG PEOW</i>	1,500,000	2.71
14.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR SEE THOO CHAN (CEB)</i>	1,445,000	2.61
15.	LIM HAW SEK	1,000,000	1.80
16.	EU YEOK CHENG	942,800	1.70
17.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR JUDDY CHU YEN TIEN (8026715)</i>	844,700	1.52
18.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>CIMB BANK FOR JUDDY CHU YEN TIEN (MQ0109)</i>	797,000	1.44
19.	OSK NOMINEES (TEMPATAN) SDN. BERHAD <i>PLEDGED SECURITIES ACCOUNT FOR HAN AIK SIEW</i>	766,500	1.38
20.	LOW GEOK ENG	687,400	1.24
21.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR JUDDY CHU YEN TIEN</i>	654,100	1.18
22.	KALAYARASU A/L SUBRAMANIAM	608,400	1.10
23.	YAP LOO MIEN	560,000	1.01
24.	INNOSABAH NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR ANTARA REKA SDN. BHD.</i>	543,200	0.98
25.	WONG JIN FAH	501,400	0.90
26.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR GOH TIAN CHUAN (8026702)</i>	500,000	0.90
27.	MAYBAN NOMINEES (ASING) SDN. BHD. <i>NOMURA SINGAPORE LIMITED FOR HON TAK KWONG (270839)</i>	487,000	0.88
28.	KOPERASI POLIS DIRAJA MALAYSIA BERHAD	412,177	0.74
29.	GAN YOK LENG	354,700	0.64
30.	WONG YOKE KUEN	288,200	0.52
<b>TOTAL</b>		<b>43,467,257</b>	<b>78.41</b>

# Analysis of Shareholdings

as at 7 May 2010

*cont'd*

## SUBSTANTIAL SHAREHOLDERS

(as per the Register of Substantial Shareholders as at 7 May 2010)

Name	No. of Shares Held			
	Direct	%	Indirect	%
Goh Kheng Peow	8,816,000	15.91	* <sup>1</sup> 7,119,100	* <sup>1</sup> 12.85
See Thoo Chan	7,119,100	12.85	* <sup>2</sup> 8,816,000	* <sup>2</sup> 15.91
Chan Sow Pheng	4,650,000	8.39	-	-

Notes:

\*<sup>1</sup> Deemed interested by virtue of his spouse, See Thoo Chan's shareholding

\*<sup>2</sup> Deemed interested by virtue of her spouse, Goh Kheng Peow's shareholding

## DIRECTORS' INTERESTS

(as per the Register of Directors' Shareholdings as at 7 May 2010)

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

## Property of the Group

as at 31 December 2009

Location/Address	Description	Current use	Tenure of land (years)	Land area (sq.ft.)	Built up area (sq.ft.)	Net book value	Approximate 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	Vacant and held for sale	Leasehold 99 years from the date of issuance of title deed	257,171	289,721	RM24.49 million	11	October 1998

# Other Disclosures

The following information is provided in accordance with paragraph 9.25 of the Main Market Listing Requirements as set out in Appendix 9C thereto.

## 1. Utilisation of Proceeds

The Company did not undertake any fund raising corporate proposal during the financial year ended 31 December 2009.

## 2. Share Buybacks

The Company did not purchase any of its own shares during the financial year ended 31 December 2009.

## 3. Options, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2009.

## 4. American Depository Receipts (“ADR”) or Global Depository Receipts (“GDR”)

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2009.

## 5. Imposition of Sanctions and/or Penalties

During the financial year ended 31 December 2009, there were no sanctions and/or penalties imposed on the Company and its subsidiaries (the “Group”), 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 did not differ by 10% or more from the unaudited results announced.

## 7. Profit Guarantee

No profit guarantee was given by the Company in respect of the financial year. However, pursuant to the acquisition of Tamabina Sdn Bhd (“TSB”), the timber division of the Group, the vendors of TSB have jointly and severally guarantee on the achievement by TSB of an audited consolidated profit after taxation of not less than RM12,000,000 per annum for each of the three (3) financial periods of twelve (12) months each ending 30 June 2010, 30 June 2011 and 30 June 2012.

## 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 2009 amounted to RM2,000.

## 9. Revaluation of Landed Properties

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

## 10. Material Contracts Involving Directors’ and Major Shareholders’ Interest

There were no material contracts involving Directors’ interests which have been entered into by the Group since the end of the previous financial year.



# Financial Statements

Directors' Report	
	30
Consolidated Balance Sheet	
	34
Balance Sheet	
	36
Consolidated Income Statement	
	37
Income Statement	
	38
Consolidated Statement of Changes in Equity	
	39
Statement of Changes in Equity	
	40
Consolidated Cash Flow Statement	
	41
Cash Flow Statement	
	43
Notes to the Financial Statements	
	44
Statement by Directors	
	83
Statutory Declaration	
	83
Independent Auditors' Report	
	84

# 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 2009.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are disclosed in Note 7 to the financial statements. There has 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	693,930	(1,215,341)
Attributable to:		
Equity holders of the Company	1,771,905	(1,215,341)
Minority Interest	(1,077,975)	-
	693,930	(1,215,341)

## 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 2009.

## 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 no known bad debts need to be 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 require the writing off of any 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.

### **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 impairment losses on property, plant and equipment and on other investment of RM686,403 and RM5,684,261 respectively and a negative goodwill arising on acquisition of a subsidiary of RM12,099,022, 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.

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.

# Directors' Report

cont'd

## 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:-

Datuk Goh Tian Chuan  
Jasen Vun Vui Fen  
Chen Heng Mun  
Yahya Bin Razali  
Dato' Hj Mohammad Mokhtar Bin Hj Hasan  
Mak Siew Wei  
Tan Chi Siong *(Appointed on 02.02.2010)*  
Foo Lee Khean *(Resigned on 04.09.2009)*

## 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 2009 are as follows:-

	Number of Ordinary Shares of RM1.00 each			
	At 1.1.2009/ date of appointment	Bought	Sold	At 31.12.2009
The Company				
<b>Nakamichi Corporation Berhad</b>				
<b>Direct interest</b>				
Datuk Goh Tian Chuan	2,500,000	-	-	2,500,000
Jasen Vun Vui Fun	258,500	-	-	258,500

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.

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

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors and fees paid or payable to directors as shown in the financial statements of the Company) 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.

## Directors' Report

*cont'd*

### DIRECTORS' BENEFITS *cont'd*

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 32 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*

**JASEN VUN VUI FEN**  
*Director*

Shah Alam

13 April 2010

# Consolidated Balance Sheet

as at 31 December 2009

		Group	
		2009	2008
		Note	RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,670,020	22,767,274
Prepaid land lease payments	5	-	3,063,379
Intangible asset	6	105,274,496	-
Other investment	8	-	5,684,261
<b>Total non-current assets</b>		<b>106,944,516</b>	<b>31,514,914</b>
<b>Current assets</b>			
Assets held for sale	9	24,487,573	-
Prepaid land lease payments	5	-	34,879
Inventories	10	4,008,931	-
Trade receivables	11	732,969	45,286
Other receivables, deposits and prepayments	12	499,376	643,753
Cash and bank balances		2,257,958	14,064
<b>Total current assets</b>		<b>31,986,807</b>	<b>737,982</b>
<b>TOTAL ASSETS</b>		<b>138,931,323</b>	<b>32,252,896</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	13	55,410,180	55,410,180
Reserves		(24,485,604)	(24,255,858)
Shareholders' funds		32,924,576	31,154,322
Minority interest	14	38,880,105	-
<b>Total equity</b>		<b>71,804,681</b>	<b>31,154,322</b>
<b>Long term liabilities</b>			
Borrowings	15	15,892,630	-
Deferred tax	17	26,347,679	-
<b>Total long term liabilities</b>		<b>42,240,309</b>	<b>-</b>

# Consolidated Balance Sheet

as at 31 December 2009

*cont'd*

		Group	
		2009	2008
	Note	RM	RM
<b>Current liabilities</b>			
Trade payables	18	5,566,481	-
Other payables and accruals	19	7,212,881	1,098,574
Tax liabilities		735,000	-
Borrowings	15	11,371,971	-
<b>Total current liabilities</b>		24,886,333	1,098,574
<b>Total liabilities</b>		67,126,642	1,098,574
<b>TOTAL EQUITY AND LIABILITIES</b>		138,931,323	32,252,896

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

# Balance Sheet

as at 31 December 2009

		Company	
		2009	2008
	Note	RM	RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	7	30,000,002	2
<b>Total non-current assets</b>		<b>30,000,002</b>	<b>2</b>
<b>Current assets</b>			
Other receivables, deposits and prepayments	12	21,793,895	21,455,357
Cash and bank balances		1,273	1,383
<b>Total current assets</b>		<b>21,795,168</b>	<b>21,456,740</b>
<b>TOTAL ASSETS</b>		<b>51,795,170</b>	<b>21,456,742</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	13	55,410,180	55,410,180
Reserves		(35,191,386)	(33,976,045)
Shareholders' funds		20,218,794	21,434,135
<b>Total equity</b>		<b>20,218,794</b>	<b>21,434,135</b>
<b>Long term liabilities</b>			
Borrowings	15	14,988,000	-
<b>Total long term liabilities</b>		<b>14,988,000</b>	<b>-</b>
<b>Current liabilities</b>			
Other payables and accruals	19	5,580,376	22,607
Borrowings	15	11,008,000	-
<b>Total current liabilities</b>		<b>16,588,376</b>	<b>22,607</b>
<b>Total liabilities</b>		<b>31,576,376</b>	<b>22,607</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>51,795,170</b>	<b>21,456,742</b>

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

# Consolidated Income Statement

for the financial year ended 31 December 2009

	Group	2009	2008
	Note	RM	RM
Revenue	20	28,816,730	4,604,243
Cost of sales		(30,959,079)	(4,503,735)
<b>Gross (Loss)/Profit</b>		<b>(2,142,349)</b>	<b>100,508</b>
Other income		49,453	4,706,110
Administrative expenses		(9,000,697)	(3,461,790)
<b>Operating (loss)/profit</b>	21	<b>(11,093,593)</b>	<b>1,344,828</b>
Finance costs	22	(881,090)	-
Negative goodwill arising from acquisition of a subsidiary		12,099,022	-
<b>Profit before taxation</b>		<b>124,339</b>	<b>1,344,828</b>
Taxation	24	569,591	-
<b>Profit for the financial year</b>		<b>693,930</b>	<b>1,344,828</b>
<b>Profit/(Loss) for the financial year attributable to:</b>			
Equity holders of the Company		1,771,905	1,344,828
Minority Interest		(1,077,975)	-
		<b>693,930</b>	<b>1,344,828</b>
<b>Earnings per ordinary share (sen)</b>			
- basic	25	3.20	2.43
- diluted		-	-

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

# Income Statement

for the financial year ended 31 December 2009

	Note	Company	
		2009	2008
		RM	RM
Revenue	20	510,000	-
Cost of sales		-	-
<b>Gross Profit</b>		510,000	-
Other income		-	46,197
Administrative expenses		(876,758)	(14,928,336)
<b>Operating loss</b>	21	(366,758)	(14,882,139)
Finance costs	22	(848,583)	-
<b>Loss before taxation</b>		(1,215,341)	(14,882,139)
Taxation	24	-	-
<b>Loss for the financial year</b>		(1,215,341)	(14,882,139)

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

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2009

Attributable to equity holders of the Company								
	Non-Distributable			Distributable				
	Share Capital	Share Premium	Translation Reserve	Foreign Currency	Accumulated Losses	Total	Minority Interest	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<b>Group</b>								
Balance as at								
1 January								
2008	55,410,180	38,451,919	48,705	(64,045,778)	29,865,026		-	29,865,026
Foreign currency translation	-	-	(55,532)		-	(55,532)	-	(55,532)
Net profit for the financial year	-	-	-	1,344,828	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		-	31,154,322
Foreign currency translation	-	-	(1,651)		-	(1,651)	-	(1,651)
Net profit/ (loss) for the financial year	-	-	-	1,771,905	1,771,905	(1,077,975)	693,930	
Minority interest	-	-	-	-	-	-	40,448,080	40,448,080
Dividend	-	-	-	-	-	-	(490,000)	(490,000)
Balance as at 31 December								
2009	55,410,180	38,451,919	(8,478)	(60,929,045)	32,924,576	38,880,105	71,804,681	

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

# Statement of Changes in Equity

for the financial year ended 31 December 2009

## Attributable to equity holders of the Company

### Non-Distributable

### Distributable

	Share Capital	Share Premium	Accumulated Losses	Total
	RM	RM	RM	RM

#### Company

Balance as at 1 January 2008	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
Net loss for the financial year	-	-	(1,215,341)	(1,215,341)
Balance as at 31 December 2009	55,410,180	38,451,919	(73,643,305)	20,218,794

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

# Consolidated Cash Flow Statement

for the financial year ended 31 December 2009

	Group	
	2009	2008
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES:-</b>		
Profit before taxation	124,339	1,344,828
Adjustments for:-		
Allowance for doubtful debts	316,455	-
Amortisation of intangible asset	5,026,552	-
Amortisation of prepaid land lease payments	34,879	34,879
Depreciation	778,917	752,560
Impairment loss on an investment	5,684,261	-
Impairment loss on property, plant and equipment	686,403	-
Interest expenses	881,090	-
Interest income	(49,453)	(944)
Negative goodwill arising from acquisition of a subsidiary	(12,099,022)	-
Gain on foreign currency translation	-	(50,800)
Unrealised loss on foreign exchange	2,368	867
Waiver of debts due to former related companies (net)	-	(3,742,604)
Operating profit/(loss) before working capital changes	1,386,789	(1,661,214)
Changes in working capital:-		
Inventories	(1,067,949)	-
Receivables, deposits and prepayments	269,773	40,679
Payables and accruals	5,954,255	1,087,215
Net cash generated from/(used in) operating activities	6,542,868	(533,320)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:-</b>		
Interest received	49,453	944
Proceeds from disposal of property, plant and equipment	-	192,695
Purchase of property, plant and equipment*	(335,531)	-
Acquisition of a subsidiary, net of cash and cash equivalents	(29,812,707)	-
Net cash (used in)/generated from investing activities	(30,098,785)	193,639

# Consolidated Cash Flow Statement

for the financial year ended 31 December 2009

*cont'd*

	Group	
	2009	2008
	RM	RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES: -</b>		
Advances from directors	827,955	-
Drawndown of term loans	30,000,000	-
Repayment of term loans	(5,004,000)	-
Interest paid	(881,090)	(234)
Repayment of hire purchase payables	(143,054)	-
Net cash generated from/(used in) financing activities	<b>24,799,811</b>	<b>(234)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,243,894</b>	<b>(339,681)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>14,064</b>	<b>353,745</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b>1,257,958</b>	<b>14,064</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and bank balances	2,257,958	14,064
Bank overdraft	(1,000,000)	-
Total cash and cash equivalents	<b>1,257,958</b>	<b>14,064</b>

- \* During the financial year, the Group acquired property, plant and equipment amounting to RM1,373,405 (2008: RMNil) of which RM1,224,244 were acquired by means of hire purchase arrangements. Cash payment amounting to RM186,370 was made towards the hire purchase for the Group.

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

# Cash Flow Statement

for the financial year ended 31 December 2009

	Company	
	2009	2008
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Loss before taxation	(1,215,341)	(14,882,139)
Adjustments for:		
Amount owing by subsidiaries written off	-	5,245
Dividend income	(510,000)	-
Investment in a subsidiary written off	-	14,739,418
Interest expenses	848,583	-
Waiver of amount due to former related companies	-	(46,197)
Operating loss before working capital changes	(876,758)	(183,673)
Changes in working capital		
Receivables	(338,538)	197,680
Payables and accruals	309,769	(14,117)
Net cash used in operating activities	(905,527)	(110)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of a subsidiary	(30,000,000)	-
Dividend received	510,000	-
Net cash used in investing activities	(29,490,000)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Advances from a subsidiary	5,148,000	-
Advances from a director	100,000	-
Drawdown of term loans	30,000,000	-
Repayment of term loans	(5,004,000)	-
Interest paid	(848,583)	-
Net cash generated from financing activities	29,395,417	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,000,110)</b>	<b>(110)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>1,383</b>	<b>1,493</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b>(998,727)</b>	<b>1,383</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and bank balances	1,273	1,383
Bank overdraft	(1,000,000)	-
Total cash and cash equivalents	(998,727)	1,383

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 7 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 Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 312, 3rd 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 2010.

## 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.

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations ("IC Int")

#### (a) Adoption of New and Revised FRSs, Amendments/Improvements to FRSs and IC Int

There are no new and revised accounting standards, amendments/improvements to FRSs and IC Int that are effective and applicable for the Group's financial year ended 31 December 2009.

# Notes to the Financial Statements

cont'd

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

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations ("IC Int") *cont'd*

**(b) *New and Revised FRSs, Amendments/Improvements to FRSs 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 and revised FRSs, amendments/ improvements to FRSs and IC Int that have been issued but are not yet effective for the Group and the Company:

		Effective for financial periods beginning on or after
<b><u>New FRSs</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>Revised FRSs</u></b>		
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
<b><u>Amendments/Improvements to FRSs</u></b>		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010 and 1 January 2011
FRS 2	Share-based Payment	1 January 2010 and 1 January 2011
FRS 5	Assets Held For Sale and Discontinued Operations	1 January 2010 and 1 July 2010
FRS 7	Financial Instruments: Disclosure	1 January 2010 and 1 January 2011
FRS 8	Operating Segments	1 January 2010
FRS 107	Statement of Cash Flows	1 January 2010
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
FRS 110	Events After the Reporting Period	1 January 2010
FRS 116	Property, Plant and Equipment	1 January 2010

# Notes to the Financial Statements

cont'd

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

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations ("IC Int") cont'd

(b) *New and Revised FRSs, Amendments/Improvements to FRSs and IC Int that are issued, not yet effective and have not been early adopted* cont'd

		Effective for financial periods beginning on or after
<b><u>Amendments/Improvements to FRSs</u></b>		
FRS 117	Leases	1 January 2010
FRS 118	Revenue	1 January 2010
FRS 119	Employee Benefits	1 January 2010
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements	1 January 2010
FRS 128	Investment in Associates	1 January 2010
FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
FRS 131	Interests in Joint Ventures	1 January 2010
FRS 132	Financial Instruments: Presentation	1 January 2010 and 1 March 2010
FRS 134	Interim Financial Reporting	1 January 2010
FRS 136	Impairment of Assets	1 January 2010
FRS 138	Intangible Assets	1 January 2010 and 1 July 2010
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010
FRS 140	Investment Property	1 January 2010
<b><u>IC Int</u></b>		
IC Int 9	Reassessment of Embedded Derivatives	1 January 2010 and 1 July 2010
IC Int 10	Interim Financial Reporting and Impairment	1 January 2010
IC Int 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Int 12	Service Concession Arrangements	1 July 2010
IC Int 13	Customer Loyalty Programmes	1 January 2010
IC Int 14	FRS 119 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Int 15	Agreements for the Construction of Real Estate	1 July 2010
IC Int 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Int 17	Distributions of Non-cash Assets to Owners	1 July 2010

# Notes to the Financial Statements

*cont'd*

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

### 2.2 New and Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations ("IC Int") *cont'd*

#### (b) *New and Revised FRSs, Amendments/Improvements to FRSs and IC Int that are issued, not yet effective and have not been early adopted* *cont'd*

Other than FRS 139, the directors do not anticipate that the application of the above new FRSs, revised FRSs, Amendments/Improvements to FRSs and IC Int, when they are effective, will have a material impact on the results and the financial position of the Company.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by Paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors are not disclosed by virtue of the exemptions given in the respective FRSs.

### 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.

Acquisitions of subsidiary 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<sub>2004</sub> 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 7 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.

# 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*

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.

#### (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(h). On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included 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*

#### (b) *Subsidiaries* *cont'd*

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(h).

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%
Camp and office equipment	20%
Furniture, fittings and leasehold improvement	10-20%
Computer equipment	20%
Motor vehicles	20-25%
Other assets	20%

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.

# Notes to the Financial Statements

cont'd

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

### 2.3 Significant Accounting Policies cont'd

#### (d) *Goodwill*

Goodwill represents the excess of the cost of business combination over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Following the initial recognition, goodwill is 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(h).

Goodwill is not amortised but is reviewed for impairment, annually or more frequently for impairment in value and is written down where it is considered necessary. Impairment losses on goodwill are not reversed. The calculation of gains and losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity being sold.

Negative goodwill represents the excess of the fair value of the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination. Negative goodwill is recognised directly in the income statement.

#### (e) *Assets Held for Sale*

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

No depreciation and amortisation is provided on the assets while classified as assets held for sale.

The assets shall be derecognised on disposal and the difference between the net disposal proceeds and the carrying amount is recognised as profit or loss in the period of disposal.

An asset that ceases to be classified as assets held for sale shall be measured at the lower of its carrying amount before the asset was classified as assets held for sale, adjusted for any depreciation, amortisation or revaluations that would be recognised had the asset not be classified as assets held for sale, and its recoverable amount at the date of the subsequent decision not to sell.

# Notes to the Financial Statements

*cont'd*

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

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

#### (f) *Prepaid Land Lease Payments*

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 land lease payments and are amortised on a straight-line basis over the lease term.

#### (g) *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(h).

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

#### (h) *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 goodwill and intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

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.

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.

# Notes to the Financial Statements

*cont'd*

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

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

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

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.

#### (i) *Timber Extraction Rights*

Timber extraction rights represent the exclusive rights of a subsidiary to extract, purchase and sale of commercial timber logs extractable from a designated timber concession area located at Pinangah Forest Reserve, Sabah. Timber extraction rights are stated at its acquisition costs and/or its fair value upon acquisition of the said subsidiary, less accumulated amortisation and impairment losses. Amortisation is provided on a unit of production basis of the financial year so as to write off the costs in proportion to the depletion of the total volume of extractable logs. Timber extraction rights are reviewed annually or more frequently if the events or changes in circumstances indicate the carrying value may be impaired.

#### (j) *Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in extracting the timber logs and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (k) *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.

#### (l) *Payables*

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

#### (m) *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.

# Notes to the Financial Statements

*cont'd*

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

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

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

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.

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.

#### *(n) Borrowings*

Borrowings are recorded at the proceeds received, net of transaction costs incurred.

All other 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.

#### *(o) 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.

# Notes to the Financial Statements

cont'd

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

### 2.3 Significant Accounting Policies cont'd

#### (p) *Leases*

##### (i) *Finance Leases*

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance cost, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

##### (ii) *Operating Leases*

An operating lease is a lease other than a finance lease. Lease payments under operating lease are recognized as an expense in the income statement on a straight line basis over the lease period.

#### (q) *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.

#### (r) *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.

# Notes to the Financial Statements

*cont'd*

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

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

#### (r) *Share Capital* *cont'd*

##### *Ordinary Shares* *cont'd*

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.

#### (s) *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 is recognised upon delivery of products, if any, or performance of services, net of sales taxes and discounts.

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 income from subsidiaries are recognised when the right to receive the payment is established while dividends from other investment are recognised when received.

#### (t) *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.

# Notes to the Financial Statements

*cont'd*

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

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

#### (t) *Employee Benefits* *cont'd*

##### (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.

#### (u) *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.

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

# Notes to the Financial Statements

*cont'd*

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

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

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

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

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.

#### (v) *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.

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.

# Notes to the Financial Statements

*cont'd*

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

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

#### **(w) 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.

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.

# Notes to the Financial Statements

*cont'd*

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

### (iii) Impairment of Timber Extraction Rights

The Group assesses the timber extraction rights for impairment on an annual basis. This requires an estimation of the value-in-use of timber extraction rights. Estimating a value-in-use amount requires management to make an estimation of future expected cash flows from the timber extraction rights and to choose suitable discount rates in order to calculate the present value of these future expected cash flows. The carrying amount of timber extraction rights as at 31 December 2009 is RM105,274,496. 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 from the timber operations, 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 its timber extraction rights.

### (iv) 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.

### (v) 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 RM86,836,471 (2008: RM80,377,360).

### (vi) 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.

### (vii) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

# Notes to the Financial Statements

cont'd

## 4. PROPERTY, PLANT AND EQUIPMENT

Group 2009	Plant, machinery and tools		Leasehold improvement	Camp & office equipment	Camp & office furniture & fittings	Motor vehicle	Computer equipment	Other assets*	Total
	Building	RM	RM	RM	RM	RM	RM	RM	RM
<b>Cost</b>									
At 1 January 2009	29,595,482	6,634,228	5,359,220	-	1,231,392	352,757	2,721,044	-	45,894,123
Acquisition of a subsidiary	-	42,951	-	35,993	1,640	436,932	-	13,507	531,023
Additions	-	1,014,479	-	45,462	8,695	279,244	-	25,525	1,373,405
Reclassified as assets held for sale	(29,595,482)	-	-	-	-	-	-	-	(29,595,482)
At 31 December 2009	-	7,691,658	5,359,220	81,455	1,241,727	1,068,933	2,721,044	39,032	18,203,069
<b>Accumulated Depreciation and Impairment Loss</b>									
At 1 January 2009	6,828,208	6,634,228	5,359,220	-	1,231,392	352,757	2,721,044	-	23,126,849
Acquisition of a subsidiary	-	2,295	-	4,379	137	103,362	-	1,995	112,168
Depreciation	656,677	45,558	-	7,698	899	65,181	-	2,904	778,917
Impairment loss	686,403	-	-	-	-	-	-	-	686,403
Reclassified as assets held for sale	(8,171,288)	-	-	-	-	-	-	-	(8,171,288)
At 31 December 2009	-	6,682,081	5,359,220	12,077	1,232,428	521,300	2,721,044	4,899	16,533,049
<b>Net Book Value at 31 December 2009</b>	-	1,009,577	-	69,378	9,299	547,633	-	34,133	1,670,020

\* Other assets consist of telecommunication items, electrical installation and other camp and quarters' assets.

# Notes to the Financial Statements

cont'd

## 4. PROPERTY, PLANT AND EQUIPMENT cont'd

Group 2008	Plant, machinery and tools		Leasehold improvement	Camp & office equipment	Camp & office furniture & fittings	Motor vehicle	Computer equipment	Other assets*	Total
	Building	RM	RM	RM	RM	RM	RM	RM	RM
<b>At 1 January 2008</b>									
29,638,284	8,573,070	5,359,220	-	1,232,220	352,757	2,726,459	-	47,882,010	
Disposals	(43,836)	(1,985,703)	-	-	(848)	-	(5,546)	-	(2,035,933)
Exchange differences	1,034	46,861	-	-	20	-	131	-	48,046
<b>At 31 December 2008</b>									
29,595,482	6,634,228	5,359,220	-	1,231,392	352,757	2,721,044	-	45,894,123	
<b>Accumulated Depreciation</b>									
At 1 January 2008	6,180,488	8,359,656	5,359,220	-	1,214,545	352,757	2,718,605	-	24,185,271
Depreciation	681,351	45,677	-	-	17,678	-	7,854	-	752,560
Disposals	(34,195)	(1,813,887)	-	-	(851)	-	(5,546)	-	(1,854,479)
Exchange differences	564	42,782	-	-	20	-	131	-	43,497
At 31 December 2008	6,828,208	6,634,228	5,359,220	-	1,231,392	352,757	2,721,044	-	23,126,849
<b>Net Book Value at 31 December 2008</b>									
	22,767,274	-	-	-	-	-	-	-	22,767,274

\* Other assets consist of telecommunication items, electrical installation and other camp and quarters' assets.

### Assets Under Hire Purchase Arrangements

The net book value of property, plant and equipment of the Group acquired under hire purchase arrangements are as follows:

	Group	
	2009	2008
	RM	RM
Motor vehicles	547,633	-
Plant and machinery	911,250	-
	1,458,883	-

# Notes to the Financial Statements

cont'd

## 5. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	2008
	RM	RM
<b>Cost:</b>		
At 1 January/31 December	3,453,024	3,453,024
Transferred to assets held for sale	(3,453,024)	-
At 31 December	-	<u>3,453,024</u>
 <b>Accumulated amortisation:</b>		
At 1 January	354,766	319,887
Amortisation during the year	34,879	34,879
Transferred to assets held for sale	(389,645)	-
At 31 December	-	<u>354,766</u>
 <b>Carrying value:</b>		
At 31 December	-	3,098,258
Less: Current portion	-	(34,879)
Non-current portion	-	<u>3,063,379</u>

## 6. INTANGIBLE ASSET

	Group	
	2009	2008
	RM	RM
<b>Cost:</b>		
At 1 January	-	-
Rights recognised on acquisition of a subsidiary	110,301,048	-
Amortisation	(5,026,552)	-
At 31 December	<u>105,274,496</u>	-

Timber extraction rights arose from the acquisition of the timber division. The fair value of the timber extraction rights of RM110,301,048 on the acquisition date was made by the Directors of the Company and updated with certain assumptions based on the independent valuation performed by a licensed valuer dated 10 December 2007 in accordance with the number of units of timber logs extractable from the date of valuation. A deferred tax liability on the timber extraction rights of RM27,575,262 was recognised simultaneously with the timber extraction rights.

# Notes to the Financial Statements

*cont'd*

## 6. INTANGIBLE ASSET *cont'd*

The updated Directors' valuation of the timber extraction rights was based on the value in use which was determined by discounting the future cash flows generated from the timber division after having taking into account the following key assumptions:

- (i) 5 years cash flow projections based on expected operating results and on management's assessment of future trends in the timber division and are based on internal sources;
- (ii) the salient cost components as stipulated in the Log Extraction and Timber Sale Agreement dated 29 May 2007 entered into by the timber division for the extraction and sale of timber logs from the concession area;
- (iii) the total available volume of commercial timber located in the concession area; and
- (iv) a pre-tax discount rate of 8% was applied in discounting the future cash flows. The discount rate was estimated based on the Company's weighted average cost of capital.

## 7. INVESTMENT IN SUBSIDIARIES

	Company	
	2009	2008
	RM	RM
<b>At cost:</b>		
Unquoted shares in Malaysia	37,847,302	7,847,302
Less: Accumulated impairment losses	(7,847,300)	(7,847,300)
	<b>30,000,002</b>	<b>2</b>

Details of subsidiaries are as follows:

	Effective Equity Interests		Principal Activities
	2009	2008	
	%	%	
<b>Direct subsidiaries</b>			
Nakamichi Malaysia Sdn. Bhd. #	100	100	Assembly and sale of audio and visual electronic consumer products
Capetronic Computer (Malaysia) Sdn. Bhd.	100	100	Dormant
Tamabina Sdn. Bhd. ("TSB")	51	-	Extraction and sale of timber logs

# Notes to the Financial Statements

*cont'd*

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

# 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).

During the financial year, the Company acquired 51,000 ordinary shares of RM1.00 each, representing 51% equity interest in TSB. Refer to Note 26 for details.

The investment in TSB was charged to a financial institution as security for credit facilities granted to the Company as disclosed in Note 15 to the financial statements.

## 8. OTHER INVESTMENT

	Group	
	2009	2008
	RM	RM
At cost:		
Quoted shares outside Malaysia	43,692,033	43,692,033
Less: Accumulated impairment losses	(43,692,033)	(38,007,772)
At 31 December	-	5,684,261
Market value of quoted shares	-	6,322,805

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.

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.

The auditors' report dated 13 April 2009 on the financial statements of the Group for the financial year ended 31 December 2008 stated that the auditors were unable to carry out appropriate alternative audit procedures to obtain sufficient and appropriate audit evidence to satisfy themselves as to the existence, carrying value and ownership of the investment as the share certificates were unavailable.

As at 31 December 2009, the carrying amount of the said investment had been fully impaired during the current financial year.

# Notes to the Financial Statements

*cont'd*

## 9. ASSETS HELD FOR SALE

During the financial year, the Group had expressed its intention to sell its leasehold land and building. As such, the leasehold land and building has been reclassified as 'assets held for sale' and categorised under current assets. Prior to the reclassification, an impairment loss of RM686,403 has been provided to write down the carrying value of the leasehold building to its fair value less costs to sell. Details of the assets held for sale are as follows:

	Group	
	2009	2008
	RM	RM
<b>Amount transferred from:</b>		
Leasehold land	3,063,379	-
Leasehold building	21,424,194	-
	<b>24,487,573</b>	-

### Security

At 31 December 2009, the assets held for sale of the Group was charged to a financial institution as security for credit facilities granted to the Company as disclosed in Note 15 to the financial statements.

## 10. INVENTORIES

	Group	
	2009	2008
	RM	RM
<b>At cost:</b>		
Timber logs	4,008,931	-

## 11. TRADE RECEIVABLES

The Group's normal trade credit terms range from 30 days to 60 days (2008: 30 days to 60 days). Other credit terms are assessed and approved on a case-to-case basis.

	Group	
	2009	2008
	RM	RM
<b>Trade receivables</b>		
Less:		
Allowance for doubtful debts	(47,219)	-
	<b>732,969</b>	<b>45,286</b>

# Notes to the Financial Statements

cont'd

## 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Due from subsidiaries	-	-	51,417,593	51,079,055
Due from former related companies	23,912	15,332,744	-	-
Other receivables	634,272	590,625	-	-
Deposits	55,382	42,750	-	-
Prepayments	55,046	10,378	-	-
	768,612	15,976,497	51,417,593	51,079,055
Less: Allowance for doubtful debts	(269,236)	-	(29,623,698)	(29,623,698)
Less: Waiver of amounts due from former related companies	-	(15,332,744)	-	-
	499,376	643,753	21,793,895	21,455,357

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. The waiver of amounts due from former related companies in 2008 were made in accordance with a waiver of debt agreement dated 30 September 2008.

## 13. SHARE CAPITAL

	2009		2008	
	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

## 14. MINORITY INTEREST

This consist of the minority shareholders' proportion of the share capital and reserves of subsidiaries that they have interest in and their share of the fair value less accumulated amortisation on the timber extraction rights arising on acquisition of that subsidiary.

# Notes to the Financial Statements

*cont'd*

## 15. BORROWINGS

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
<b>Short term borrowings</b>				
Secured:				
Bank overdraft	1,000,000	-	1,000,000	-
Term loans	10,008,000	-	10,008,000	-
Hire purchase payables (Note 16)	363,971	-	-	-
	<b>11,371,971</b>	-	<b>11,008,000</b>	-
<b>Long term borrowings</b>				
Secured:				
Term loans	14,988,000	-	14,988,000	-
Hire purchase payables (Note 16)	904,630	-	-	-
	<b>15,892,630</b>	-	<b>14,988,000</b>	-
<b>Total borrowings</b>				
Secured:				
Bank overdraft	1,000,000	-	1,000,000	-
Term loans	24,996,000	-	24,996,000	-
Hire purchase payables (Note 16)	1,268,601	-	-	-
Total borrowings	<b>27,264,601</b>	-	<b>25,996,000</b>	-

**The bank overdraft and term loans are secured by way of:**

- i) legal charge over the leasehold land and building of a subsidiary;
- ii) a fixed and floating charge over all the existing and future assets of the Company;
- iii) a fixed charge over the 51,000 ordinary shares of TSB owned by the Company;
- iv) a third party fixed charge over third parties' fixed deposits;
- v) joint and several guarantee by certain directors of a subsidiary;
- vi) legal charge over certain current account(s) maintained by the Company;

# Notes to the Financial Statements

*cont'd*

## 15. BORROWINGS *cont'd*

- vii) assignment of insurance proceeds on the properties charged to the lending bank; and
- viii) assignment of the Company's rights and benefits under the share sale agreement for the acquisition of TSB, which include the Company's rights to the profit guarantee from the vendors of TSB.

The secured bank overdraft facility of RM1.0 million is subject to an interest rate of 1.5% per annum above the lending bank's base lending rate and is repayable on demand;

The first secured term loan facility of RM16.0 million is subject to an interest rate of 1.25% per annum above the lending bank's one month cost of funds and is repayable monthly over a period of 3 years commencing from 9 June 2009;

The second secured term loan facility of RM14.0 million is subject to an interest rate of 2.0% per annum above the lending bank's base lending rate and is repayable monthly over a period of 3 years commencing 9 June 2009.

## 16. HIRE PURCHASE PAYABLES

	Group	
	2009	2008
	RM	RM
<b>Future minimum hire purchase payments:</b>		
Not later than one year	435,290	-
Later than one year but not later than five years	967,449	-
Later than five years	14,336	-
	1,417,075	-
Less: Future finance charges	(148,474)	-
Present value of hire purchase payables	1,268,601	-
<b>Analysis of present value of hire purchase payables:</b>		
Not later than one year	363,971	-
Later than one year but not later than five years	890,548	-
Later than five years	14,082	-
	1,268,601	-

# Notes to the Financial Statements

*cont'd*

## 17. DEFERRED TAX

(a) The movement in recognised deferred tax liabilities are as follows:

	Group	
	2009 RM	2008 RM
At 1 January	-	-
Arising on recognition of timber extraction rights (Note 6)	27,575,262	-
Origination of temporary differences	29,055	-
Crystallisation of deferred tax liability on timber extraction rights	(1,256,638)	-
At 31 December	26,347,679	-

(b) The component and movement of deferred tax liabilities during the financial year are as follows:

Group	Property, plant and equipment RM	Timber extraction rights RM	Total RM	
			RM	RM
At 1 January 2009	-	-	-	-
Arising on acquisition of a subsidiary	-	27,575,262	27,575,262	27,575,262
Origination of temporary differences	29,055	-	-	29,055
Crystallisation of deferred tax liability	-	(1,256,638)	(1,256,638)	(1,256,638)
At 31 December 2009	29,055	26,318,624	26,347,679	26,347,679

(c) The temporary differences of which no deferred tax assets have been recognised in the balance sheet are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unutilised tax losses	62,103,263	55,602,821	-	-
Unabsorbed capital allowances	24,733,208	24,774,539	-	-
	86,836,471	80,377,360	-	-

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*

## 18. TRADE PAYABLES

The normal trade credit term granted to the group is 14 to 30 days.

Included in trade payables is an amount of RM672,163 (2008: RMNil) owing to a company who has common shareholder and director with the Group.

## 19. OTHER PAYABLES AND ACCRUALS

The other payables and accruals consist of:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Due to a subsidiary	-	-	5,148,000	-
Due to former related companies	-	19,102,002	-	43,197
Other payables	512,131	182,158	65,976	3,607
Deposits	977,929	-	-	-
Accruals	3,615,330	299,137	266,400	19,000
Amount due to directors	2,107,491	-	100,000	-
Provision for termination benefit	-	590,625	-	-
	7,212,881	20,173,922	5,580,376	65,804
Less: Waiver of amounts due to former related companies	-	(19,075,348)	-	(43,197)
	7,212,881	1,098,574	5,580,376	22,607

Included in other payables is an amount owing to a company with common shareholders and directors with the Company of RM9,971 (2008: RM2,493).

The amount due to directors are unsecured, interest free and have no fixed terms of repayment.

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. The waivers of amounts due to former related companies in 2008 were made in accordance with a waiver of debt agreement dated 30 September 2008.

## 20. REVENUE

Revenue for the Company represents gross dividends received from a subsidiary. Revenue of the Group represents the invoiced value of goods sold net of returns and discounts.

# Notes to the Financial Statements

*cont'd*

## 21. OPERATING (LOSS)/PROFIT

Operating (loss)/profit has been arrived at:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
After charging:				
Allowance for doubtful debts	316,455	-	-	-
Amortisation of intangible asset	5,026,552	-	-	-
Amortisation of prepaid land lease payments	34,879	34,879	-	-
Amount due by subsidiaries written off	-	-	-	5,245
Auditor's remuneration:				
- statutory				
- current year	49,094	35,690	16,000	16,000
- over provision in prior year	(1,209)	-	-	-
- non statutory	2,000	2,000	2,000	2,000
Depreciation	778,917	752,560	-	-
Director				
- fees	95,400	-	95,400	-
- remuneration	153,000	-	153,000	-
Impairment loss on other investment	5,684,261	-	-	-
Impairment loss on property, plant and equipment	686,403	-	-	-
Investment in a subsidiary written off	-	-	-	14,739,418
Net realised foreign exchange losses	-	55,787	-	6,746
Net unrealised foreign exchange losses	2,368	867	-	-
Rental of premises	162,937	863,445	-	-
Waiver of amounts due from former related companies	-	15,332,744	-	-
And crediting:				
Dividend income	-	-	510,000	-
Interest income	49,453	944	-	-
Waiver of amounts due to former related companies	-	19,075,348	-	46,197

# Notes to the Financial Statements

*cont'd*

## 22. FINANCE COSTS

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Interest expenses on:				
- bank overdraft	32,433	-	32,433	-
- term loans	816,150	-	816,150	-
- hire purchase payables	32,507	-	-	-
	881,090	-	848,583	-

## 23. EMPLOYEE BENEFITS

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Salaries, wages, allowances, bonuses and termination benefits	350,830	274,303	6,000	-
Contributions to defined contribution plans	14,000	10,375	-	-
Other employee benefits	6,077	4,375	-	-
	370,907	289,053	6,000	-

Included in employee benefit expenses of the Group are Executive Directors' remuneration amounted to RM153,000 (2008: Nil).

## 24. TAXATION

	Group	
	2009	2008
	RM	RM
Income tax expense:		
- current year	657,992	-
Deferred tax:		
- origination of temporary differences	29,055	-
- crystallisation of deferred tax liability on timber extraction rights	(1,256,638)	-
	(569,591)	-

Income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the financial year.

# Notes to the Financial Statements

*cont'd*

## 24. TAXATION *cont'd*

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

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Profit/(Loss) before taxation	124,339	1,344,828	(1,215,341)	(14,882,139)
Taxation at Malaysian applicable tax rate of 25% (2008: 26%)	31,084	349,655	(303,835)	(3,869,356)
Different tax rates in other countries	9,348	(43,900)	-	-
Tax effects arising from				
- tax incentive	(25,000)	-	-	-
- non-taxable income	(3,790,161)	(14,661)	-	(12,011)
- non-deductible expenses	2,846,998	10,260,029	303,835	3,881,367
- effect of deferred tax assets not recognised in the financial statements	1,614,778	(10,551,123)	-	-
Crystallisation of deferred tax liability on timber extraction rights	(1,256,638)	-	-	-
Taxation for the financial year	(569,591)	-	-	-

## 25. EARNINGS PER SHARE

### Basic Earnings Per Share

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

	Group	
	2009	2008
	RM	RM
Profit for the year	1,771,905	1,344,828
Weighted average number of ordinary shares on issue	55,410,180	55,410,180
Basic earning per ordinary share (sen)	3.20	2.43

### 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.

# Notes to the Financial Statements

cont'd

## 26. ACQUISITION OF A SUBSIDIARY

The Company had on 9 June 2009 completed the sale and purchase agreement dated 17 December 2007 in respect of its acquisition of the 51% equity interest, comprising of 51,000 ordinary shares of RM1.00 each in TSB for a cash consideration of RM30,000,000. TSB is principally involved in the extraction and sale of timber logs. In the 7 months to 31 December 2009, TSB contributed a net profit attributable to the equity holders of the Company of RM800,681. If the acquisition had occurred on 1 January 2009, management estimates that the consolidated revenue for the financial year would have been RM32.1 million whereas the consolidated net profit attributable to the ordinary shareholders of the Company will remain the same.

The effects on the acquisition date are as follows:

	RM
Cash consideration	30,000,000
Share of the fair value of net identifiable assets acquired	42,099,022
Negative goodwill	<u>(12,099,022)</u>

The fair value of the net identifiable assets and liabilities at the acquisition date comprised the following:

	Pre-acquisition carrying amounts	Fair value adjustment	Recognised values on acquisition
	RM	RM	RM
Property, plant and equipment	418,855	-	418,855
Intangible asset			
-Timber extraction rights	-	110,301,048	110,301,048
Inventories	2,940,982	-	2,940,982
Trade receivables	911,703	-	911,703
Other receivables, deposits and prepayments	221,850	-	221,850
Cash and cash equivalents	187,293	-	187,293
Trade payables	(3,259,125)	-	(3,259,125)
Other payables and accruals	(359,917)	-	(359,917)
Tax liabilities	(77,008)	-	(77,008)
Amount owing to directors	(789,536)	-	(789,536)
Deferred tax liability of timber extraction rights	-	(27,575,262)	(27,575,262)
Hire purchase payables	(373,781)	-	(373,781)
Net identifiable assets and liabilities	<u>(178,684)</u>	82,725,786	82,547,102
The Group's share of the fair value of the net identifiable assets and liabilities arising from the acquisition			42,099,022

# Notes to the Financial Statements

*cont'd*

## 26. ACQUISITION OF A SUBSIDIARY *cont'd*

The timber extraction rights of TSB were valued at RM110,301,048 and were recognised as an intangible asset on acquisition.

The net cash outflow on acquisition is derived as follows:

	RM
Cash consideration	30,000,000
Cash and cash equivalents of TSB acquired	(187,293)
<b>Net cash outflow to the Group</b>	<b>29,812,707</b>

## 27. CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment and investment not provided for in the financial statements are as follows:

	Group	
	2009	2008
	RM	RM
Investment: acquisition of a company (Note 26)		
- approved and contracted for	-	30,000,000
Plant and equipment		
- approved but not contracted for	4,356,000	-
- approved and contracted for	451,500	-
	<b>4,807,500</b>	<b>30,000,000</b>

## 28. CONTINGENT LIABILITIES

	Group	
	2009	2008
	RM	RM
Bank guarantees issued in favour of various third parties	500,000	-

# Notes to the Financial Statements

*cont'd*

## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Identification of Related Parties

Parties are considered to be related to the Group and the Company if the Group and 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.

Key management personnel comprise persons, having authority and responsibility for planning, directing and controlling the activities of the group entities either directly or indirectly.

The Company has controlling related party relationships with its subsidiaries.

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

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Log loading and trucking services payable to a company with common shareholder and director with the Group	1,549,978	-	-	-
Rental of premises payable to a company with common shareholders and directors with the Company	6,278	2,093	-	-

The directors of the Group and of the Company are of the opinion that these transactions have been entered into in the normal course of business and have been established under negotiated terms.

### (b) Executive Directors and Key Management Personnel Compensation

The remuneration of executive directors and key management personnel during the financial year were as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Salaries, wages, bonuses and allowances	282,401	-	153,000	-

# Notes to the Financial Statements

*cont'd*

## 30. SEGMENTAL REPORTING

### (a) Reporting Format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by difference in products and services produced. Secondary segmental information is reported geographically.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of interest-earning assets, interest-bearing loans and expenses, corporate assets, liabilities and expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

### (b) Business Segment

The Group's business segment is the manufacture and sale of audio and visual electronic consumer products. Extraction and sale of timber logs is a new business which constitutes a reportable segment separately.

The Group has 3 identifiable business segments. Hence, segment information analysis by business segments, represented below, shall be the primary basis of the Group's segment reporting for the financial year ended 31 December 2009.

	Investment Holding	Audio and Visual	Timber	Others	Elimination	Group
	RM	RM	RM	RM	RM	RM
<b>2009</b>						
Revenue		- 2,704,545	26,112,184	-	-	28,816,730
<b>Results</b>						
Segment results		(5,903,310)	(7,476,185)	2,289,518	(3,616)	- (11,093,593)
Finance costs						(881,090)
Negative goodwill arising from acquisition of a subsidiary						12,099,022
Profit before taxation						124,339
Taxation						569,591
Profit for the year						693,930
Profit/(Loss) attributable to:						
Equity holders of the Company						1,771,905
Minority interest						(1,077,975)

# Notes to the Financial Statements

cont'd

## 30. SEGMENTAL REPORTING cont'd

### (b) Business Segment cont'd

	Investment Holding RM	Audio and Visual RM	Timber RM	Others RM	Elimination RM	Group RM
<b>2009</b>						
<b>Assets</b>						
Segment assets	127,069,664	24,823,109	13,980,443	2	(26,941,895)	138,931,323
<b>Liabilities</b>						
Segment liabilities	31,576,375	52,200,582	12,825,107	1,692,371	(58,250,472)	40,043,963
Tax liabilities					735,000	
Deferred tax liabilities					26,347,679	
Total					67,126,642	
<b>Other segment information</b>						
Capital expenditure	-	-	1,373,405	-	-	1,373,405
Depreciation	-	656,678	122,239	-	-	778,917
Non-cash items other than depreciation	(7,072,470)	6,481,486	242,881	-	-	(348,104)
	Investment Holding RM	Audio and Visual RM	Others RM	Elimination RM	Group RM	
<b>2008</b>						
Revenue		-	4,604,243	-	-	4,604,243
<b>Results</b>						
Segment results		(14,882,139)	32,584,021	(4,027)	(16,353,027)	1,344,828
Finance costs						-
Profit before taxation						1,344,828
Taxation						-
Profit for the year						1,344,828
Attributable to:						
Minority interest						-
Equity holders of the Company						1,344,828

# Notes to the Financial Statements

*cont'd*

## 30. SEGMENTAL REPORTING *cont'd*

### (b) Business Segment *cont'd*

	Investment Holding RM	Audio and Visual RM	Others RM	Elimination RM	Group RM
<b>2008</b>					
<b>Assets</b>					
Segment assets	21,456,741	32,251,511	2	(21,455,358)	32,252,896
<b>Liabilities</b>					
Segment liabilities	22,607	52,151,458	1,688,755	(52,764,246)	1,098,574
<b>Other segment information</b>					
Depreciation	-	752,560	-	-	752,560
Non-cash items other than depreciation	(9,225,880)	5,468,222	-	-	(3,757,658)

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

	2009 RM	2008 RM
Asia	27,749,926	2,652,799
Europe	630,067	1,083,212
North America	317,534	493,381
Middle East	117,721	114,291
Others	1,482	260,560
	<b>28,816,730</b>	<b>4,604,243</b>

# Notes to the Financial Statements

*cont'd*

## 30. SEGMENTAL REPORTING *cont'd*

### (c) Geographical Segments *cont'd*

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

	Segment Assets		Capital Expenditure	
	2009	2008	2009	2008
	RM	RM	RM	RM
Malaysia	138,920,814	32,197,260	1,373,405	-
Singapore	10,509	55,636	-	-
	138,931,323	32,252,896	1,373,405	-

## 31. FINANCIAL INSTRUMENTS

### (i) Financial Risk Management and Objectives

The Company is exposed to credit, liquidity, interest rate 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.

#### (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.

# Notes to the Financial Statements

cont'd

## 31. FINANCIAL INSTRUMENTS cont'd

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

#### (c) Foreign Currency Risk

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

The currencies giving rise to this risk is primarily United States Dollars ("USD"). 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, the functional currency of the Group are as follows:

Non-functional currency of Group companies	Net financial assets held in non-functional currency
As at 31 December 2009	United States Dollars
Ringgit Malaysia	RM
As at 31 December 2008	
Ringgit Malaysia	
	18,628

#### (d) Interest Rate Risk

The Group's and the Company's primary interest rate risk relates to interest-bearing debts as at 31 December 2009. Interest rate exposure arises from the Company's borrowings and is managed through the use of fixed and floating rate debts. There were no interest-bearing debts as at 31 December 2008.

The following tables set out the carrying amounts, effective interest rates and the remaining maturities of the financial assets and liabilities of the Group and the Company in 2009 are as follows:

At 31 December 2009 Group	Effective interest rate per annum %	Within 1 Year			More than 5 Years		Total RM
		RM	2 - 5 Years	RM	RM	RM	
<b>Financial liabilities</b>							
Bank Overdraft	7.05	1,000,000		-		-	1,000,000
Terms loans	6.8-7.55	10,008,000	14,988,000			-	24,996,000
Hire purchase payables	3.56-6.97	363,971	890,548	14,082		1,268,601	

# Notes to the Financial Statements

cont'd

## 31. FINANCIAL INSTRUMENTS cont'd

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

#### (d) Interest Rate Risk cont'd

At 31 December 2009 Company	Effective interest rate per annum %	Within 1 Year	2 - 5 Years	More than 5 Years	Total RM
		RM	RM	RM	
<b>Financial liabilities</b>					
Bank Overdraft	7.05	1,000,000	-	-	1,000,000
Terms loans	6.8-7.55	10,008,000	14,988,000	-	24,996,000

### (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 Group and of the Company.

#### (b) Unrecognised Financial Instruments

There were no unrecognised financial instruments as at 31 December 2009.

## 32. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 9 June 2009, the Company had completed its acquisition of 51,000 ordinary shares, representing a 51% equity interest in TSB for a cash consideration of RM30 million. As part of the terms of the acquisition, the Vendors jointly and severally guarantee that TSB shall achieve an audited consolidated profit after taxation of not less than RM12,000,000 per annum for each of the three (3) financial periods of twelve (12) months each ending 30 June 2010, 30 June 2011 and 30 June 2012.

## Statement by Directors

We, DATUK GOH TIAN CHUAN and JASEN VUN VUI FEN, 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 34 to 82, 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 2009 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*

**JASEN VUN VUI FEN**  
*Director*

Shah Alam  
13 April 2010

## Statutory Declaration

I, CHEN HENG MUN, 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 34 to 82 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.

**CHEN HENG MUN**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 13 April 2010.

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 2009 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 34 to 82.

#### **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. 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.

#### **Opinion**

In our opinion, 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 2009 and of their financial performance and cash flows for the financial year ended on that date.

#### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 8 to the financial statements, which explains the current status of the matter that gave rise to the qualified audit opinion on the financial statements for the financial year ended 31 December 2008.

We have considered that these factors are of significance, and draw your attention to it, but our opinion is not qualified in this respect.

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

**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) The auditors' reports on the financial statements of the 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*

Kuala Lumpur  
13 April 2010

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



*This page is intentionally left blank.*

**NAKAMICHI CORPORATION BERHAD**  
(301384-H)

**FORM OF PROXY**

(please refer to the notes below)

No. of Ordinary Shares Held

I/We \_\_\_\_\_ NRIC No./Company No. \_\_\_\_\_  
(block letters)

of \_\_\_\_\_  
(Full address)

being (a) Member(s) of NAKAMICHI CORPORATION BERHAD (301384-H) hereby appoint \_\_\_\_\_  
of \_\_\_\_\_

or failing him, \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the Sixteenth 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 Friday, 18 June 2010 at 10.00 a.m. and at any adjournment thereof and to vote as indicated below:-

RESOLUTION RELATING TO	FOR	AGAINST
1 Receive Reports and Financial Statements		
2 Re-election of Yahya Bin Razali		
3 Re-election of Chen Heng Mun		
4 Re-election of Tan Chi Siong		
5 Appointment of Messrs Baker Tilly Monteiro Heng as Auditors		
6 Authority to the Directors to issue shares pursuant to Section 132D of the Companies Act 1965		

*Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.*

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

\_\_\_\_\_  
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 Company's Share Registrar's office 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

*1<sup>ST</sup> FOLD HERE*

-----