

Company No. 174076-U

PROSPECTUS

[LOGO]

NIKKO ELECTRONICS BHD.

(Company No. 174076-U)

(Incorporated in Malaysia under the Companies Act, 1965)

**PUBLIC ISSUE OF 25,000,000 NEW ORDINARY SHARES
OF RM1.00 EACH AT AN ISSUE PRICE OF RM1.80
PER ORDINARY SHARE PAYABLE IN FULL UPON APPLICATION**

Adviser and Managing Underwriter



RHB SAKURA MERCHANT BANKERS BERHAD

(Company No. 19663-P)

This Prospectus is dated 9 December 1999

THE APPROVAL OF THE SECURITIES COMMISSION (“SC”) SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE PUBLIC ISSUE. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF ANY INVESTMENT.

THE ISSUE PRICE OF RM1.80 PER ORDINARY SHARE WAS ENTIRELY DETERMINED AND AGREED UPON BY NIKKO ELECTRONICS BHD. (COMPANY NO. 174076-U) (“NIKKO”) AND RHB SAKURA MERCHANT BANKERS BERHAD (COMPANY NO. 19663-P), AS THE ADVISER, BASED ON VARIOUS FACTORS. INVESTORS SHOULD FORM THEIR OWN VIEWS ON THE VALUATION OF THE SECURITIES AND THE REASONABLENESS OF THE BASES USED. THE REPORTING ACCOUNTANTS’ RESPONSIBILITY WITH REGARDS TO THIS PROSPECTUS DOES NOT EXTEND BEYOND THE ACCOUNTANTS’ REPORT, PROFIT ESTIMATE AND FORECAST AND PROFORMA BALANCE SHEETS, AND THAT, APART FROM THE AFORESAID, THE REPORTING ACCOUNTANTS HAVE HAD NO INVOLVEMENT IN THE PREPARATION OF THIS PROSPECTUS.

THE PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS OF NIKKO AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION GIVEN AND CONFIRM THAT, AFTER MAKING ALL REASONABLE ENQUIRIES AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN MISLEADING.

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CONTENTS

	PAGE
DEFINITIONS	
1. SUMMARY INFORMATION	1
1.1 History and Business	
1.2 Issued and Paid-up Share Capital	
1.3 Profit Record	
1.4 Estimate and Forecast Earnings	
1.5 Dividend Estimate and Forecast	
1.6 Proforma Net Tangible Assets	
1.7 Investment Considerations	
2. INTRODUCTION	12
3. CORPORATE DIRECTORY	13
4. SHARE CAPITAL	16
5. PARTICULARS OF THE INITIAL PUBLIC OFFERING.....	17
5.1 Purpose of the Public Issue	
5.2 Details of the Public Issue	
5.3 Proceeds of the Public Issue	
5.4 Brokerage and Underwriting Commission	
5.5 Conditions Imposed by the SC	
5.6 Basis of Arriving at the Issue Price	
6. INFORMATION ON NIKKO	22
6.1 Incorporation	
6.2 The Scheme	
6.3 Share Capital	
6.4 Business of Nikko	
6.5 Prospects of the Industry	
6.6 Properties	
7. DIRECTORS, MANAGEMENT AND STAFF	38
7.1 Board of Directors	
7.2 Senior Management	
7.3 Employees	
7.4 Family Relationships	

CONTENTS (cont'd)

		PAGE
8.	FINANCIAL INFORMATION.....	43
8.1	Profit Record	
8.2	Analysis of Financial Performance for the Past Five Years	
8.3	Consolidated Profit Estimate for the Financial Year ending 31 December 1999 and Consolidated Profit Forecast for the Financial Year ending 31 December 2000 together with the Reporting Accountants' Letter thereon	
8.4	Dividend Estimate and Forecast	
8.5	Working Capital, Borrowings, Contingent Liabilities and Capital Commitments	
8.6	Settlement of Amount due from Holding Company and Related Companies as at 30 June 1999	
9.	PROFORMA BALANCE SHEETS AS AT 30 JUNE 1999 AND THE REPORTING ACCOUNTANTS' LETTER THEREON.....	53
10.	ACCOUNTANTS' REPORT.....	59
11.	DIRECTORS' REPORT	80
12.	VALUERS' LETTER.....	81
13.	STATUTORY AND OTHER GENERAL INFORMATION.....	84
13.1	Share Capital	
13.2	Directors and Substantial Shareholders	
13.3	Information on Dongguan Rixing	
13.4	Declaration of Interest by RHB Sakura and Tan Sri Dato' Abdul Rashid Hussain	
13.5	General	
13.6	Material Litigation	
13.7	Material Contracts	
13.8	Consents	
13.9	Documents Available for Inspection	
13.10	Articles of Association	
13.11	Main Board Listing Requirements	
13.12	Companies Act, 1965	
13.13	Rules of MCD	
13.14	Responsibility Statements	
14.	PROCEDURE FOR APPLICATIONS AND ACCEPTANCES	104
14.1	Opening and Closing of Application Lists	
14.2	Application Forms	
14.3	Procedure for Application	
14.4	Terms of Payment	
14.5	Applications and Acceptances	
14.6	CDS Account	
14.7	Notice of Allotment	
14.8	Formalising CDS Account	
14.9	List of ADAs	

DEFINITIONS

Except where the context otherwise indicate, the following definitions shall apply throughout this Prospectus:-

ADA	-	Authorised Depository Agent
ADA Code	-	ADA (Broker) Code
Bonus Issue	-	Bonus issue of 24,000,000 new ordinary shares on the basis of 480 new ordinary shares for 1,000 existing shares held in Nikko
CDS	-	Central Depository System
Dongguan Rixing	-	Dongguan Rixing Electronic Toys Co. Ltd., a 75.6% owned subsidiary of Royal World International Limited. Two directors of Nikko, namely Minoru Yamashita and Lim Chiang Hang, each hold approximately 33.3% equity interest in Royal World International Limited.
EPS	-	Earnings per share
FIC	-	Foreign Investment Committee
GDP	-	Gross Domestic Product
HKD	-	Hong Kong Dollar
KLSE	-	Kuala Lumpur Stock Exchange
Market Day/Business Day	-	Any day between Monday and Friday (inclusive) which is not a market holiday or public holiday and which KLSE is open for trading of securities
MCD	-	Malaysian Central Depository Sdn Bhd, a subsidiary company of KLSE
MIDFCCS or the Issuing House	-	MIDF Consultancy and Corporate Services Sendirian Berhad
MITI	-	Ministry of International Trade and Industry
Nikko / the Company	-	Nikko Electronics Bhd.
Nikko Group / the Group	-	Nikko and its subsidiary company, Nikko Hong Kong
Nikko Holdings	-	Nikko Electronic Holdings Sdn. Bhd., the holding company of Nikko
Nikko Hong Kong	-	Nikko Electronics Hong Kong Limited (incorporated in Hong Kong), the wholly owned subsidiary of Nikko
Nikko Japan	-	Nikko Co., Ltd. (incorporated in Japan), the promoter of Nikko

DEFINITIONS (cont'd)

Nikko Japan Group	-	Nikko Japan and its subsidiary and associated companies
Nikko Singapore	-	Nikko Electronics Toy Pte. Ltd. (incorporated in Singapore), a wholly owned subsidiary of Nikko Japan
Nikko Tec	-	Nikko Tec International Limited (incorporated in Hong Kong), a wholly owned subsidiary of Nikko Japan
Public Issue/Initial Public Offering	-	The issue by Nikko of 25,000,000 new ordinary shares at an issue price of RM1.80 per share
Public Issue Shares	-	New ordinary shares of RM1.00 each in Nikko issued pursuant to the Public Issue
RC	-	Radio-controlled
R & D	-	Research and Development
RHB Sakura	-	RHB Sakura Merchant Bankers Berhad (Company No. 19663-P)
RM and sen	-	Ringgit Malaysia and sen respectively
ROC	-	Registrar of Companies, Malaysia
SC	-	Securities Commission of Malaysia
Scheme	-	The scheme for the flotation of Nikko on the Main Board of KLSE, as outlined in this Prospectus
TAA	-	Technical assistance agreement dated 6 November 1999 between Nikko Japan, Nikko, Rimbunan Asas Murni Sdn Bhd and Halili bin Mohamed Sa'aie governing the terms of the technical assistance furnished by Nikko Japan in relation to the manufacture of RC toys by Nikko. The salient terms of the TAA is set out in Section 13.7 of this Prospectus.
USA	-	United States of America
USD	-	United States Dollar

1. SUMMARY INFORMATION

The summary information set out below is derived from and should be read in conjunction with the full text of this Prospectus.

1.1 HISTORY AND BUSINESS

The Nikko Group comprises the following companies:-

Name of company	Date / Country of incorporation	Public / Private Company	Principal Activity	Issued and paid-up capital as at 30 November 1999
Nikko	19.09.88 / Malaysia	Public company	Manufacture and sale of medium to high-end RC toys	RM74,000,000
Nikko Hong Kong	17.01.97 / Hong Kong	Private company	Marketing and distribution of RC toys	HKD2,000,000

Nikko was incorporated in Malaysia under the Companies Act, 1965 on 19 September 1988 as a private limited company under the name of Nikko Electronics Sdn. Bhd. It was converted into a public limited company on 21 October 1996 and adopted its present name.

Nikko was originally established as a wholly owned subsidiary of Nikko Japan, and was held through Nikko Singapore. On 25 October 1996, Nikko Singapore sold 30% equity interest in Nikko to Rimbunan Asas Murni Sdn Bhd and Halili bin Mohamed Sa'ae. As part of the Nikko Japan Group's internal restructuring, Nikko Holdings had on 3 November 1999 acquired Nikko Singapore's 70% equity interest in Nikko. Both Nikko Japan and Nikko Holdings have common shareholders.

Presently, Nikko has two plants located in Prai, Pulau Pinang and Parit Buntar, Perak. The factory in Prai was set up in March 1989 as a full-fledged manufacturing unit to produce mainly low and medium-end RC toys. The Parit Buntar factory was set up in July 1993 as a satellite assembly plant to support the Prai factory. A factory was set up in Johor Bahru in February 1993 to support the manufacturing operations of Nikko Singapore as a subcontractor. From 1996 onwards, the Johor Bahru factory began acting as an Original Equipment Manufacturer ("OEM") plant to Nikko Singapore. At the end of 1997, the Johor Bahru factory ceased operations, while Nikko Singapore ceased operations in February 1998. All the high-end RC toy production of Nikko Singapore was subsequently transferred to Nikko and the said transfer was completed in April 1998.

Nikko Hong Kong, a wholly owned subsidiary of Nikko, was incorporated in Hong Kong on 17 January 1997 and commenced operations on 1 July 1999 as a marketing and distribution arm of Nikko's products.

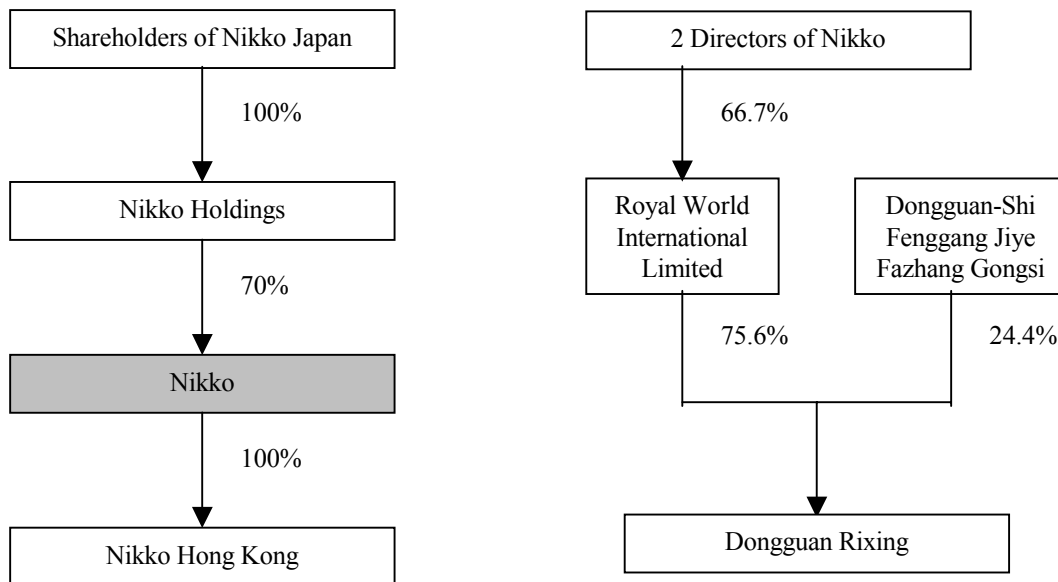
Save for Nikko Hong Kong, Nikko has no other subsidiary and associated companies.

1. SUMMARY INFORMATION (cont'd)

Other than Nikko, the products under the trademarks and brand names of Nikko Japan (the promoter of Nikko) are also being manufactured by Dongguan Rixing. Dongguan Rixing was incorporated on 10 August 1993 in Dongguan City, Guang Dong Province, The People's Republic of China. Dongguan Rixing was set up as a joint-venture company between Dongguan-Shi Fenggang Jiye Fazhang Gongsi and Royal World International Limited. Dongguan Rixing is a 75.6% owned subsidiary of Royal World International Limited. As at 30 November 1999, two directors of Nikko namely Minoru Yamashita and Lim Chiang Hang, each hold approximately 33.3% equity interest in Royal World International Limited.

Dongguan Rixing was originally set up to assume some of the low-end RC toy production for Nikko Japan from Nikko. With the transfer of high-end RC toy production from Nikko Singapore to Nikko in 1998, Dongguan Rixing then assumed all the low-end production for Nikko Japan, thereby allowing Nikko to focus on the production of medium to high-end RC toys.

The relationship between Nikko Japan, Nikko and Dongguan Rixing is diagrammatically shown below:-



 Company applying for listing on KLSE

1. SUMMARY INFORMATION *(cont'd)*

1.2 ISSUED AND PAID-UP SHARE CAPITAL

	RM
Authorised	
100,000,000 ordinary shares of RM1.00 each	<u>100,000,000</u>
Issued and Fully Paid-up	
Issued and fully paid	
74,000,000 ordinary shares of RM1.00 each	74,000,000
To be issued and credited as fully paid pursuant to the Public Issue	
25,000,000 new ordinary shares of RM1.00 each	25,000,000
	<u>99,000,000</u>

1.3 PROFIT RECORD

The following table sets out a summary of the profit record of Nikko for the five financial years ended 31 December 1994 to 1998 and the 6 months ended 30 June 1999. The table should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 10 of this Prospectus.

Nikko's only subsidiary, Nikko Hong Kong, was incorporated on 17 January 1997 and commenced operations on 1 July 1999. Audited consolidated accounts of the Nikko Group have not been prepared in relation to the financial periods set out below, as the Directors of Nikko are of the view that the amounts in relation to Nikko Hong Kong during the said period were insignificant.

(RM'000)	<-----Audited----->					
	<-----Financial year ended 31 December ----->					6 months ended 30 June
	1994	1995	1996	1997	1998	1999
Turnover	114,527	116,417	128,606	136,091	219,356	38,570
Profit before taxation	9,853	10,415	11,945	14,833	19,802	4,909
Taxation	(58)	-	(1,000)	(4,800)	(2,709)	800
Profit after taxation	9,795	10,415	10,945	10,033	17,093	5,709
Weighted average number of ordinary shares of RM1.00 each ('000)	62,213	62,213	62,213	74,000	74,000	74,000
Gross EPS (sen)	15.8	16.7	19.2	20.0	26.8	13.3 ^(a)
Net EPS (sen)	15.7	16.7	17.6	13.6	23.1	15.4 ^(a)
Dividend rate (%)	15	-	5	16	6	-

Notes:

(a) Based on annualised earnings for the year ending 31 December 1999.

There were no exceptional and extraordinary items in all the financial years/period under review.

1. SUMMARY INFORMATION (cont'd)

The increase in sales during 1995 was minimal mainly due to the transfer of manufacturing of some lower end models from Nikko to Dongguan Rixing.

The tax rates for the two financial years ended 31 December 1994 and 1995 were lower than the statutory tax rates as Nikko was granted a five-year pioneer status tax incentive from 1 April 1989 to 31 March 1994. Although Nikko's pioneer tax holiday ended on 1 April 1994, there were no tax liabilities for the financial years ended 31 December 1994 and 1995 as Nikko had sufficient brought forward tax allowances as set off against taxable income. The taxation charge for the financial year ended 31 December 1994 was mainly in respect of interest income from deposits with licensed banks.

The effective tax rate for 1996 was lower than the statutory tax rate due to the benefit of reinvestment allowance and unutilised capital allowances brought forward from the previous year.

The increase in sales for 1997 was mainly caused by the strengthening of foreign currencies against the RM in the second half of the year, as Nikko's sales are mainly denominated in USD. However, there was relatively lower growth in sales compared to 1996. This was due to the further transfer of the manufacturing of certain lower end models to Dongguan Rixing, coupled with the delay in transfer of the manufacturing of higher end models from Nikko Singapore. Further, there was a decrease in additional ad hoc orders by certain European customers due to the weakening of their local currencies against the USD during the second half of the year. Please refer to "Business of Nikko" for further details.

The effective tax rate for 1997 was higher than the statutory tax rate due mainly to unrealised foreign exchange loss arising from long term loan used for capital expenditure being not deductible for tax purposes.

The increase in sales for 1998 was mainly due to the transfer of the manufacturing of higher end models from Nikko Singapore, which command comparatively higher selling prices, as well as the weakening of the RM against the USD. However, profit margins for the year were depressed due to the costs associated with the said transfer, such as the transfer of some of the Japanese and Singaporean staff from the factory in Singapore, and the costs associated with being on the learning curve of high-end RC toy production.

The effective tax rate for 1998 is lower than the statutory tax rate due to the benefits of reinvestment allowance and double deduction tax incentives.

The annualised profit figures for the 6 months ended 30 June 1999 are comparatively lower, as Nikko's sales are seasonal. Historically, sales of the Company are higher during the second half as compared to the first half of the year.

1. SUMMARY INFORMATION *(cont'd)*

1.4 ESTIMATE AND FORECAST EARNINGS

Year ending 31 December	1999 Estimate	2000 Forecast
Consolidated profit before taxation (RM'000)	18,569 ^(a)	26,900
Consolidated profit after taxation (RM'000)	18,999 ^(b)	19,525
No. of shares in issue ('000)	74,000 ^(c)	98,727 ^(d)
Gross EPS (sen)	25.1	27.2
Net EPS (sen)	25.7	19.8
Gross price earnings multiple based on issue price of RM1.80 per share (times)	7.2	6.6
Net price earnings multiple based on issue price of RM1.80 per share (times)	7.0	9.1

(a) *The estimated profit before taxation for the financial year ending 31 December 1999 is lower than the corresponding profit figure for the financial year ended 31 December 1998 due to the inclusion of low-end RC toy sales in 1998 (prior to the transfer of all low-end RC toy manufacturing of Nikko to Dongguan Rixing) as well as the weakening of the RM against the USD (prior to the fixed rate of exchange peg in September 1998).*

(b) *Under the Income Tax (Amendment) Act 1999, income tax will be waived for income earned by Malaysian companies during the financial year ending 31 December 1999. The profit after taxation for the year ending 31 December 1999 includes deferred taxation of RM430,000.*

(c) *Based on the number of shares in issue after the Bonus Issue*

(d) *Based on the weighted average number of shares in issue after the allotment of shares pursuant to the Public Issue (assuming the said shares are allotted on 5 January 2000)*

1.5 DIVIDEND ESTIMATE AND FORECAST

Year ending 31 December	1999 Estimate	2000 Forecast
Tax-exempt dividend per share (%)	6.0 ^(a)	6.0 ^(b)
Tax-exempt dividend yield based on the issue price of RM1.80 per share (%)	3.3	3.3
Net dividend cover (times)	4.3 ^(c)	3.3 ^(c)

(a) *Based on 74.0 million ordinary shares of RM1.00 each in issue after the Bonus Issue. The Public Issue Shares are not entitled to the estimate dividend for the financial year ending 31 December 1999 which was paid on 3 December 1999.*

(b) *Based on 99.0 million ordinary shares of RM1.00 each in issue after the Public Issue*

(c) *Based on estimate and forecast profit after taxation for the year*

(d) *As at the date of this Prospectus, Nikko's tax-exempt account amounted to RM35.4 million, consisting of RM8.83 million in relation to pioneer income (after payment of dividends declared during the two financial years ending 31 December 1998 and 1999) and RM26.57 million in relation to reinvestment allowances.*

1. SUMMARY INFORMATION (cont'd)

1.6 PROFORMA NET TANGIBLE ASSETS ("NTA")

Proforma NTA as at 30 June 1999 (RM'000)	135,323
Proforma NTA per share (RM)	1.37 ^(a)

(a) Based on 99.0 million ordinary shares of RM1.00 each in issue after the Public Issue

1.7 INVESTMENT CONSIDERATIONS

Applicants for the Public Issue Shares should carefully consider the following in addition to the other information contained elsewhere in this Prospectus, before applying for the Public Issue Shares:-

(i) No prior market for Nikko shares

Prior to this Public Issue, there has been no public market for Nikko shares. There can be no assurance that an active market for Nikko shares will develop upon its listing on the Main Board of KLSE or, if developed, that such market will be sustained. The issue price of RM1.80 for the Public Issue Shares has been determined after taking into consideration a number of factors, including but not limited to, the Nikko Group's financial and operating history and conditions, its prospects and the prospects for the industry in which the Nikko Group operates, the strength and diversity of the management team of the Nikko Group and the prevailing market conditions prior to the despatch of this Prospectus. There can be no assurance that the issue price will correspond to the price at which Nikko shares will trade on the Main Board of KLSE upon or subsequent to its listing or that an active market for Nikko shares will develop and continue upon or subsequent to its listing.

(ii) Political and economic risks

The Nikko Group's manufacturing activities are focused entirely in Malaysia. Approximately 98% of the RC toys produced by Nikko are for the export market, primarily the USA, European and Asian markets. Any adverse developments in the economic, political and financial conditions in Malaysia and Nikko's export markets could materially and adversely affect the financial and operational conditions or the profitability of the Group. These include the risks of war, an economic downturn affecting these markets, changes in interest rates and unfavourable changes in government policy such as the introduction of new regulations.

(iii) Business risks

The Nikko Group's operations are subject to certain risks inherent in the industry. The risks include the following:-

(a) Fluctuations in General Business Conditions

Nikko is subject to potential fluctuations in the supply and cost of labour and raw materials, general economic, business and credit conditions and changes in government policy.

Nikko seeks to minimise these risks via, inter-alia, the following methods:-

- retain its large pool of suppliers and build up business relationships with them by holding frequent meetings to discuss the quality of the raw materials supplied and Nikko's raw material demand to meet its production schedule;
- source more raw materials locally, which would, inter-alia, reduce the cost of production (e.g. freight and insurance), make it easier for the Company to monitor

1. SUMMARY INFORMATION (cont'd)

the availability of raw materials and allow Nikko faster access to the said raw materials; and

- employ foreign workers to supplement local labour; in 1996, Nikko obtained the approval of the Foreign Workers Task Force to hire 100 Bangladeshi workers on a 3-year contract basis, of which 86 workers have had their contracts extended by an additional 2 years.

Although the Group seeks to minimise these risks, no assurance can be given that any changes to these factors will not have a material adverse effect on the Group's business.

(b) *Foreign Exchange Exposure*

Nikko's sales are mainly denominated in USD (approximately 95% of total value of sales) while its purchases are mainly denominated in RM, USD (approximately 30%-33% of total value of purchases), Singapore Dollar and Japanese Yen.

The Directors of Nikko are of the opinion that the Company would be insulated from the effects of foreign currency fluctuation in relation to USD denominated transactions due to the fixed rate of exchange peg for the RM at RM3.80:USD1.00. In the event the fixed rate of exchange peg is removed, the Company would still enjoy a natural hedge in relation to transactions in which both sales and purchases are in USD.

However, Nikko is subject to exchange rate fluctuation in relation to all other foreign currency transactions.

(c) *Millennium Bug*

The Millennium Bug ("Y2K") is a problem which arises when a computer system is unable to process and recognise data or misinterprets dates falling in year 2000 onwards.

The management of Nikko is aware of the Y2K problem and has taken reasonable steps to ensure that the Company is Y2K-ready. Nikko has not engaged the services of any external Y2K consultant. Instead, the Company has its own internal Y2K Project team of 20 persons comprising the head and 1 subordinate from each department within the Company.

The Y2K Project Team has been allocated a budget of RM1,500,000. Nikko achieved full Y2K-readiness on 1 October 1999.

Nikko has compiled an inventory of hardware, software and equipment as part of its Y2K readiness programme. The Company's accounting system utilises the Sun Accounting System, whereas the payroll system has been changed to the Visual Winflex System, both of which have been represented as being Y2K-ready by the respective vendors.

The processes being run using the BAAN based Enterprise Resource Planning ("ERP") system, which include, inter-alia, sales, production, purchasing, finished goods and inventory, have already been tested in relation to Y2K-readiness.

As 31 December 1999 falls within Nikko's low season for production, the Director of Nikko intend to close Nikko's plants from 31 December 1999 up to 3 January 2000. The Company's contingency plan in relation to the Y2K issue is to switch machinery which utilise date-sensitive information to manual mode and override its system, to restart the date-sensitive machines. Important files will be backed up monthly (or

1. SUMMARY INFORMATION (cont'd)

This demand translates, in terms of production, to a peak production period of six months from May to October. Any disruption to Nikko's production process during these months would have a material and adverse effect on Nikko's sales and profits for that year, and possibly in future years.

During the peak period, the Company will employ sub-contractors to increase its production capacity to manage the increased orders from customers. Although the hiring of subcontractors is the norm within the toy industry, sub-contracting part of the production process exposes Nikko to risks such as reduction in quality of products, disruption in production flow and the possibility of Nikko's subcontractors becoming competitors of the Company, by acquiring and utilising some of Nikko's trade secrets pertaining to its production processes.

In mitigation of the above, the Company has been careful in selecting sub-contractors to ensure the high quality standard of its products is maintained. With effective production scheduling and sub-contracting arrangements, the Company has been able to ensure smooth production during the peak production period.

Further, agreements entered into between Nikko and its sub-contractors contain confidentiality clauses which would prevent any misappropriation of trade secrets by the said sub-contractors. However, no assurance can be given that such confidentially clauses would not be breached and misappropriation of trade secrets by Nikko's subcontractors would not occur.

(iv) **Estimate and forecasts**

This Prospectus contains a profit estimate and forecast in relation to the Nikko Group that are based on reasonable assumptions that are nevertheless subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties of estimates and forecasts, and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit estimate and forecast contained herein will be realised and actual results may be materially different from those shown.

(v) **Control by Major Shareholders**

After the Public Issue, Nikko Holdings, the holding company of Nikko, will own 52.32% of the Company's share capital. Nikko Holdings is owned by the shareholders of Nikko Japan. The shareholders of Nikko Japan comprise 7 Japanese individuals, namely Isao Hattori, Kenichi Hattori, Mieko Hattori, Yuji Hattori, Hiromi Nakagawa, Minoru Yamashita and Yasuharu Yamashita.

As Nikko Holdings own more than 50% equity interest in the Company, it would be able to control the outcome of certain matters requiring the votes of the Company's shareholders collectively.

(vi) **Market Study by Euromonitor Consultancy**

Euromonitor Consultancy is the ad hoc research division of Euromonitor plc, an international research organisation and a provider of global market intelligence, tracking international trends in both consumer and industrial markets. In the course of its research efforts, Euromonitor Consultancy employs an international network of field researchers, trade interviewers and market analysts.

In order to determine the size and trends of the RC toy market in Europe, Nikko Tec (one of the marketing arms of Nikko) commissioned Euromonitor Consultancy to carry out a research

1. SUMMARY INFORMATION (cont'd)

programme in relation to the same. The said research programme covered 18 European countries and included a quantification of the market share of leading RC toy manufacturers in each such country.

The methods used to gather the information for the report were desk research, store checks and interviews with trade associations, retailers and manufacturers in 18 European countries. The sources used from the desk research incorporated into the report included existing market research reports, trade journals, company accounts and the Internet. For most of the markets covered in the report, the size of the RC toy market was derived from a consensus of estimates derived from publications and interviewees.

As Euromonitor Consultancy is an independent research organisation, the Directors of Nikko have confirmed that neither Nikko Japan and companies related to Nikko Japan, nor the Directors of Nikko and companies related to the Directors of Nikko have any interest in Euromonitor Consultancy.

Facts and figures from the market study conducted by Euromonitor Consultancy are quoted in various parts of this Prospectus, particularly in relation to the outlook of the RC toy industry and the market share of RC toys manufactured by Nikko and Dongguan Rixing in Europe. The market study conducted by Euromonitor Consultancy are based on estimates, and may not reflect the actual quantum of RC toy sales in any particular country.

(vii) **Competition**

As approximately 98% of Nikko's RC toys are for the export market, it faces competition in the international market. The main markets for Nikko's RC toys are the USA and the European countries. In 1998, the value of the European RC toy market was estimated at USD240.7 million (RM914.7 million based on an exchange rate of RM3.80 : USD1.00). (*Source: Euromonitor Consultancy, October 1999*)

The RC toys industry in the international market is dominated by a few large players, which also compete with a number of smaller sized companies. The Directors of Nikko believe that the two major competitors of the Nikko Group are Tyco Toys Inc. (which has now been acquired by Mattel Inc., an American company which is the world's largest toy manufacturer) and Hasbro Inc., both from the USA. The Directors believe that Nikko is in a position to compete with these players based on its competitive strengths including, long standing relationship with major customers, commitment to quality, comprehensive after sales services and emphasis on changing technology and market demand.

The Directors of Nikko are of the view that RC toys manufactured by Nikko and Dongguan Rixing have a 33% market share in the USA. In Europe, Nikko and Dongguan Rixing has a 42% market share. (*Source: Euromonitor Consultancy, October 1999*). However, no assurance is given that the Company will be able to maintain its existing market share in the future.

(viii) **Outlook of the RC toy industry**

Within Europe, all sectors of the toy market are presently under threat from video and personal computer ("PC") games as well as the Internet. Consequently, expectations of future growth of the RC toys market in Europe are limited. Further, demand is likely to remain flat for the next two years as the population ages. Older children will continue to be drawn towards electronic and PC games, to the detriment of other toy sectors.

However, the RC toy sector has maintained its market share in most European markets, primarily due to an increase in the rate of introduction of new products onto the market, the development of

1. SUMMARY INFORMATION (cont'd)

the pre-school market, competitive pricing within the market for older children and the stability and maturity of the adult market.

Source: Euromonitor Consultancy (October 1999)

(ix) **Dependence on key personnel**

The Company believes that its continued success will depend to some extent upon the abilities and continued efforts of its existing Directors and senior management. The Company's future success will also depend upon its ability to attract and retain skilled personnel. Foreign nationals, all of whom are Japanese, presently occupy 7 key senior management positions within Nikko.

Details on the Directors and senior management of Nikko are disclosed in Section 7 of this Prospectus.

2. INTRODUCTION

This Prospectus is dated 9 December 1999.

An application will be made to KLSE for the admission of Nikko to the Official List of the Main Board of KLSE and for permission to deal in and quotation for the entire issued and paid-up share capital of the Company, including the Public Issue Shares which are the subject of this Prospectus. Admission to listing is not being sought on any other stock exchange. The Public Issue Shares will be admitted to the Main Board of KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of applications will be conditional upon permission being granted to deal in and quotation for all of the issued shares of the Company. Monies paid in respect of any application accepted will be returned if the said permission is not granted.

Pursuant to Section 14 (1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(j) of the Companies Act, 1965, KLSE has prescribed the ordinary shares of Nikko as a prescribed security. In consequence thereof, the new ordinary shares issued through this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

An applicant for the shares of the Company must have a CDS Account and should state his CDS Account Number in the space provided in the Application Form. Where an applicant who wishes to apply for shares of the Company does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

No person is authorised to give any information or to make any representation not contained herein in connection with the Initial Public Offering and if given or made, such information or representation must not be relied upon as having been authorised by Nikko. Neither the delivery of the Prospectus nor any public issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company or the Group since the date hereof.

The distribution of this Prospectus and the offering or sale of any part of the Initial Public Offering in certain other jurisdictions may be restricted by law. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation of an offer to buy any part of the Initial Public Offering in any jurisdiction in which such offer or invitation is not authorised or lawful or to any persons to whom it is unlawful to make such offer or invitation.

If you are in any doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3. CORPORATE DIRECTORY

DIRECTORS

Name	Address	Occupation	Nationality
Minoru Yamashita (Chairman)	1-12-19, Minami Mizumoto Katsushika-ku, Tokyo Japan	Director	Japanese
Lim Chiang Hang (Managing Director)	12 Nunn Crescent 10350 Pulau Pinang	Director	Malaysian
Kenichi Hattori (Non-Executive Director)	17 Dairy Farm Road # 08-02 Singapore 2367	Director	Japanese
Kentaro Sakoguchi (Non-Executive Director)	6-37-19, Matsuba-Cho Kashiwa-City Chiba Prefecture Japan	Director	Japanese
Dato' Zulkifli bin Abdul Rahman (Non-Executive Director)	No. 18 Jalan Ketiau Seksyen 3/10 40000 Shah Alam Selangor	Director	Malaysian
Nik Abdul Hamid Shukri bin Nik Abdullah (Non- Executive Director)	No. 11 Jalan BP 2/9 Bandar Bukit Puchong 47100 Puchong Selangor	Director	Malaysian
Tan Gnear Eng (Independent Director)	No. 3771, Jalan Siram 12100 Butterworth Pulau Pinang	Director	Malaysian
Gong Wooi Teik (Independent Director)	5, Jalan TR 6/1 Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor	Public Accountant	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Tan Gnear Eng	Chairman	Independent Non-Executive Director
Lim Chiang Hang	Member	Managing Director
Gong Wooi Teik	Member	Independent Non-Executive Director

3. CORPORATE DIRECTORY (cont'd)

COMPANY SECRETARY	:	Yap Kim Hoo (MACPA No. 1038) 10 Jalan Berkok Bt 2 3/4, Jalan Ipoh 51100 Kuala Lumpur
	:	Chin Yuet Sin (LS No. 01799) 176 Jalan Datuk Sulaiman 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur
REGISTERED OFFICE	:	Suites 7.21 & 7.22, 7th Floor, Imbi Plaza Jalan Imbi 55100 Kuala Lumpur
PRINCIPAL BANKERS	:	Bumiputra-Commerce Bank Berhad 91 -93, Taman Selat Jalan Bagan Luar 12000 Butterworth Pulau Pinang
		United Overseas Bank (Malaysia) Bhd 4070-4072, Jalan Bagan Luar 12000 Butterworth Pulau Pinang
		Standard Chartered Bank Malaysia Berhad Wisma Pantai Unit G-01 Off Jalan Kampung Gajah 12200 Butterworth Pulau Pinang
		Bank Islam Malaysia Berhad Cawangan Jalan Bagan Luar 71 & 73 Jalan Taman Selat Off Jalan Bagan Luar Peti Surat 303 12720 Butterworth Pulau Pinang
AUDITORS	:	PricewaterhouseCoopers Public Accountants 4th Floor, Wisma Penang Garden Jalan Sultan Ahmad Shah P.O. Box 856 10810 Pulau Pinang

3. CORPORATE DIRECTORY (cont'd)

REPORTING ACCOUNTANTS	:	Price Waterhouse Public Accountants 4th Floor, Wisma Penang Garden Jalan Sultan Ahmad Shah P.O. Box 856 10810 Pulau Pinang
SOLICITORS FOR THE INITIAL PUBLIC OFFERING	:	Kadir, Tan & Ramli Advocates & Solicitors 8th Floor, Menara Safuan 80 Jalan Ampang 50450 Kuala Lumpur
ISSUING HOUSE	:	MIDF Consultancy and Corporate Services Sendirian Berhad 12th Floor, Bangunan MIDF 195A Jalan Tun Razak 50400 Kuala Lumpur
REGISTRAR	:	Malaysian Share Registration Services Sendirian Berhad 7th Floor, Exchange Square Bukit Kewangan 50200 Kuala Lumpur
VALUER	:	C H Williams Talhar & Wong Sdn Bhd 33, Jalan Todak 4 Pusat Bandar Seberang Jaya 13700 Seberang Jaya
ADVISER AND MANAGING UNDERWRITER	:	RHB Sakura Merchant Bankers Berhad Level 8, Tower Three RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur
UNDERWRITERS	:	RHB Sakura Merchant Bankers Berhad Level 8, Tower Three RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Rashid Hussain Securities Sdn Bhd Level 9, Tower One RHB Centre Jalan Tun Razak 50400 Kuala Lumpur UT Securities Sdn Bhd (formerly known as United Traders Securities Sdn Bhd) 12 th Floor, Bangunan Mayban Trust 3, Penang Street 10200 Pulau Pinang
LISTING SOUGHT	:	The Main Board of KLSE

4. SHARE CAPITAL

	RM
<i>Authorised</i>	
100,000,000 ordinary shares of RM1.00 each:	100,000,000
<i>Issued and fully paid</i>	
74,000,000 ordinary shares of RM1.00 each	74,000,000
<i>To be issued and credited as fully paid pursuant to the Public Issue:</i>	
25,000,000 new ordinary shares of RM1.00 each	25,000,000
	<u>99,000,000</u>

The Public Issue of a total of 25,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.80 per share is payable in full on application. Application will be made for all shares of the Company to be listed on the Main Board of KLSE.

There is only one class of shares in the Company, namely, ordinary shares of RM1.00 each. The Public Issue Shares will rank *pari passu* in all respects with the other existing issued and fully paid-up shares of the Company including voting rights and rights to all dividends that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of the whole of any surplus in the event of liquidation of the Company.

At every general meeting of Nikko, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person who is present who is a shareholder or representative of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each share held. A proxy may but need not be a member of the Company.

5. PARTICULARS OF THE INITIAL PUBLIC OFFERING

5.1 PURPOSE OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:-

- (i) to provide an opportunity for the Malaysian public and eligible Directors and employees of the Nikko Group and Nikko Holdings to participate in the growth of the Company;
- (ii) to provide Nikko with access to the capital market to raise funds for the future expansion and growth; and
- (iii) to obtain a listing of and quotation for the entire issued and paid-up share capital of Nikko on the Main Board of KLSE.

5.2 DETAILS OF THE PUBLIC ISSUE

The Public Issue is an invitation by Nikko to the Malaysian public, the Bumiputera investors approved by the MITI and eligible Directors and employees of the Nikko Group and Nikko Holdings to subscribe for the Public Issue Shares at an issue price of RM1.80 per share. The Public Issue shall be subject to the terms and conditions of this Prospectus and the relevant application forms and will be allocated in the following manner:-

- (i) 12,550,000 new ordinary shares arising from the Public Issue will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera applicants;
- (ii) 7,500,000 new ordinary shares have been reserved for Bumiputera investors approved by the MITI; and
- (iii) up to 4,950,000 new ordinary shares are to be issued to eligible directors and employees of the Nikko Group and Nikko Holdings.

The 12,550,000 new ordinary shares in respect of paragraph (i) above have been fully underwritten. The 7,500,000 new ordinary shares in respect of paragraph (ii) above are not underwritten.

Any shares in respect of paragraph (iii) above not subscribed for by the eligible Directors and employees of the Nikko Group and Nikko Holdings will be made available for application by Malaysian citizens and RHB Sakura has arranged for the underwriting of these shares, if any, and the shares in respect of paragraph (i), at an underwriting commission of 1.50% of the issue price of RM1.80 per share.

5. PARTICULARS OF THE INITIAL PUBLIC OFFERING *(cont'd)*

5.3 PROCEEDS OF THE PUBLIC ISSUE

All proceeds of the Public Issue, after deducting the related expenses, will accrue to the Company. All listing expenses relating to the Public Issue such as underwriting commission and brokerage fees, stamp duty, registration and all other expenses incidental to the listing and quotation of the entire issued and paid-up share capital of Nikko on KLSE, estimated at RM2.1 million, will be borne by Nikko.

Nikko intends to utilise the total gross proceeds of the Public Issue of RM45 million in the following manner, in accordance with the SC's approval letters dated 21 September 1999 and 3 December 1999:-

	RM'000
Repayment of loan drawn for construction of new factories with warehouses ⁽¹⁾	16,000
Refinance purchase of machinery and equipment from Nikko Singapore ⁽²⁾	4,400
Purchase of machinery and equipment ⁽³⁾	9,400
Repayment of loan drawn for purchase of injection moulding machines ⁽⁴⁾	6,168
Working capital requirements	6,932
Listing expenses	2,100
TOTAL	<u>45,000</u>

Notes:-

(1) Repayment of loan drawn for construction of new factories with warehouses

In October 1996, Nikko secured a five-year term loan facility of USD8 million (equivalent to approximately RM30.4 million based on an exchange rate of RM3.80:USD1.00) for the expansion of its factories and warehouses in Prai (which was completed in March 1998) and Parit Buntar (which was completed in September 1997).

The construction cost of the new factories with warehouses including furniture and fittings was approximately RM22.2 million. RM16.0 million of the gross proceeds from the Public Issue will be utilised to fully repay the above term loan (based on the outstanding amount of the term loan as at 30 November 1999 of RM16.0 million using an exchange rate of RM3.80:USD1.00). This would give rise to interest savings of approximately RM770,000 per annum during the financial year ending 31 December 2000 and RM190,000 per annum during the financial year ending 31 December 2001.

The new factories and warehouses have added a total of 8 new assembly lines to Nikko's plant in Prai and 12 new assembly lines in the plant at Parit Buntar. With these new lines in place, the total full production capacity of the Prai and Parit Buntar factories has increased from 3.3 million units to approximately 4.8 million units per annum.

(2) Refinance purchase of machinery and equipment from Nikko Singapore

In March 1998, Nikko purchased machinery and equipment from Nikko Singapore for S\$1.9 million (equivalent to approximately RM4.4 million based on an exchange rate of RM2.30:S\$1.00), which was paid using overdraft facilities. Approximately RM4.4 million of the gross proceeds from the Public Issue will be utilised to refinance this purchase.

5. PARTICULARS OF THE INITIAL PUBLIC OFFERING (cont'd)

(3) Purchase of machinery and equipment

Below is a schedule of the purchases of moulds and machinery worth RM9.4 million by Nikko:-

	Country of origin	1998 # RM'000	1999# RM'000	2000 RM'000	Total RM'000
Moulds	Hong Kong, Japan and Malaysia	2,000	2,500	1,500	6,000
Accessories for injection moulding machines	Taiwan, Japan and Malaysia	1,000	-	-	1,000
Vacuum metallizer	Taiwan	856	-	-	856
Incinerator	Thailand	205	-	-	205
Other equipment	Malaysia	369	600	400	1,369
Total		4,430	3,100	1,900	9,430

Purchases already made by Nikko

In addition, as at 30 November 1999, Nikko has purchased RM7.5 million worth of moulds and machinery, of which RM6.9 million has been fully paid using the Company's working capital consisting of short-term loan facilities and internally generated funds. Nikko proposes to utilise RM6.9 million of the gross proceeds from the Public Issue to refinance the above purchases and replenish the Company's working capital used to purchase the said moulds and machinery. Further, Nikko proposes to utilise RM0.6 million of the gross proceeds from the Public Issue for the outstanding balance due on the above purchases of machinery and equipment as at 30 November 1999 and RM1.9 million to purchase further moulds and machinery up to and including the year ending 31 December 2000.

Some of the function of the above machinery and equipment is as follows:-

Machinery and Equipment	Function
Moulds	Moulding of plastic parts of RC toys
Automatic- robot arms	Installed above injection moulding machines for picking up the parts from machines after being moulded
Vacuum metallizer / Chroming machines	Spraying and chroming plastic parts of RC toys
Incinerator	Disposing waste products such as torn cartons and broken wooden pallets
Auto insertion machines	Insertion of printed circuit boards
Sequencing machines	Controlling the sequence of processes in auto insertion machines

(4) Repayment of loan drawn for purchase of injection moulding machines

In September 1997, Nikko secured a four-year term loan facility of USD4 million (equivalent to approximately RM15.2 million based on an exchange rate of RM3.80:USD1.00) for the purchase of 40 units of new injection moulding machines with accessories from Japan as part of the expansion of its extended factories in Prai and Parit Buntar.

Approximately RM6.2 million of the gross proceeds from the Public Issue will be utilised to repay part of the above term loan. This would give rise to interest savings of approximately RM310,000 per annum during the financial year ending 31 December 2000.

5. PARTICULARS OF THE INITIAL PUBLIC OFFERING (cont'd)

5.4 BROKERAGE AND UNDERWRITING COMMISSION

Brokerage is payable by the Company at the rate of 1% of the issue price of RM1.80 per share in respect of successful applications which bear the stamps of RHB Sakura, member companies of KLSE, members of the Association of Banks in Malaysia, members of Association of Merchant Banks in Malaysia or MIDFCCS.

RHB Sakura and the Underwriters as mentioned earlier in this Prospectus have agreed to underwrite 12,550,000 new ordinary shares of RM1.00 each to be issued and offered to Malaysian citizens, companies, societies, co-operatives and institutions pursuant to the Public Issue. Underwriting commission is payable by the Company at the rate of 1.50% of the issue price of RM1.80 per share.

RHB Sakura has also arranged for the underwriting of any of the 4,950,000 new ordinary shares in the Company not subscribed for by the eligible Directors and employees of the Nikko Group and Nikko Holdings, which will be made available for application by Malaysian citizens, at an underwriting commission of 1.50% of the issue price of RM1.80 per share.

5.5 CONDITIONS IMPOSED BY THE SC

Vide its approval letters dated 21 September 1999 and 19 October 1999 in relation to the flotation of Nikko on the Main Board of KLSE, the SC has imposed, inter-alia, the following conditions:-

(i) Moratorium on shareholding

After the Public Issue, Nikko Holdings will hold 52.32% equity interest in Nikko. Nikko Holdings has common shareholders with Nikko Japan.

The SC has imposed a moratorium on the disposal of shares in Nikko held by Nikko Holdings. It is a condition of the SC that 45% of the shareholding of Nikko Holdings in Nikko will be placed under moratorium for a period of three years from the date of listing of Nikko on KLSE. Thereafter, for the next three years, Nikko Holdings will only be allowed to dispose one-third of its moratorium shares in Nikko per annum, on a straight-line basis.

As such, a total of 23.31 million ordinary shares in Nikko held by Nikko Holdings, representing approximately 23.55% of the enlarged issued and paid-up share capital of Nikko after the Initial Public Offering, will be placed under moratorium based on the terms specified above.

The restriction, which has been accepted by Nikko Holdings, is specifically endorsed on the share certificates representing the shareholding of Nikko Holdings to ensure that the Company's share registrar does not register any transfer in contravention of the moratorium imposed by the SC.

5. PARTICULARS OF THE INITIAL PUBLIC OFFERING *(cont'd)*

The statement to be endorsed on the said share certificates is as follows:-

“The shares comprised herein are not capable of being sold, transferred or assigned from the date hereof up to and including [DATE 1]. Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange before [DATE 2]. No share certificate or certificates will be issued to replace this certificate unless the same shall be endorsed with this restriction.”

[DATE 1] denotes the last day on which the said share cannot be sold, transferred or assigned. [DATE 2] denotes the first day on which the said shares can be sold, transferred or assigned.

The SC has also imposed a condition that the shareholders of Nikko Holdings undertake not to sell, transfer or assign their shareholdings in Nikko Holdings during the entire period specified above. The shareholders of Nikko Holdings have furnished an undertaking to this effect to the SC on 15 November 1999.

(ii) *Restriction imposed on Nikko Japan and Directors of Nikko*

It is a further condition of the SC that Nikko Japan, the promoter of Nikko, and the Directors of Nikko are prohibited from setting up any business in competition with Nikko.

5.6 ***BASIS OF ARRIVING AT THE ISSUE PRICE***

The issue price of RM1.80 per share was determined and agreed upon by the Company and RHB Sakura as the Adviser based on various factors after taking into account the following:-

- (i) The issue price of RM1.80 represents a premium of RM0.43 or 31.4% from the proforma NTA per share of Nikko as at 30 June 1999 of RM1.37;
- (ii) The forecast net PE multiple of approximately 9.1 times ⁽¹⁾;
- (iii) The forecast tax-exempt dividend yield of 3.3% ⁽²⁾; and
- (iv) The qualitative factors of the Nikko Group as outlined in Section 6 of this Prospectus.

Notes:

- (1) *Based on the forecast consolidated net EPS of the Nikko Group of approximately 19.8 sen for the financial year ending 31 December 2000 and the issue price of RM1.80 per share*
- (2) *Based on the forecast tax-exempt dividend per share of Nikko of 6 sen for the financial year ending 31 December 2000 and the issue price of RM1.80 per share*

However, investors should also take note that the market prices of Nikko upon listing on KLSE are subject to the vagaries of market forces and other uncertainties which may affect the price of Nikko shares being traded.

6. INFORMATION ON NIKKO

6.1 INCORPORATION

Nikko was incorporated in Malaysia under the Companies Act, 1965 on 19 September 1988 as a private limited company under the name of Nikko Electronics Sdn. Bhd. It was converted into a public limited company on 21 October 1996 and adopted its present name.

The Company is principally involved in the manufacture and sale of RC toys.

6.2 THE SCHEME

As part of its listing on KLSE, Nikko undertook a scheme which was approved by the following:-

- (i) the SC vide its approval letters dated 21 September 1999, 19 October 1999 and 3 December 1999;
- (ii) the MITI vide its approval letters dated 19 September 1997, 7 October 1997, 20 July 1999 and 23 July 1999; and
- (iii) the FIC vide its approval letter dated 11 September 1997.

The Scheme is as follows:-

(i) The Bonus Issue

On 9 November 1999, Nikko implemented a bonus issue of 24,000,000 new ordinary shares of RM1.00 each credited as fully paid-up on the basis of 480 new ordinary shares for every 1,000 existing ordinary shares held, by capitalising RM24,000,000 from the audited retained profits account of Nikko as at 31 December 1998.

As a result of the Bonus Issue, the issued and paid-up share capital of Nikko increased from RM50,000,000 to RM74,000,000 comprising 74,000,000 new ordinary shares of RM1.00 each.

(ii) The Public Issue

Nikko is undertaking a Public Issue of 25,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.80 per share. The Public Issue is the subject of this Prospectus.

(iii) Listing on KLSE

The listing of and quotation for the entire enlarged issued and paid-up share capital of Nikko of RM99,000,000 comprising 99,000,000 ordinary shares of RM1.00 each on the Main Board of KLSE.

6.3 SHARE CAPITAL

(i) Authorised Share Capital

The authorised share capital of Nikko is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each.

6. INFORMATION ON NIKKO (cont'd)

(ii) *The Issued and Paid-up Share Capital*

The changes in the issued and paid-up share capital of the Company since its incorporation are as follows:-

Date of Allotment	No. of shares allotted	Par Value RM	Consideration	Cumulative Issued and Paid-up Share Capital RM
20.09.1988	2	1.00	Subscribers' shares	2
15.03.1989	4,999,998	1.00	Capitalisation of loan from shareholders	5,000,000
30.09.1989	5,000,000	1.00	Capitalisation of loan from shareholders	10,000,000
31.07.1992	10,000,000	1.00	Capitalisation of loan from shareholders	20,000,000
12.08.1996	18,213,000	1.00	Bonus issue	38,213,000
13.08.1996	11,787,000	1.00	Capitalisation of loan from shareholders	50,000,000
09.11.1999	24,000,000	1.00	Bonus issue	74,000,000

6.4 BUSINESS OF NIKKO

(i) *History*

(a) *Nikko and Nikko Japan*

Nikko was established in September 1988 as a wholly owned subsidiary of Nikko Japan, which was held through Nikko Singapore. On 25 October 1996, Nikko Singapore sold 30% equity interest in Nikko to Rimbunan Asas Murni Sdn Bhd and Halili bin Mohamed Sa'aie. As part of the Nikko Japan Group's internal restructuring, Nikko Holdings had on 3 November 1999 acquired Nikko Singapore's 70% equity interest in Nikko. Both Nikko Japan and Nikko Holdings have common shareholders.

Nikko Japan, the promoter of Nikko, was founded in 1958 as Nikko Kogyo Seisakusho (Nikko Industry Manufacturing) and the company established a small factory to design and manufacture various metal moulds for plastics. Full-scale production of light electrical plastic toys such as cars started in 1965 while experimental manufacturing of RC cars began in 1966 (as a sub-contractor for Yonezawa Co. Ltd.). RC cars are toy cars controlled by transmitters within a radius of 30 metres to 50 metres. They are powered by batteries in the form of battery packs and chargers.

Nikko Japan began operations in the overseas markets in 1979 through the set up of Nikko Singapore. This expansion allowed Nikko Japan to obtain the merits of large-scale production and achieve reasonable pricing for its products. Due to lack of production capacity at the time, Nikko Japan's products were also subcontracted out to factories in Korea from 1986 to 1988 and factories in China from 1987 to 1992 under Original Equipment Manufacturing ("OEM") arrangements. Nikko Japan provided technical assistance to these factories under the said OEM arrangements.

Nikko Japan established its manufacturing plants in Prai and Parit Buntar in 1989 and 1993 respectively to produce low and medium-end RC cars. In 1993, another plant owned by Dongguan Rixing was set up in China to produce lower-end RC toys for Nikko Japan (please refer to "Information on Dongguan Rixing" under "Statutory and Other General Information"). With the set up of these factories and the consequent increase in production capacity, the OEM arrangements in Korea and China were terminated.

6. INFORMATION ON NIKKO (cont'd)

In April 1998, the operations of Nikko Singapore were transferred to Nikko's Prai and Parit Buntar factories (please refer to the section entitled "Business Operations" below). From 1998 onwards, Nikko's low-end production was transferred to Dongguan Rixing. Consequently, Nikko now focuses its operations on the manufacture of medium and high-end RC toys.

Over the years, the Nikko Japan Group has built a foothold for its RC toys particularly in the USA, France, Germany, Spain and South East Asia. This was achieved through its wide distribution network around the world.

(b) Nikko Hong Kong

Nikko Hong Kong, a wholly owned subsidiary of Nikko, was incorporated on 17 January 1997 in Hong Kong as a private company. Nikko Hong Kong was a dormant company until it began operations on 1 July 1999 as a marketing and distribution arm of Nikko's products. For further details, please refer to "Marketing and Distribution" below.

Since incorporation, Nikko Hong Kong has an issued and paid-up capital of HKD2,000,000, consisting of 2,000,000 ordinary shares of HKD1 each. Nikko Hong Kong has no subsidiary or associated company.

Nikko Hong Kong presently has 3 employees and its place of business is at Room 601, Houston Centre, 63, Mody Road, TST East, Kowloon, Hong Kong.

Save for Nikko Hong Kong, Nikko has no other subsidiary or associated company.

(ii) Business Operations

The principal activity of the Nikko Group is the manufacture and sale of RC toys. Nikko presently has two factories, one in Prai, Pulau Pinang and the other in Parit Buntar, Perak .

Approximately 92% of Nikko's production during the financial year ended 31 December 1998 comprised RC cars while the balance comprised RC boats and RC planes. The RC toys manufactured by Nikko can be categorised into the following product categories/market segments:-

(% of annual turnover)	1998	1997	1996	1995	1994
• High End	25	20	10	3	-
• Medium to High-End	68	70	49	40	30
• Low to Medium-End	7	10	29	34	38
• Low End	-	-	12	23	32

6. INFORMATION ON NIKKO (cont'd)

During the year ended 31 December 1998, Nikko produced approximately 2.0 million units of RC toys, with total sales amounting to approximately RM219.4 million. In the same year, Nikko, Dongguan Rixing and Nikko Singapore (prior to the completion of transfer of high-end RC car manufacturing to Nikko in April 1998) collectively produced approximately 6.3 million units of RC toys, with total sales amounting to approximately USD102 million.

As such, the 2 factories of Nikko in Prai and Parit Buntar produced approximately 32% and 57% of the RC toys in units and sales values respectively of Nikko, Dongguan Rixing and Nikko Singapore's total production and sales for the year ended 31 December 1998.

The main models of RC toys introduced by Nikko from 1997 to 1999 are summarised as follows:

Model	Description
1999	
Hummer	1/14 scale 2 channel full function RC car with turbo high-speed selector switch and front and rear suspension
Jeep Wrangler	1/10 scale 2 channel digital proportional system RC car with differential gear and front and rear suspension
Voland	1/19 scale RC yacht with left, right and forward steering functions, capable of sailing up to a maximum of 10km/hour
1998	
Deceptor	1/12 scale full function RC car with front and rear suspension and transforming system which enables it to transform from buggy style to pick up style
Arion	1/17 scale full function RC car
Dodge RAM	1/14 scale full function RC car with high/low gear selector switch, extra turbo boost, front and rear suspension and adjustable front wheel alignment
1997	
Jumping Car	1/14 scale full functions (i.e. forward, reverse, left and right turn and stop) RC car with jumping action system
Road Racing	1/42 scale full-function RC road racing with the ability to change lanes and overtake
Zeros	1/14 scale 2 channel full functions with turbo high speed selector switch

6. INFORMATION ON NIKKO (cont'd)

Prai Factory

Nikko's Prai factory commenced operations in March 1989. The factory is located on 32,973 sq. metres of leasehold industrial land within the Prai Industrial Estate, Pulau Pinang, and has a built-up area of 24,739 sq. metres. As at 30 November 1999, it has a total work force of about 1,221 employees, of which 78 are technical personnel. The full-fledged Prai factory produces mainly ready-built medium to high-end RC cars for the export market. The machinery at the Prai factory is purchased mainly from Japan, Singapore and Malaysia.

Parit Buntar Factory

The Parit Buntar factory commenced operations in July 1993 on 21,399 sq. metres of leasehold industrial land within Kawasan Perusahaan Parit Buntar in Perak, with a built-up area of 16,411 sq. metres. This factory serves as a satellite assembly plant to support the Prai factory. The raw materials and parts for this factory are sourced by the Prai factory based on the production schedule planned by the Parit Buntar factory. As at 30 November 1999, the Parit Buntar factory employs 727 employees, of which 30 are technical personnel.

(iii) Production Capacity

As disclosed under the Section entitled "Proceeds of the Public Issue" above, RM16.0 million of the proceeds from the Public Issue will be utilised to repay borrowings obtained for the construction of new factories with warehouses in Nikko's manufacturing plants in Prai and Parit Buntar.

With the expansion of the Prai and Parit Buntar factories of Nikko, a total of 12 additional sub-assembly lines were added to both the factories. In addition, a total of 4 new main assembly lines and 4 new packaging lines were added to these factories. With these new lines, the total full production capacity of the Prai and Parit Buntar factories of Nikko has increased from 3.3 million units to approximately 4.8 million units per annum (as reflected in the table below). During the financial year ended 31 December 1998, Nikko produced approximately 2.02 million units of RC toys, of which approximately 0.92 million units (45.5%) were produced by the Prai factory and approximately 1.10 million units (54.5%) were produced by the Parit Buntar factory.

	Prai		Parit Buntar	
	<i>Before the expansion</i>	<i>After the expansion</i>	<i>Before the expansion</i>	<i>After the expansion</i>
Assembly Lines				
• Sub-assembly	14	20	8	14
• Main	4	5	2	5
• Packaging	4	5	2	5
Full capacity per annum ('million units)	2.0	2.8	1.3	2.0
Actual average production utilisation				
• Peak season (May to October) (%)	100		100	
• Sub-Contract (%)	20		20	
• Off-peak season (%)	30		30	
Shifts				
Assembly Lines		1		1
Injection moulding and auto insertion		3		3

6. INFORMATION ON NIKKO (cont'd)

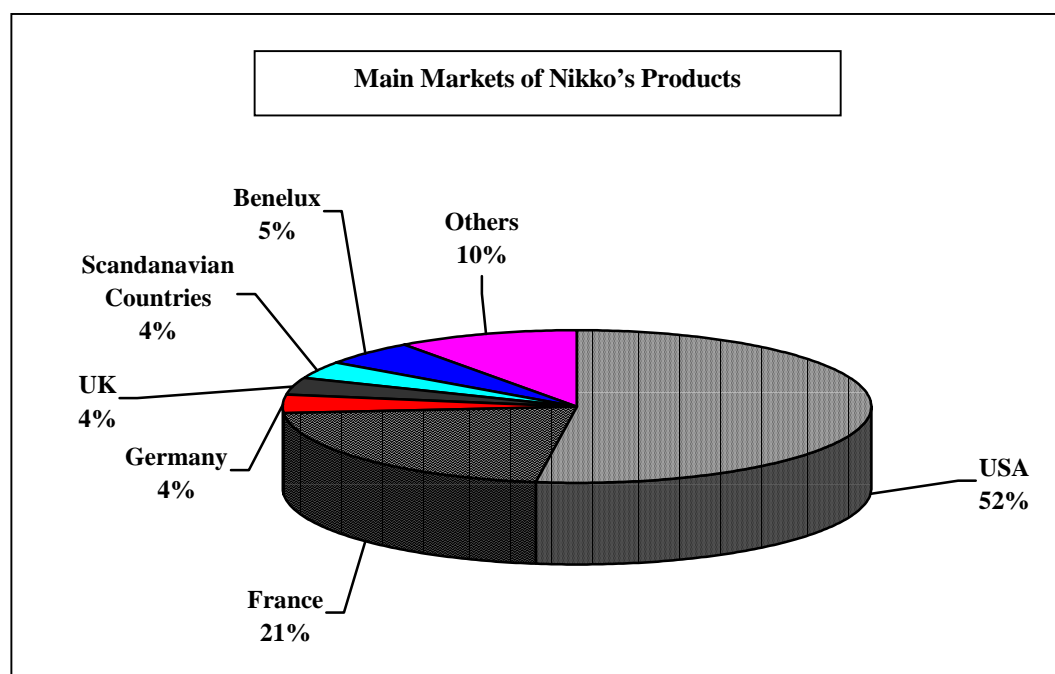
(iv) Principal Markets

Approximately 98% of the RC toys produced by Nikko are for the export market. In 1998, Nikko's sales of USD58 million (1997: USD48 million) made up approximately 57% (1997: 46%) of total global sales of RC toys manufactured by Nikko and Dongguan Rixing of USD102 million (1997:USD105 million), which include the RC toys produced by Nikko Japan's subsidiary in Singapore (prior to the completion of the transfer of its operations to Nikko in April 1998).

The largest market for RC toys manufactured by Nikko (based on sales for the year ended 31 December 1998) is the USA (51.65%), followed by Europe (40.25%). For the European countries, France is the biggest market (20.92%), followed by Benelux (5.20%), Germany (3.86%), the United Kingdom (3.59%), Italy (0.71%) and other European countries (5.97%).

The balance 8.10% of Nikko's total sales is to the following countries/regions:

- Scandinavian countries (3.53%) including Denmark, Finland, Sweden and Norway;
- the Far East Asia (1.74%) including Singapore, Malaysia, Thailand, Indonesia, Brunei, Philippines, Korea, Hong Kong and Taiwan;
- Japan (1.60%);
- the Middle East (0.43%) including the United Arab Emirates, Saudi Arabia and Kuwait;
- Australia (0.39%);
- South Africa (0.27%); and
- New Zealand (0.14%).



6. INFORMATION ON NIKKO (cont'd)

RC toys manufactured by Nikko and Dongguan Rixing presently dominate the European RC toy market with an overall market share of 41.9% (please refer to table below). The particular strengths of Nikko and Dongguan Rixing lie in the ready-to-run RC car and boat sectors, where both companies together are market leaders in the majority of European countries.

Source: Euromonitor Consultancy (October 1999).

Percentage value of sales of leading European RC toy manufacturers (1998)	
Manufacturer	% value of sales in the European RC toy market
Nikko and Dongguan Rixing	41.9
Dickie-Tamiya-Carson	13.8
Tyco	12.2
Tronico	6.8
Kyosho	4.7
New Bright	3.8
Tonca	2.6
<i>Sub-total</i>	<u>85.8</u>
Others	14.2
Total	<u>100.0</u>

Source : Euromonitor Consultancy (October 1999)

(v) Marketing and Distribution

Nikko's sales are presently co-ordinated by Nikko Hong Kong, Nikko Tec and Nikko Japan. Nikko Japan currently handles those RC toy customers of Nikko who are based or have offices in Japan whereas Nikko Tec and Nikko Hong Kong currently handle those RC toy customers of Nikko who are based or have offices in Hong Kong.

The Company's other customers are presently handled by any one of the three marketing arms of Nikko based on, inter-alia, existing relationships between a customer and a particular marketing arm.

Nikko intends to acquire Nikko Tec by the year 2001. By the year 2003, Nikko Hong Kong and Nikko Tec will take over the marketing and distribution of all RC toys of Nikko and Nikko Japan Group currently being handled by Nikko Japan, including the low-end models produced by Dongguan Rixing.

Nikko Hong Kong, Nikko Tec and Nikko Japan together with Nikko's exclusive distributors world-wide will determine the types of toys to market in the following year based on the information gathered during the annual toy fairs held every year in Hong Kong and Europe in the month of February.

6. INFORMATION ON NIKKO *(cont'd)*

At the same time, Nikko Hong Kong, Nikko Tec and Nikko Japan together with Nikko Japan's R & D Department (for the time being until the R & D department at Nikko is more established) will estimate the cost of production for these toys which will be used as the basis for setting the prices of products with the distributors. Nikko Hong Kong, Nikko Tec and Nikko Japan will jointly allocate the sales order from the distributors with pre-determined selling prices to the respective manufacturing units in Malaysia and China based on the type of toys to be produced.

Hong Kong is chosen as the marketing centre for Nikko as most of the world's toy business is undertaken through this city. Most of Nikko's marketing is presently done via catalogues (which illustrate the Company's range of products for the year), television and toy fairs and promotions, primarily in Europe and the USA, to further enhance its position in these markets.

Two of the marketing arms of Nikko, namely Nikko Japan and Nikko Tec, currently earn 6% commission on the respective sales secured by each marketing arm. Nikko has entered into a TAA on 6 November 1999 with Nikko Japan, which shall commence upon the listing of Nikko on KLSE and shall continue in force for a period of five years thereafter. Under the terms of the TAA, Nikko would have access to Nikko Japan's most up-to-date technology and technical expertise (as defined in the TAA) in relation to the manufacture of RC toys. Upon commencement of the TAA, the sales commission paid by Nikko to the aforementioned marketing arms will be reduced to 4.5% of net sales. The reduction in commission of 1.5% of net sales paid to Nikko Japan will instead be paid to Nikko Japan as royalty for the technical assistance furnished to Nikko under the TAA. The salient terms of the TAA are set out under "Material Contracts" of this Prospectus.

Nikko has sales distributors servicing regions around the world, in America, Europe, Asia, Australasia, the Middle East and Africa. The sales distributors of Nikko are instrumental in establishing and servicing the overseas market in their respective areas.

The roles of the sales distributors in their respective territories include:

- to advertise the Group's products through television, magazines and newspaper;
- to hold sales promotions which include organising Nikko Fans Clubs and racing competitions;
- to liaise with the purchasers (principally retail outlets) to secure orders; and
- to provide after sales service and technical assistance to purchasers and end-consumers.

Approximately 46% of Nikko's sales in 1998 were invoiced through the sales distributors that are related to Nikko Japan. These related sales distributors service Nikko's major markets and the sales transactions between Nikko and these sales distributors are conducted on an arms-length basis.

(vi) Sources and availability of raw materials

The main raw materials to produce RC cars are motors, electronic components such as integrated circuits, transistors, resistors and capacitors, magnets, plastic resin, labels and stickers, rubber tyres, polyfoam and boxes for packaging.

Approximately 70% of the value of Nikko's total raw materials requirements are sourced locally while the balance are sourced from suppliers in Singapore, Hong Kong and Japan. The raw materials that are sourced from overseas include transistors, capacitors, resistors, integrated circuits and motors. Purchases are mainly denominated in RM, Singapore Dollar, Japanese Yen and USD.

Approximately 8% of Nikko's purchases in 1998 were from related companies of Nikko Japan. The related party purchases include plastic parts, resins, electrical parts and mechanical parts.

6. INFORMATION ON NIKKO (*cont'd*)

Approximately 31% of Nikko's raw material purchases in 1998 were from its top 20 suppliers. Nikko has a relationship of at least 5 years with 80% of these top 20 suppliers. Based on the business relationships built up with these long-standing suppliers, Nikko hopes to continue to enjoy a constant and reliable supply of raw materials in future years. In addition, Nikko has a policy of having at least two vendors for each type of raw material.

In order to retain its suppliers and build up business relationships with them, Nikko holds frequent meetings and discussions with suppliers to discuss the quality of the raw materials supplied and Nikko's raw material demand to meet its production schedule.

(vii) **R & D**

Constant development of new products is vital in the competition for market share in the international general toys industry. The best selling products in one year may not necessarily be the best selling ones in the following year.

In view of the above, Nikko spends approximately RM700,000 to RM1 million annually on R & D. Nikko's expanded R & D Department, which is located at Nikko's Prai factory, was set up to design new RC car bodies and modify available models. The said R&D Department is presently staffed by 5 staff, including an R & D Engineer previously employed by Nikko Japan who is currently working as an R & D Manager with Nikko.

Some of the R & D activities of Nikko are presently still under the auspices of Nikko Japan, and will remain so in the foreseeable future. The R&D Centre, which researches and develops new products, is located at the Nikko Japan Group's head office in Tokyo.

Nikko Japan has 30 R & D personnel in its office in Japan who guide and train Nikko's R & D staff so that the Company will be able to design and produce its own new models by the year 2000. The Section Heads of Nikko's R & D Department have been sent to the R&D Centre in Tokyo for 3 to 6-month training programmes.

6.5 PROSPECTS OF THE INDUSTRY

(i) **Overview of the Malaysian Economy**

The Malaysian economy has recovered in 1999 from the severe deflationary impact of the regional financial crisis, which had resulted in a 7.5% contraction of the economy in 1998. Real GDP contracted by 1.3% in the first quarter of 1999 before recovering with a positive growth of 4.1% in the second quarter of 1999.

Real GDP growth is expected to further accelerate to an average annual rate of 7.2% during the second half of 1999, against 1.4% real growth in the first half. Further, Malaysia's real GDP is expected to expand by 5% in 2000.

Boosted by stronger volume off-take in exports, which continued to outpace imports, the nation's external reserves is expected to strengthen to RM125.5 billion (USD33 billion) by the end of 1999, adequate to finance 6.5 months of retained imports, against RM99.4 billion (USD26.2 billion) or an equivalent of 5.7 months of retained imports as at the end of 1998.

Source: Economic Report 1999/2000

(ii) **Manufacturing sector in Malaysia**

(a) **Production**

6. INFORMATION ON NIKKO *(cont'd)*

After registering a contraction of 13.7% in 1998, value-added of the manufacturing sector is expected to record a growth of 8.9% in 1999, with a 29.2% share of GDP. The recovery is generally broad-based, both in domestic and export-oriented industries.

The performance of export-oriented industries is boosted by substantially stronger external demand which follows the economic recovery in East Asia, including the ASEAN region and the peg of the RM at a competitive rate. As such, export-oriented industries recorded an output growth of 4.8% during the first eight months of 1999 (January-August 1998: -4.2%), mainly due to increased production of electronic products.

Source: Economic Report 1999/2000

(b) External Trade

Exports of manufactured goods, in RM terms, continued to increase albeit at a slower rate of 12.5% per annum to RM173.2 billion during the first eight months of 1999, against an increase during the corresponding period of 1998 to RM153.9 billion. However, value of manufactured exports in USD terms rose sharply by 17.6% (January-August 1998: -10.1%). The strong recovery of exports in USD terms is attributable to rising external demand for semiconductors as well as electronic equipment and parts, arising from the continued growth of the USA economy and the recovery of East Asian economies.

Consequently, manufactured exports recorded an 85.6% share of total gross exports for the period (January-August 1998: 82.9%). Export earnings from manufactured goods are expected to remain stable for the rest of the year, thereby recording a growth of 10.6% in Ringgit terms for the whole of 1999 (1998: 32.2%), while, in USD terms, manufactured exports are expected to expand at a higher rate of 14% (1998: -5.2%)

Source: Economic Report 1999/2000

(iii) Overview of Nikko's export markets

(a) USA

The USA has entered its ninth consecutive year of economic expansion. Output has been driven mainly by strong domestic demand, particularly in business investment and household consumption, supported by strong wealth effects from the stock market. The strength of real domestic consumption expenditures have been attributable to rapid income growth, rising wealth and declines in interest rates during 1998 and early 1999.

However, the momentum of the USA economy is expected to decelerate marginally in 1999 as the level of business investment responds to low capacity utilisation in manufacturing, reduction in residential construction and the moderation of domestic demand due to waning wealth effects and increased interest rates. Given the lagged impact of the financial crisis in emerging markets, external demand is expected to be low due to continued weakness in demand from its major trading partners in Asia, as well as Latin America and Japan. Real GDP growth in 1999 is expected to moderate slightly to 3.7% (1998:3.9%).

6. INFORMATION ON NIKKO *(cont'd)*

Consumer price inflation for 1999 is expected to rise to 2.2% (1998: 1.6%). The unemployment rate in 1999 is expected to drop slightly to 4.3% (1998:4.5%).

The US economy is forecast to slowdown to 2.6% in the year 2000 due to a tighter fiscal stance. Import growth may slacken as domestic demand weakens but exports may progressively improve as foreign markets strengthen.

Source: Economic Report 1999/2000

(b) France

Economic Outlook

The French economy recorded a slower growth during the first half of 1999 after recording the fastest growth for a decade in 1998. Output expansion is expected to moderate to 2.5% in 1999 (1998: 3.2%) as industrial production slows due to a reduction in external demand, particularly from European countries.

Inflation is expected to be contained at 0.5% (1998: 0.7%), due to increasing price competition, resulting from the launch of the Euro, and by the gradual liberalisation of the utility market within the European Union ("EU"). Despite a pick-up in domestic demand, particularly in the services and construction industries, the unemployment rate is only expected to decline slightly to 11.3% in 1999 (1998: 11.6%).

During 2000, growth in France is projected to remain above its major neighbours mainly due to domestic demand. GDP growth is projected to increase by 3% with a rise in inflation by 1.1%. The unemployment rate is projected to fall in 2000 to 10.7%, reflecting the positive effect of the new 35-hour-week law and the extension of the youth employment scheme.

Source: Economic Report 1999/2000

Market share of Nikko and Dongguan Rixing and future outlook of the RC toy industry

Nikko and Dongguan Rixing together are the clear market leader in all sectors of the French RC toy industry, with an 85% share of the total value of the market. However, based on a survey of toys and games buyers, the market for RC toys is likely to grow slowly, if at all, during 1999, despite the significant growth experienced in 1998.

The production trend within the RC car sector is moving towards faster cars with more powerful engines and batteries.

Source : Euromonitor Consultancy (October 1999)

6. INFORMATION ON NIKKO (*cont'd*)

(c) **Germany**

Economic Outlook

Economic activity remained slow in the first half of 1999 due to weak export demand resulting from the economic crisis in emerging markets, particularly in Asia and Russia, and stagnant investment activity. The latter has been adversely affected by uncertainty regarding tax reforms, thereby offsetting private and public consumption. Exports are expected to recover during the course of 1999 as world trade growth picks up, while investment activity is projected to improve as the government implements its fiscal consolidation and tax reform package. GDP growth is expected to be 1.4% (1998: 2.3%).

With the deceleration in GDP growth and some labour-shedding arising from the rise in wage levels, the strong employment growth recorded in the second half of 1998 is likely to stagnate in 1999. However structural unemployment is expected to improve marginally to 9.1% in 1999 (1998: 9.4%).

Output growth is projected to increase to 2.5% in 2000, with the expected recovery in European economic activity and a pick-up in world trade growth. The unemployment rate is expected to decline to 8.6%.

Source: Economic Report 1999/2000

Market share of Nikko and Dongguan Rixing and future outlook of the RC toy industry

In Germany, Nikko and Dongguan Rixing together have a 21% share of the total value of the RC car (ready-to-run) sector and a 40% share of the total value of the RC boat (ready-to-run) sector.

The RC toy market is forecast to remain relatively flat with product development driving the retention of market share over growth sectors of the toy market. Video and personal computer ("PC") games are the biggest threat to RC toys. The expense of a PC purchase for the home may reduce toy purchases by some families.

In the face of stable market demand, the RC toy industry is likely to consolidate and increase product development to stimulate demand in RC toy sub-sectors and overcome competition from other toys. The underlying trend in the RC car sector is towards realistic cars. Manufacturers will also attempt to bring more fantasy cars and trucks onto the market. The development of new product concepts would stimulate new marketing initiatives.

There is a retail trend towards out of town shopping malls which is acting to increase demand for ready-to-run RC toys, at the expense of construction sets. Specialist city centre toy retailers would also be squeezed.

Source: Euromonitor Consultancy (October 1999)

6. INFORMATION ON NIKKO (*cont'd*)

(d) **United Kingdom**

Economic Outlook

Output in the United Kingdom, which was almost flat in the first quarter of 1999, expanded by 0.6% in the second quarter, driven by strong consumption growth and a better performance within in the services sector. This was however offset by a decline in net exports, particularly to Germany, and weaker investment, particularly in private business investment. Growth is expected to slow down to 1.1% in 1999 (1998: 2.2%), as domestic demand gradually moderates and external demand weakens due to the strengthening of the Pound Sterling.

The recent economic situation together with intense price competition has resulted in a faster rise in employment, particularly within the service sector. However, employment in the manufacturing sector is expected to fall significantly during the rest of the year, thereby contributing to a marginal increase in the unemployment rate to 4.8% in 1999 from 4.7% in 1998.

Economic growth during 2000 is projected to pick up to 2.4%, driven mainly by the strong growth in public investment. The unemployment rate is expected to rise to 5.3%.

Source: Economic Report 1999/2000

Market share of Nikko and Dongguan Rixing and future outlook of the RC toy industry

RC car sales dominate the RC toy market with 80% of total sales value. Nikko and Dongguan Rixing together control 35% of sales of ready-to-run cars, and have emerged as the leading brand following a period of extensive new product development and brand launches. In late 1997 and during 1998, Nikko and Dongguan Rixing introduced a total of 24 new items onto the United Kingdom market.

Further, Nikko also controls 55% of sales of ready-to-run boats and 25% of sales of ready-to-run planes.

The declining birth rate towards the end of the 1990s means that the number of children of pre-school age is starting to fall. Between 1996 and 2006, the population aged 15 years old and below is expected to fall by 4% to only 11.6 million people. A declining children's market and price competition would limit any growth in sales volume and sales value for the leading RC vehicle suppliers. However, both Nikko and Dongguan Rixing, and Tyco are expected to maintain their status as market leaders.

Competition from video and computer games will continue to impact sales along with further growth in the interactive toys market. Sales of ready-to-run vehicles are expected to grow by only 2% in 1999, slightly above the rate of inflation, followed by a similar increase in 2000.

Source: Euromonitor Consultancy (October 1999)

6. INFORMATION ON NIKKO *(cont'd)*

(iv) RC toy industry

The toys and games industry can generally be divided into various sectors as follows:

- video games;
- electronic games;
- dolls and figures;
- soft/plush toys;
- outdoor games;
- indoor games;
- pre-school/infant toys;
- activity toys;
- model-wheeled vehicles;
- RC toys; and
- other toys.

The toy manufacturing industry of the world is very much concentrated in countries with abundant supplies of labour and raw materials. The Far East is the most important area for toy manufacturing whereby most of the major toys companies have their manufacturing plants in the Far East. It is estimated that some 70% of the world's toy market demand are handled by manufacturing plants of the major toy companies located in China and Hong Kong. As for RC toys, the important countries of origin are China, Singapore, Malaysia, Taiwan, Thailand, South Korea and Indonesia.

(v) Outlook for the RC Toy Industry

Despite the overall global trend towards a declining child population, the Directors of Nikko believe that there are other market forces besides population trend that affect the purchasing and consumption patterns of toys. Increasing purchasing power and disposable incomes, fuelled by the rising productivity of some economies, are positive indicators for the RC toy industry.

Within Europe, all sectors of the toy market are presently under threat from video and personal computer ("PC") games as well as the Internet ^(a). However, the RC toy sector has maintained its market share in most European markets, primarily due to an increase in the rate of introduction of new products onto the market, the development of the pre-school market, competitive pricing within the market for older children and the stability and maturity of the adult market ^(a). Further, pre-school children are maturing earlier and this is expected to raise demand ^(a).

However, expectations of future growth of the RC toys market in Europe are limited ^(a). Further, demand is likely to remain flat for the next two years as the population ages ^(a). Older children will continue to be drawn towards electronic and PC games, to the detriment of other toy sectors. ^(a)

Even though children are the main consumers of toys, both adults and children are end-consumers of RC toys, as RC toys serve both as playing and hobby toys. A factor that may contribute towards increased purchases of RC toys as hobby toys would be that, in view of the ageing population trend, there would be a larger number of potential consumers over 50 years of age who, in turn, would tend to have higher disposable incomes.

6. INFORMATION ON NIKKO *(cont'd)*

RC toy manufacturers must be flexible and responsive to the rapidly changing consumer demands. The increasing educational level of parents would move the RC toy market more towards educational and activity toys as tools to assist in the development of children. Against this backdrop, the manufacturers of RC toys can re-align their products through promoting their toys as interactive and social toys.

Further, RC toy manufacturers could develop more “cult” models in order to attract the fashion conscious older children consumer group ^(a). The adult consumer market will remain stable unless manufacturers/suppliers of RC toys broaden appeal through the above form of promotion and widening channels of distribution ^(a).

Source: (a) Euromonitor Consultancy (October 1999)

(vi) Future plans of Nikko

The Directors of Nikko plan to continue investments in R & D activities in order to improve the quality of Nikko’s products, introduce new products to its customers and reduce production costs. Nikko had in early 1998 expanded its manufacturing capabilities in order to meet the increasing demand of RC toys’ consumers. Towards the end of 1997, the Nikko Japan Group had also launched Nikko racing sets.

The details on Nikko’s future plans are as follows:

- **Exclusive Nikko Outlets**

As a consequence of niche marketing to differentiate Nikko’s products from other ordinary toyshops, Nikko Japan has established four exclusive Nikko outlets, called NIKKO. The Nikko outlets are located in Suntec City Mall in Singapore, Suria KLCC and 1-Utama Shopping Centre in Kuala Lumpur, Malaysia and Kinta City Shopping Centre in Ipoh, Malaysia. Nikko Japan plans to open up to 20 stores around Malaysia in the future. Further, if these outlets are successful in Malaysia and Singapore, Nikko Japan will open similar outlets in China and other countries in the Southeast Asia region. With these outlets in place, Nikko’s products can be marketed directly to its end-consumers to obtain their immediate feed-back and hence, improve its after-sales services.

- **Product Diversification**

Nikko has plans to further diversify its product range by producing higher value-added products through its R&D efforts. Apart from utilising the existing technology at its disposal, Nikko plans to develop new technology with the technical assistance of Nikko Japan, in order to manufacture new products and product ranges. Nikko Japan would furnish Nikko with this technical assistance under the terms of the TAA, which shall commence on the date of listing of Nikko on KLSE. The salient terms of the TAA can be found under “Material Contracts” of this Prospectus.

At present, Nikko has plans to venture into the following products:

- (a) *Speed-gun (Speed checker)*, which can be used for checking or measuring the speed of cars and other moving items such as golf balls. The product is adjustable for use by both adults and children. This product will initially be marketed to the Japanese market;
- (b) *Auto gear-adjuster*, which is an accessory that will change the gears of a bicycle automatically as the bicycle goes up a hill. As such, the rider would not

6. INFORMATION ON NIKKO (cont'd)

waste energy ascending the hill on the wrong gear. Nikko plans to manufacture this product via an Original Equipment Manufacturing arrangement and is working in conjunction with two established bicycle manufacturers towards this end; and

- (c) *MP3 Walkman* with built-in memory, which can be used to download music files from the Internet, thereby obviating the need to buy compact discs or cassettes. It has a recording capacity of up to 70 hours. This product would allow consumers to have access to the latest music tracks released by recording studios around the world, ranging from classical to popular music.

6.6 PROPERTIES

Location	Description/ Usage	Tenure of Land	Age of Buildings (years)	Land Area	Built-up Area	Market value / Value approved by the SC (RM)	Audited Net Book Value as at 30.06.99 (RM)	Revaluation deficit based on Audited Net Book Value as at 31.12.98 (RM)
P.T. 2706, Plot 497, Prai Free Trade Zone, Prai Industrial Estate, Prai	Industrial Lot/Factory building, warehouse and office block	60 years Leasehold (Expiring 19.04.2049)	10 years (Aug 89)	32,973 sq. metres (8.148 acres)	24,739 sq. metres	26,770,000	26,770,000	4,959,570
Lot 7293 Kawasan Perusahaan Parit Buntar, Perak	Industrial Lot/Factory building, warehouse and office block	60 years Leasehold (Expiring 02.09.2050)	6 years (June 93)	21,399 sq. metres	16,411 sq. metres	14,240,000	14,240,000	1,607,096
TOTAL						41,010,000	41,010,000	6,566,666

The registered owner of both of these properties is Nikko. For the purpose of its listing application to the SC, Nikko's leasehold land and certain factory buildings were revalued by Messrs. C H Williams Talhar & Wong Sdn Bhd on 9 June 1999 (as stated in its valuation report dated 23 June 1999) using the comparison method of valuation and cross-checked against the investment method of valuation. The revaluation deficit arising from the aforementioned revaluation amounting to RM6.566 million was incorporated into the audited accounts of Nikko for the 6 months ended 30 June 1999.

7. DIRECTORS, MANAGEMENT AND STAFF

7.1 BOARD OF DIRECTORS

Particulars of the Board of Directors of Nikko are as follows:-

Minoru Yamashita, aged 63, was appointed as the Executive Director of Nikko on 8 October 1988 and Chairman of Nikko on 1 October 1999. He was one of the two founders of the Nikko Japan Group and has acted as President for the Nikko Japan Group since 1993. Mr Yamashita graduated from Tokyo Touritsu Honjyou Technical High School in 1956. Together with the Ex-President of the Nikko Japan Group, Mr Takeshi Hattori, Mr Yamashita founded Nikko Kogyo Seisakusho (Nikko Industry Manufacturing) in 1958 which changed its name to Nikko Japan in 1960. Mr Yamashita was also the President of Nikko Japan Co. Ltd. from 1993 to 1998. Mr Yamashita also sits on the Boards of a number of Nikko Japan Group of companies, namely Nikko Singapore, Nikko America Inc., Nipco Toys Ltd., Nikko (Asia) Toy Pte. Ltd., Nikko Norge AS., Nikko Deutschland GmbH, Nikko Toys Trading Sdn Bhd, Nics Engineering Ltd. and Nikko Tec. Mr Yamashita holds 27% equity interest in Nikko Japan and also holds direct and indirect interest in various companies within the Nikko Japan Group.

Kenichi Hattori, aged 41, was appointed to the Board of Nikko on 1 March 1994 as a Non-Executive Director. He is presently the Managing Director of the Nikko Japan. Mr Hattori graduated from Tokyo Teikyo Private High School in 1976 and has been involved in the RC toys industry for more than 18 years. He also attended Tokyo Kanda Foreign Language College (1977 to 1978) and UCLA Language College (1978 to 1980). He started his career as a Manager with Nikko Japan in 1980. In 1984, he was appointed the Manager of Nikko Japan Co. Ltd. followed by the Marketing Manager of Nikko Singapore in 1986. Presently, he is the Vice President of Nikko Japan and Nikko Japan Co. Ltd. and the Managing Director of Nikko Singapore. Mr Hattori is also a Director of Nikko Toys Trading Sdn Bhd and Nikko (Asia) Toy Pte. Ltd.. Mr Hattori holds 13.6% equity interest in Nikko Japan and also holds direct and indirect interest in various companies within the Nikko Japan Group.

Lim Chiang Hang, aged 49, was appointed as the General Manager of Nikko in September 1989 and a Director of Nikko in May 1996. He was redesignated as the Managing Director of Nikko on 1 October 1999. Mr Lim graduated from Chiba University, Japan with a Bachelor of Economics in 1977. He started his career with Matsushita Precision Motors Pte. Ltd. in Singapore in 1977 as an Accountant before being promoted to the position of Personnel Manager in 1978. Following that, Mr Lim was with Nikko Singapore in a number of positions from 1979 to 1989. He was transferred to Nikko in 1989. In September 1993, he was transferred to Nics Engineering Ltd., the joint venture company set up by certain shareholders of Nikko Japan in Hong Kong, as Managing Director and was also appointed as the General Manager of Dongguan Rixing, the joint venture company set up between Dongguan-Shi Fenggang Jiye Fazhang Gongsi and Royal World International Limited in China. He was appointed to the Board of Nikko Japan in November 1993 and transferred back to Nikko to continue in the position of General Manager.

Kentaro Sakoguchi, aged 56, was appointed to the Board of Nikko on 23 April 1997 as a Non-Executive Director. Mr Sakoguchi is a graduate of Waseda University, Japan with a Bachelor in Laws (1966). He has served The Fuji Bank Ltd. in various capacities from 1964 to 1996, the last being as General Manager, Asia Division (China Business Promotion Group). He became the Executive Director of Nikko Japan on 21 June 1996.

Dato' Zulkifli bin Abdul Rahman, aged 63, was appointed to the Board of Nikko on 23 August 1996 as a Non-Executive Director. He is a graduate of the Staff and Command School, Limbang, Indonesia (1977). He served with the Royal Malaysian Police for 37 years and his last post was Director of Special Branch before his retirement on 31 December 1993. He is a non-executive Director of Rashid Hussain Berhad and a member of its Audit Committee. He is currently the Chairman of Koperasi Polis Diraja Malaysia Berhad, Juan Kuang (M) Industrial Berhad, as well as Padini Holdings Berhad and a Director of Sungei Wang Plaza Sdn Bhd. He was also appointed to the Board of Prime Utilities Berhad on 2 February 1996.

7. DIRECTORS, MANAGEMENT AND STAFF (*cont'd*)

Nik Abdul Hamid Shukri bin Nik Abdullah, aged 32, was appointed to the Board of Nikko on 8 October 1999 as a Non-Executive Director. He graduated from Nottingham Trent University (formerly known as Trent Polytechnic) in accounting courses leading to the award of Certified Accounting Technician of the Association of Chartered Certified Accountants, United Kingdom. He began his career in Mercantile Insurance Sdn Bhd, a general insurance company, as an internal auditor in 1991 before moving to City Paging Sdn Bhd, a telecommunications company, as head of its finance division. In 1993, he joined Rashid Hussain Berhad and was subsequently transferred to its stockbroking subsidiary, Rashid Hussain Securities Sdn Bhd, as finance manager. He is also a director of Rimbunan Asas Murni Sdn Bhd.

Tan Gnear Eng, aged 50, was appointed to the Board of Nikko on 2 December 1999 as an Independent Director. He graduated from Chuo University, Japan in 1974 with a Bachelor of Commerce. He is presently the Managing Director of Kai Sik Towa Rubber Products Sdn Bhd. He is also a Director of Tan Kok Keat & Sons Sdn Bhd and Chuan Huat Rubber Plantations Sdn Bhd and a partner of Kee Neng Woodworking Factory.

Gong Wooi Teik, aged 48, was appointed to the Board of Nikko on 2 December 1999 as an Independent Director. He is a Fellow of both the Institute of Chartered Accountants of England and Wales and the Malaysian Institute of Taxation and a member of the Malaysian Institute of Accountants. He qualified as a Chartered Accountant in 1976 while working in the United Kingdom. He returned to Malaysia in 1977 and worked for Hanafiah Raslan and Mohamad and Kassim Chan & Co., both of which are firms of Public Accountants, for a period of two and a half years. He started his own accounting practice, Gong & Co., in 1980. On 1 January 1997, Gong & Co. merged with 3 other accounting firms to form GEP Associates, an accounting firm with an international affiliation, of which Mr Gong is currently the managing partner. He also holds directorships in several private limited companies.

7.2 SENIOR MANAGEMENT

The management team of Nikko is headed by Mr Lim Chiang Hang who is assisted by a team of experienced management comprising:-

Prai Factory

Tatsuhiko Nakamoto, aged 55, is the Deputy General Manager of the Prai Factory since May 1998. He graduated from Tokai University with a Bachelor in Engineering in 1967. He started his career as an Engineer with A & A Japan Ltd., a buying house of electronic and electrical products and quality control for the A & A group, in 1967. During his tenure with companies within the A & A group from 1967 to 1995, he was seconded to the A & A Group's office in New York (1969 to 1973) and Texas (1986 to 1992). In 1977, he also established and was the Office Manager of the Singapore representative office of the A & A group. His last position prior to leaving the A & A group was as Quality Control Manager of A & A Japan Ltd. Before joining Nikko in 1998, he was the Factory Manager of MYS Corporation Sdn Bhd, a manufacturer of speakers, from 1995 to 1998.

Masanobu Hasegawa, aged 54, has been the Factory Manager of the Prai factory since it started operations in 1989. He graduated from Okayama Kenritsu Kogyo High School majoring in Electronics in 1964. He started his career as a Technician with Shiba Den Ltd. in Japan, a manufacturer of broadcasting equipment, in 1965 and was with the company until 1967. Prior to joining Nikko Japan in 1978, he formed Hasegawa Seisaku-syo in 1968, a car radio sub-contracting company. He has worked in various companies under the Nikko Japan Group since 1978 as a Quality Control and Engineering Manager and Production Manager before joining the Prai factory as the Factory Manager.

7. DIRECTORS, MANAGEMENT AND STAFF (cont'd)

Takeshi Nakamura, aged 49, was appointed to the role of Senior Production Manager of the Prai factory in March 1998. He graduated from Chiba Shogyo High School, Japan in March 1967. He started his career as a Sales Personnel in Takada Toei Yakuhin Co. Ltd. prior to joining Nikko Japan as a Line Supervisor in 1982. He was promoted to Quality Control Senior Supervisor in 1983 and Assistant Production Manager in 1989. In 1989, he was appointed as the Production Manager of the Prai factory before being appointed as the Factory Manager of the Parit Buntar factory when it commenced operations in July 1993.

Kelvin Chow Yong Chiaw, aged 42, is the Production Manager of the Prai factory and has been a production management staff there for 9 years. He has Certificates in Air Radio Engineering from Institut Teknologi Utara TUDM (1977), in KT76/78 Transponder System (1981), KWX40 Weather Radar System (1981) and a Diploma in Avionics Engineering from Northrop University in the USA (1981). Kelvin has attended various courses such as Nuri Helicopter Sikorsky S6130 and Alouette Helicopter air radio/radar instructor courses. Prior to joining Nikko in 1989 as an Engineer, he was attached to the Royal Malaysian Air Force from 1978 to 1988. He is also a trained internal auditor and assessor/lead assessor of ISO 9000 Quality Management Systems, a qualification he obtained in 1996 from Neville Clarke, a management consultant firm for ISO 9000.

Hitoshi Manaka, aged 33, is the R & D Manager of Nikko since January 1999. He graduated from Sugito-Nougiyou High School, Japan in 1985. He started his career as a Tooling Technician in Nikko Japan's Tooling Department in 1985. Before assuming his present position, he was an Assistant Manager in the Engineering Department of Nikko from 1994 to 1998.

Jane Chan Foong Siew, aged 50, is the Senior Manager of Finance, a position which she has held since she joined Nikko in August 1995. She is also the Senior Manager in charge of Human Resource, Administration and Electronic Data Processing, positions she has held since January 1999. She is a Member of the Association of Chartered Certified Accountants of the United Kingdom since 1983 and became a Fellowship Member in 1988. She has also been a Member of Malaysian Institute of Accountants since 1983. She started her career as an Accounts & Audit Senior with Chan & Folk, a public accounting firm in Kuala Lumpur from 1970 to 1978. During the course of her studies in the United Kingdom which commenced in 1979, she worked as an Audit & Account Senior with Dearden Farrow, a public accounting firm, from 1980 to 1981 and as an Accountant with the Freshwater Group of Companies, a property investment company, from 1982 to 1983 whereupon she completed her Association of Chartered Certified Accountants examinations in London. Upon returning to Malaysia, she joined Coopers & Lybrand, a public accounting firm in Kuala Lumpur as an Audit and Account Supervisor from 1984 to 1988. Prior to joining Nikko, she was the Financial Controller of Formula Electronics Sdn Bhd, a manufacturer of multi-feature telephones, from 1989 for 7 years.

Leong Lye Chee, aged 50, is the Human Resource & Administration Manager in charge of the Prai factory since May 1993. She has a Certificate in Personnel Management from the Malaysian Institute of Personnel Management (1983) and a Diploma in Management from the Malaysian Institute of Management (1988). Ms Leong has 29 years of working experience, 19 of which have been concentrated in Human Resource and Administration. She started her career with Chocolate Products (M) Bhd, a food manufacturer listed on KLSE, as a Personnel Assistant in 1980. She joined Formula Electronics Sdn Bhd, a manufacturer of multi-feature telephones, as an Assistant Personnel Manager in 1988 and was responsible for staffing various departments, designing all the necessary forms and formats and setting up the entire personnel department, complete with personnel policies and procedures. She is also a trained internal auditor of ISO 9000 Quality Management Systems, a qualification she obtained in 1996 from Neville Clarke, a management consultant firm for ISO 9000.

7. DIRECTORS, MANAGEMENT AND STAFF (*cont'd*)

Seichi Hashimoto, aged 39, is the Injection Moulding Manager since August 1993. He graduated from Fukushima Kenritsu Koriyama Technical High School in 1978 and joined Nikko Japan as a Tooling Technician in the same year. Since then he was promoted to Tooling Manager of Nikko Singapore from 1982 to 1988, Nikko Japan from 1988 to 1990 and Nikko from 1990 to 1993.

Lee Chun Wei, aged 38, is Nikko's Engineering Manager, a position he has held since January 1999. He graduated with a Diploma in Electronics from the Federal Institute of Technology, Kuala Lumpur in 1983. He started his career as a Technician with Mostek Sdn Bhd, a manufacturer of integrated circuit in the same year. In 1985, he left Mostek Sdn Bhd to join Advanced Micro Devices Sdn Bhd, a manufacturer of integrated circuit as a Technician. Subsequently, he joined Nikko in 1989 as an Engineer and was promoted to the position of Section Head of Engineering Department in 1992, Assistant Engineering Manager in 1994 and Quality Control Manager on 1 March 1997. Mr Lee also holds a Certificate in Radio & Television from Nanyang Institute Technology in Kuala Lumpur (1982) and Diploma in Management from the Malaysian Institute of Management (1996). In June 1997, he was appointed as Nikko's Quality Control and Quality Assurance Manager.

Masaaki Setoguchi, aged 36, is the Quality Control Manager of Nikko since April 1999. He graduated from Tokai University in 1986 with a Bachelor of Engineering. He started his career as a Production Engineer with Wacom Industries Ltd., Japan in 1986. Subsequently, he joined Maruto Corp. Ltd., Japan as a Sales Engineer in 1988. Before assuming his present position, he was a Quality Control Engineer with Nikko from 1992 to 1999.

Tadaaki Miyashita, aged 41, is the Shipping and Sales Manager of Nikko since 1991. He graduated from Komazawa University in 1979 majoring in Political Science. He joined The Columbus Co. Ltd., a manufacturer of shoe cream and spray and trader of footwear, as an export personnel in 1979. From 1985 to 1990, he was a sale personnel of Nikko Japan before he assumed his current position in Nikko in 1991.

Parit Buntar Factory

Tokushi Namba, aged 55, is the Factory Manager of the Parit Buntar factory, a position he has held since May 1998. He holds a Bachelor of Electrical Engineering from Niiigata Shi-ritsu College in Japan (1962). Upon graduation, he joined, Tokyo Instrument Company, a company involved in manufacturing magnet, audio parts and measuring apparatus in Japan as the R & D Engineer and in 1969, he left Tokyo Instrument Company to join V.S. Electrical Engineering Co. in Japan, which is involved in audio equipment assembly, as an Engineer. Prior to joining Nikko's Johor Bahru factory in 1992, Mr Namba was attached to Nikko Japan as the Production Manager (1978 to 1988), Nikko Singapore as the Production Manager (1988 to 1991) and Nikko's Prai factory as Engineering Manager (1991 to 1992). In 1992, he was appointed as the Factory Manager of the Johor Bahru factory. He was transferred to the Parit Buntar factory upon the closure of the Johor Bahru factory to centralise manufacturing activities in Nikko's Prai and Parit Buntar factories in November 1997.

Lim Swee Keat, aged 33, is the Production Manager of the Parit Buntar factory. He has a Certificate in Electronic Engineering from Tunku Abdul Rahman College (1987). Prior to joining Nikko in 1989 as a Production Supervisor, he was a Production Supervisor with Kyotronics Sdn Bhd, a sub-contractor for electronic companies for 2 years. In Nikko, he was promoted to Section Head of sub-assembly lines in 1992, Assistant Production Manager in 1993 and finally to Production Manager in 1995. He is also a trained internal auditor and Assessor/Lead Assessor of ISO 9000 Quality Management Systems, a qualification he obtained in 1996 from Nerville Clarke, a management consultant firm for ISO 9000.

7. DIRECTORS, MANAGEMENT AND STAFF (*cont'd*)

Masaki Hori, aged 51, is the Injection Moulding Manager of the Parit Buntar factory, a position he has held since May 1998. He obtained his Bachelor of Chemistry (Plastic Products) from Ritsumeikan University in 1970. Mr Hori has had various industrial experience including at Lion Oil Co. Ltd., a manufacturer of detergent plastic materials in Japan from 1970 to 1991, Shinro Guidance Centre, a publisher of educational textbooks in Japan from 1992 to 1993 and Tokiwa Electronic Industry Co. Ltd, a manufacturer of printed circuit board in Japan for 3 months in 1993. In March 1994, he was appointed as the Factory Manager of the Johor Bahru factory. He was transferred to the Parit Buntar factory upon the closure of the Johor Bahru factory to centralise manufacturing activities in Nikko's Prai and Parit Buntar factories in November 1997.

Mohd Khalit bin Omar, aged 47, is the Human Resource and Administration Manager for the Parit Buntar factory. He holds a Diploma in Personnel Management from International Correspondence School, Glasgow, United Kingdom (1996). He started his career as a Trainee Chargeman at Majlis Perbandaran Pulau Pinang in 1971 and in 1975, he joined National Semiconductor Sdn Bhd, a semiconductor manufacturer in Pulau Pinang as a Chargeman. In 1989, he left National Semiconductor Sdn Bhd to assume the position of Chargeman at Nikko's Prai factory. He was promoted to Administration Officer in 1990, Human Resource and Administration Assistant Manager in June 1993 and assumed his current position in March 1997. He is also a certified internal auditor of ISO 9000 Quality Management Systems, a qualification he obtained in 1996 from Nerville Clarke, a management consultant firm for ISO 9000.

7.3 EMPLOYEES

As at 30 November 1999, the Nikko Group has a total workforce of 1,948 employees. None of the employees belong to any union and the relationship between management and employees is good.

7.4 FAMILY RELATIONSHIPS

There is no family relationship among the Directors and key management staff of Nikko.

8. FINANCIAL INFORMATION

8.1 PROFIT RECORD

The following table sets out the summary of the profit record of Nikko for the five financial years ended 31 December 1994 to 1998 and the 6 months ended 30 June 1999. The table should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 10 of this Prospectus.

Nikko's only subsidiary, Nikko Hong Kong, was incorporated on 17 January 1997 and commenced operations on 1 July 1999. Audited consolidated accounts of the Nikko Group have not been prepared in relation to the financial periods set out below, as the Directors of Nikko are of the view that the amounts in relation to Nikko Hong Kong during the said period were insignificant.

(RM'000)	<-----Audited----->					
	<-----Financial year ended 31 December ----->					6 months ended 30
	1994	1995	1996	1997	1998	June 1999
Turnover	114,527	116,417	128,606	136,091	219,356	38,570
Profit before taxation	9,853	10,415	11,945	14,833	19,802	4,909
Taxation	(58)	-	(1,000)	4,800	(2,709)	800
Profit after taxation	9,795	10,415	10,945	10,033	17,093	5,709
Weighted average number of ordinary shares of RM1.00 each ('000)	62,213	62,213	62,213	74,000	74,000	74,000
Gross EPS (sen)	15.8	16.7	19.2	20.0	26.8	13.3 ^(a)
Net EPS (sen)	15.7	16.7	17.6	13.6	23.1	15.4 ^(a)
Dividend rate (%)	15	-	5	16	6	-

Notes:

(a) Based on annualised earnings for the year ending 31 December 1999.

There were no exceptional and extraordinary items in all the financial years/period under review.

The increase in sales during 1995 was minimal, mainly due to the transfer of manufacturing of some lower end models from Nikko to Dongguan Rixing.

The tax rates for the two financial years ended 31 December 1994 to 1995 were lower than the statutory tax rates as Nikko was granted a five-year pioneer status tax incentive from 1 April 1989 to 31 March 1994. Although Nikko's pioneer tax holiday ended on 1 April 1994, there were no tax liabilities for the financial years ended 31 December 1994 and 1995 as Nikko had sufficient brought forward tax allowances as set off against taxable income. The taxation charge for the financial year ended 31 December 1994 was mainly in respect of interest income from deposits with licensed banks.

The effective tax rate for 1996 was lower than the statutory tax rate due to the benefit of reinvestment allowance and unutilised capital allowances brought forward from the previous year.

8. FINANCIAL INFORMATION (cont'd)

The increase in sales for 1997 was mainly caused by the strengthening of foreign currencies against the RM in the second half of the year, as Nikko's sales are mainly denominated in USD. However, there was relatively lower growth in sales compared to 1996. This was due to the further transfer of the manufacturing of certain lower end models to Dongguan Rixing, coupled with the delay in transfer of the manufacturing of higher end models from Nikko Singapore. Further, there was a decrease in additional ad hoc orders by certain European customers due to the weakening of their local currencies against the USD during the second half of the year. Please refer to "Business of Nikko" for further details.

The effective tax rate for 1997 was higher than the statutory tax rate due mainly to unrealised foreign exchange loss arising from long term loan used for capital expenditure being not deductible for tax purposes.

The increase in sales for 1998 was mainly due to the transfer of the manufacturing of higher end models from Nikko Singapore, which command comparatively higher selling prices, as well as the weakening of the RM against the USD. However, profit margins for the year were depressed due to the costs associated with the said transfer, such as the transfer of some of the Japanese and Singaporean staff from the factory in Singapore, and the costs associated with being on the learning curve of high-end RC toy production.

The effective tax rate for 1998 is lower than the statutory tax rate due to the benefits of reinvestment allowance and double deduction tax incentives.

The annualised profit figures for the 6 months ended 30 June 1999 are comparatively lower, as Nikko's sales are seasonal. Historically, sales of the Company are higher during the second half as compared to the first half of the year.

8.2 ANALYSIS OF FINANCIAL PERFORMANCE FOR THE PAST FIVE YEARS

The analysis of Nikko's turnover by products may be summarised as follows:-

Turnover	Financial year ended 31 December											
	1994		1995		1996		1997		1998		1999	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Land items ^(a)	113,954	99.5	115,835	99.5	125,390	97.5	129,286	95.0	203,124	92.6	35,677	92.5
Sea items ^(b)	573	0.5	582	0.5	2,570	2.0	4,083	3.0	9,871	4.5	1,774	4.6
Air items ^(c)	-	-	-	-	-	-	-	-	1,974	0.9	386	1.0
Others Including car racing tracks	-	-	-	-	646	0.5	2,722	2.0	4,387	2.0	733	1.9
Total	114,527	100.0	116,417	100.0	128,606	100.0	136,091	100.0	219,356	100.0	38,570	100.0

Notes:-

- (a) namely RC cars
- (b) comprising RC boats, RC yachts and RC submarines
- (c) namely RC planes

8. FINANCIAL INFORMATION (cont'd)

The analysis of Nikko's operating revenue may be summarised as follows:

(RM'000)	<-----Financial year ended 31 December----->					Financial
	1994	1995	1996	1997	1998	period ended 30 June 1999
Overseas sales of RC toys	112,466	114,292	126,997	134,479	216,088	37,882
Others	2,061	2,125	1,609	1,612	3,268	688
Total turnover	<u>114,527</u>	<u>116,417</u>	<u>128,606</u>	<u>136,091</u>	<u>219,356</u>	<u>38,570</u>

Turnover of Nikko comprises mainly the sale of RC toy cars. Nikko's sales are mainly exported to North America, Europe and Asia. Other sales are insignificant and are mainly in respect of sales of spare parts.

The percentage of Nikko's sales to North America, Europe and Asia can be analysed as follows:

(%)	<-----Financial year ended 31 December----->					Financial
	1994	1995	1996	1997	1998	period ended 30 June 1999
North America	26.0	24.0	12.6	12.3	34.2	36.6
Europe	49.0	55.0	39.4	45.1	35.1	40.2
Asia	25.0	20.6	46.8	40.8	30.3	22.5

Growth for the past five financial years and the financial period ended 30 June 1999 was mainly achieved through the introduction of higher end models of RC toy cars which command higher selling prices and higher profit margins. Nikko completed the transfer of Nikko Singapore's operations to the Prai and Parit Buntar factories in April 1998. From 1998 onwards, Nikko has transferred its low-end production which is labour intensive to China whereas the Company manufactures medium and high-end RC toys.

As a result, Nikko has been focusing on higher value-added products, which has resulted in the improvement of Nikko's pre-tax profit margin from 8.6% in 1994 to 9.0% in 1998.

In the year ended 31 December 1995, turnover increased only marginally by 1.6% from RM114.5 million to RM116.4 million. Although overall sales production increased from 1994, the said increase was suppressed by the transfer of some production of low-end RC toy models to China.

Turnover increased by 10.5% to RM128.6 million in the financial year ended 31 December 1996 due to the initial transfer of some high-end models of RC toy cars from Nikko Singapore at the end of 1996. Similarly, the further transfer of high-end production from Nikko Singapore contributed to the increase in turnover by 5.8% to RM136.1 million in 1997.

8. FINANCIAL INFORMATION (cont'd)

9/4 DPOTPMEBUFE QSPGU FTUNBUF GPS UI F GOBODBMZFBS FOEJOH 42 EFDN CFS 2:: BOE DPOTPMEBUFE QSPGU GPSFDBTU GPS UI F GOBODBMZFBS FOEJOH 42 EFDN CFS 3111 UPHFUI FS XJU UI F SFQPSUOH BDDPVOUT' MFUUES UI FSFPO

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8. FINANCIAL INFORMATION *(cont'd)*

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8. FINANCIAL INFORMATION *(cont'd)*

8.4 DIVIDEND ESTIMATE AND FORECAST

Based on the profit estimate, the Directors of Nikko have paid a gross dividend rate of 6% on the share capital of the Company after the bonus issue for the financial year ending 31 December 1999. Further, based on the profit forecast, the Directors of Nikko expect to recommend a gross dividend rate of 6% on the enlarged share capital of the Company for the financial year ending 31 December 2000.

The intended appropriation of the profit before taxation for the two financial years ending 31 December 2000 will be as follows:-

Year ending 31 December	1999 Estimate RM'000	2000 Forecast RM'000
Consolidated profit before taxation	18,569	26,900
Less: Taxation	430	7,375
Consolidated profit after taxation	<u>18,999</u>	<u>19,525</u>
Less: Paid/Proposed tax-exempt dividend	4,440	5,940
Retained Profit	<u>14,559</u>	<u>13,585</u>
Tax-exempt dividend yield based on the issue price of RM1.80 per share (%)	3.3	3.3
Net dividend cover (times)	4.3	3.3

As at the date of this Prospectus, Nikko's tax-exempt account amounted to RM35.4 million, consisting of RM8.83 million in relation to pioneer income (after payment of dividends declared during the two financial years ending 31 December 1998 and 1999) and RM26.57 million in relation to reinvestment allowances.

The declaration, amount and payment of dividends are subject to the approval by the shareholders of Nikko, on the recommendation of the Board of Directors. Nikko currently expects to pay dividends on an annual basis but has not established (and does not expect to establish) any fixed percentage of net earnings dedicated to the payment of dividends. Any variation from the dividend estimate and forecast would depend on the Group's financial performance, financial condition and other factors deemed relevant by the Board of Directors.

8.5 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Working Capital

The Directors of Nikko are of the opinion that, after taking into account the cashflow projections, banking facilities available and the net proceeds from the Public Issue, the Nikko Group will have adequate working capital for its present and foreseeable requirements.

8. FINANCIAL INFORMATION (cont'd)

Borrowings and Contingent Liabilities

As at 30 November 1999, (being the last practicable date at which such amounts could be calculated prior to the printing of this Prospectus), the Nikko Group has outstanding bank borrowings and overdrafts of RM45.4 million.

As at 30 November 1999, (being the last practicable date prior to the printing of this Prospectus), the Nikko Group does not have any material contingent liability, loan capital or convertible debt outstanding or created but not issued, nor any mortgage or charge.

Capital Commitments

As at 30 November 1999, (being the last practicable date at which such amounts could be calculated prior to the printing of this Prospectus), the Company has not authorised any capital expenditure contracted for, but not provided for in the accounts of Nikko.

8.6 SETTLEMENT OF AMOUNT DUE FROM HOLDING COMPANY AND RELATED COMPANIES AS AT 30 JUNE 1999

The Directors of Nikko have confirmed that the “Amount due from holding company” amounting to RM147,000 and “Amount due from related companies” amounting to RM349,000 as at 30 June 1999 (per note 15 of the “Accountants’ Report” set-out in this Prospectus) have been settled in full prior to the despatch of this Prospectus.

9. PROFORMA BALANCE SHEETS AS AT 30 JUNE 1999 AND THE REPORTING ACCOUNTANTS' LETTER THEREON

**9. PROFORMA BALANCE SHEETS AS AT 30 JUNE 1999 AND THE REPORTING
ACCOUNTANTS' LETTER THEREON *(cont'd)***

9. PROFORMA BALANCE SHEETS AS AT 30 JUNE 1999 AND THE REPORTING ACCOUNTANTS' LETTER THEREON *(cont'd)*

9. PROFORMA BALANCE SHEETS AS AT 30 JUNE 1999 AND THE REPORTING ACCOUNTANTS' LETTER THEREON *(cont'd)*

**9. PROFORMA BALANCE SHEETS AS AT 30 JUNE 1999 AND THE REPORTING
ACCOUNTANTS' LETTER THEREON *(cont'd)***

9. PROFORMA BALANCE SHEETS AS AT 30 JUNE 1999 AND THE REPORTING ACCOUNTANTS' LETTER THEREON *(cont'd)*

10. ACCOUNTANTS' REPORT

10. ACCOUNTANTS' REPORT *(cont'd)*

10. ACCOUNTANTS' REPORT *(cont'd)*

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10. ACCOUNTANTS' REPORT *(cont'd)*

10. ACCOUNTANTS' REPORT *(cont'd)*

11. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)

30 November 1999

The Shareholders
Nikko Electronics Bhd.
Suites 7.21 & 7.22
7th Floor, Imbi Plaza
Jalan Imbi
55100 Kuala Lumpur

Dear Sir/Madam

On behalf of the Board of Directors, I wish to report after due inquiry that between the period from 30 June 1999 (being the date to which the last audited accounts of the Company and its subsidiary company have been made up) to 30 November 1999 (being a date not earlier than fourteen days before the issue of this Prospectus), that:-

- (a) the business of the Company and its subsidiary, in the opinion of the Board of Directors, has been satisfactorily maintained;
- (b) in the opinion of the Board of Directors, no circumstances have arisen subsequent to the last audited accounts of the Company and its subsidiary which have adversely affected the operations or the value of the assets of the Company and its subsidiary;
- (c) the current assets of the Company and its subsidiary appear in the books at the value which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities which have arisen by reason of any guarantees given by the Company or its subsidiary; and
- (e) save as disclosed in the proforma Consolidated Balance Sheets in Section 9 of this Prospectus, there have been no changes in the published reserves nor any unusual factors affecting the profit of the Company and its subsidiary since the last audited accounts of the Company and its subsidiary.

Yours faithfully
On behalf of the Board of Directors of
NIKKO ELECTRONICS BHD.

Lim Chiang Hang
Managing Director

12. VALUERS' LETTER

12. VALUERS' LETTER *(cont'd)*

12. VALUERS' LETTER *(cont'd)*

13. STATUTORY AND OTHER GENERAL INFORMATION

13.1 SHARE CAPITAL

- (i) There is only one class of shares in the Company, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with one another. There are no founder, management or deferred shares.

The present authorised and issued and paid-up ordinary share capital of the Company before the Public Issue is as follows:-

	Total Number of shares	Par Value (RM)	Total (RM)
Authorised	100,000,000	1.00	100,000,000
Issued and Paid-up	74,000,000	1.00	74,000,000

No ordinary shares or debentures will be allotted on the basis of this Prospectus later than six (6) months after the date of this Prospectus.

- (ii) Other than the Public Issue Shares reserved for the eligible Directors and employees of the Nikko Group and Nikko Holdings as disclosed in this Prospectus, no person or Director or staff or agents of the Nikko Group have been granted or is entitled to be given any option or has exercised any option to subscribe for any shares, stocks or debentures of the Company or its subsidiary. Further, no option for any shares, stocks or debentures of the Company or its subsidiary has been granted to or exercised by any Director of the Nikko Group during the last financial year.
- (iii) Save as disclosed in Sections 6.2 and 6.3, no shares or debentures of the Company or its subsidiary have been or are proposed to be issued as partly or fully paid-up in cash or otherwise than in cash within the two (2) years preceding the date of this Prospectus.

13.2 DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- (i) The names, addresses and occupations of the Directors of Nikko are set out in “Corporate Directory” of the Prospectus.
- (ii) A Director is not required to hold any qualification shares in the Company unless otherwise fixed by the Company in general meeting.
- (iii) There are no existing or proposed service contracts between the Directors and the Company or its subsidiary which are not expiring or terminable within one year by notice or otherwise without payment of compensation.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

- (iv) No Director, Senior Executive Officer or person nominated to become a Director or Senior Executive Officer is or was involved in the following events:
- a petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an Executive Officer;
 - conviction in criminal proceedings or is a named subject of pending criminal proceedings; and
 - the subject of any order, judgement or ruling of any court of competent jurisdiction permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, Director or employee of a financial institution and engaging in any type of business practice or activity.
- (v) Save as disclosed below, neither Nikko Japan nor the Directors and substantial shareholders of Nikko has any interest, direct or indirect, in any other company related to Nikko or in any other business carrying on a similar trade as Nikko or its subsidiary.

Minoru Yamashita and Kenichi Hattori who are Directors and substantial shareholders of Nikko (by virtue of their substantial shareholdings in Nikko Holdings), and Yuji Hattori, who is a substantial shareholder of Nikko (by virtue of his substantial shareholding in Nikko Holdings), are also shareholders of Nikko Japan.

The shareholdings of Minoru Yamashita, Kenichi Hattori and Yuji Hattori in Nikko Japan as at 30 November 1999 are as follows:-

Shareholder	%
Minoru Yamashita	27.0
Kenichi Hattori	13.6
Yuji Hattori	12.7

Nikko Japan was incorporated in February 1958 in Japan and its shareholdings in any other company related to Nikko or in any other business carrying on a similar trade as Nikko or its subsidiary are as follows:-

Company	Date and Place of Incorporation	Issued and Paid-up Capital	Relationship with Nikko	% Effective Shareholding		Principal Activity
				Direct	Indirect	
Nikko Singapore	20.02.79 Singapore	S\$2,330,000	Supplier of old moulds	100.0	-	Dormant
Nikko America Inc.	26.10.83 the USA	Common Stock: USD10	Distributor	56.4	-	Import and sale of RC toys
		Preferred Stock: USD9,000		100.0	-	
		Additional Paid-in Capital: USD3,299,985		100.0	-	
Nikko Tec	01.12.89 Hong Kong	HK\$1,000,000	Marketing arm	100.0	-	Import and sale of RC toys
Nikko (Asia) Toy Pte. Ltd.	05.12.87 Singapore	S\$600,000	Distributor	-	20.0 ^(a)	Import and sale of toys
Nikko Norge AS	09.09.95 Norway	NOK200,000	Distributor	51.0	-	Import and sale of RC toys
Nikko Sverige AB	02.02.93 Sweden	SEK610,000	Distributor	-	100.0 ^(b)	Import and sale of RC toys
Nikko Europe BV	17.10.95 Netherlands	NLG500,000	Distributor	100.0	-	Import and sale of RC toys

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

Company	Date and Place of Incorporation	Issued and Paid-up Capital	Relationship with Nikko	% Effective Shareholding		Principal Activity
				Direct	Indirect	
Nikko Deutschland GmbH	24.04.95 Germany	DM50,000	Distributor	-	100.0 ^(c)	Import and sale of RC toys
Nikko UK Ltd	24.10.96 United Kingdom	£1	Distributor	-	100.0 ^(c)	Import and sale of RC toys
Nikko Benelux BV	17.10.95 Netherlands	NLG50,000	Distributor	-	100.0 ^(c)	Import and sale of RC toys
Nikko Toys Trading Sdn Bhd	11.09.95 Malaysia	RM500,000	Distributor	-	9.8 ^(d)	Import and sale of toys

Notes:-

- (a) Held through Nikko Singapore
(b) Held through Nikko Tec
(c) Held through Nikko Europe BV
(d) Held through Nikko (Asia) Toy Pte. Ltd.

The shareholdings of the Directors of Nikko in companies related to Nikko or in businesses carrying on a similar trade as Nikko or its subsidiary are as follows:-

Company	Date and Place of Incorporation	Issued and Paid-up Capital	Relationship with Nikko	Directorship	% Effective Shareholding		Principal Activity
					Direct	Indirect	
<u>Kenichi Hattori</u>							
Nikko Japan	13.02.58 Japan	JPY20,000,000	R & D and marketing arm	Yes	13.6	-	R & D and marketing arm
Nikko Toys Trading Sdn Bhd	11.09.95 Malaysia	RM500,000	Distributor	Yes	3.0	3.8 ^(a)	Import and sale of toys
Nikko (Asia) Toy Pte. Ltd.	05.12.87 Singapore	S\$600,000	Distributor	Yes	5.0	2.7 ^(b)	Import and sale of toys
Nikko America Inc.	26.10.83 the USA	Common Stock: USD10 Preferred Stock: USD9,000 Additional Paid-in Capital: USD3,299,985	Distributor	No	-	7.7 ^(c)	Import and sale of RC toys
Nikko Tec	01.12.89 Hong Kong	HK\$1,000,000	Marketing arm	No	-	13.6 ^(c)	Import and sale of RC toys
Nikko Norge AS	09.09.95 Norway	NOK200,000	Distributor	No	-	6.9 ^(c)	Import and sale of RC toys
Nikko Sverige AB	02.02.93 Sweden	SEK610,000	Distributor	No	-	13.6 ^(c)	Import and sale of RC toys
Nikko Deutschland GmbH	24.04.95 Germany	DM50,000	Distributor	No	-	13.6 ^(d)	Import and sale of RC toys
Nikko Europe BV	17.10.95 Netherlands	NLG500,000	Distributor	Yes	-	13.6 ^(c)	Import and sale of RC toys
Nikko Benelux BV	17.10.95 Netherlands	NLG50,000	Distributor	No	-	13.6 ^(d)	Import and sale of RC toys
Nikko UK Ltd.	24.10.96 United	£1	Distributor	No	-	13.6 ^(d)	Import and sale of RC

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

Company	Date and Place of Incorporation	Issued and Paid-up Capital	Relationship with Nikko	Directorship	% Effective Shareholding		Principal Activity
					Direct	Indirect	
	Kingdom						toys
Nikko Singapore	20.02.79 Singapore	S\$2,330,000	Supplier of old moulds	Yes	-	13.6 ^(c)	Dormant
<u>Minoru Yamashita</u>							
Nikko Japan	13.02.58 Japan	JPY20,000,000	R & D and marketing arm	Yes	27.0	-	R & D and marketing arm
Nikko America Inc.	26.10.83 the USA	Common Stock: USD10 Preferred Stock: USD9,000 Additional Paid-in Capital: USD3,299,985	Distributor	Yes	7.2	15.2 ^(c)	Import and sale of RC toys
Nipco Toys Ltd.	03.12.85 Hong Kong	HK\$200,000	Supplier	Yes	36.0	-	Marketing of mechanical toys
Nikko (Asia) Toy Pte. Ltd.	05.12.87 Singapore	S\$600,000	Distributor	Yes	15.0	5.4 ^(b)	Import and sale of toys
Nikko Norge AS	09.09.95 Norway	NOK200,000	Distributor	Yes	-	13.8 ^(c)	Import and sale of toys
Nikko Deutschland GmbH	24.04.95 Germany	DM50,000	Distributor	Yes	-	27.0 ^(d)	Import and sale of toys
Nikko Toys Trading Sdn Bhd	11.09.95 Malaysia	RM500,000	Distributor	Yes	-	10.0 ^(a)	Import and sale of toys
Nikko Singapore	20.02.79 Singapore	S\$2,330,000	Supplier of old moulds	Yes	-	27.0 ^(c)	Dormant
Nics Engineering Ltd.	03.12.89 Hong Kong	HK\$300,000	Supplier	Yes	-	40.0 ^(e)	Mould maker and supplier of battery charger
Nikko Tec	01.12.89 Hong Kong	HK\$1,000,000	Distributor	Yes	-	27.0 ^(c)	Import and sale of RC toys
Nikko Sverige AB	02.02.93 Sweden	SEK610,000	Distributor	Yes	-	27.0 ^(c)	Import and sale of RC toys
Nikko Europe BV	17.10.95 Netherlands	NLG500,000	Distributor	Yes	-	27.0 ^(c)	Import and sale of RC toys
Nikko Benelux BV	17.10.95 Netherlands	NLG50,000	Distributor	No	-	27.0 ^(d)	Import and sale of RC toys
Nikko UK Ltd.	24.10.96 United Kingdom	£1	Distributor	No	-	27.0 ^(d)	Import and sale of RC toys
Nikko France SA	01.09.97 France	50,000 Francs	Distributor	No	30.0	-	Import and sale of RC toys
Dongguan Rixing	10.08.93 The People's Republic of China	HKD7,700,000	-	Yes	-	25.2 ^(f)	Manufacture and sale of low-end RC toys
<u>Lim Chiang Hang</u>							
Nikko (Asia) Toy	05.12.87	S\$600,000	Distributor	No	10.0	-	Import and

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

Company	Date and Place of Incorporation	Issued and Paid-up Capital	Relationship with Nikko	Directorship	% Effective Shareholding		Principal Activity
					Direct	Indirect	
Pte. Ltd.	Singapore						sale of RC toys
Nikko Toys Trading Sdn Bhd	11.09.95 Malaysia	RM500,000	Distributor	No	-	4.9 ^(a)	Import and sale of RC toys
Dongguan Rixing	10.08.93 The People's Republic of China	HKD7,700,000	-	Yes	-	25.2 ^(f)	Manufacture and sale of low-end RC toys

Notes:-

- (a) Held through Nikko (Asia) Toy Pte. Ltd.
- (b) Held through Nikko Singapore
- (c) Held through Nikko Japan
- (d) Held through Nikko Japan, which is in turn held through Nikko Europe BV
- (e) Held through Nikko Industrial Co. Ltd.
- (f) Held through Royal World International Limited

Any potential conflict of interest would be averted by the policy adopted by Nikko Japan whereby its group companies should not compete with one another for the same market. Nikko's factories in Prai and Parit Buntar will manufacture medium to high-end RC toys whereas Dongguan Rixing will produce low-end RC toys.

- (vi) The remuneration paid to the Directors of Nikko for their services for the financial year ended 31 December 1998 was RM410,000. Under existing arrangements, the Company expects aggregate remuneration paid to the Directors of the Company for services rendered in all capacities to the Company and its subsidiary for the two financial years ending 31 December 2000 to be RM460,000 and RM620,000 respectively.
- (vii) Save as disclosed below, neither Nikko Japan and companies related to Nikko Japan, nor the Directors of Nikko and companies related to the Directors of Nikko, was or is interested, directly or indirectly, in the promotion of or in any assets acquired by or proposed to be acquired by or assets disposed of by or proposed to be disposed of by or leased to or proposed to be leased to the Company or its subsidiary within the two years preceding the date of this Prospectus:

Acquirer	Vendor	Interested Parties	Transaction
Nikko	Nikko Singapore	Kenichi Hattori and Minoru Yamashita	In March 1998, Nikko acquired some plant and machinery from Nikko Singapore for a total cash consideration of RM4.4 million.
Nikko	Nikko Japan	Kenichi Hattori and Minoru Yamashita	Within the past two years, Nikko had on various occasions purchased moulds through Nikko Japan.
Nikko	Nikko Singapore	Kenichi Hattori and Minoru Yamashita	Within the past two years, Nikko had purchased second-hand moulds from Nikko Singapore as and when the Company required.

13. STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

Acquirer	Vendor	Interested Parties	Transaction
Nikko Tec	Nikko	Kenichi Hattori and Minoru Yamashita	Within the past two years, Nikko had sold second-hand moulds to Nikko Tec as and when the Company did not produce the relevant RC toy.

(viii) Save as disclosed under Section 13.2 (v) above and save for the TAA, the salient terms of which are disclosed under “Material Contracts” below, neither Nikko Japan and companies related to Nikko Japan nor the Directors of Nikko and companies related to the Directors of Nikko has any interest in any contract or arrangement, which is significant in relation to the business of the Company or its subsidiary subsisting as at the date of this Prospectus.

(ix) **Directors' Shareholdings**

According to the Register of Directors' Shareholdings, the beneficial interests of the Directors in the shares of the Company are as follows:-

Director	<u>Before Public Issue</u>				<u>After Public Issue</u>			
	<-----No. of shares held----->		<-----No. of shares held----->		<-----No. of shares held----->		<-----No. of shares held----->	
	Direct	%	Indirect	%	Direct	%	Indirect	%
Minoru Yamashita	-	-	51,800,000 ^(a)	70.00	10,000 ^(b)	0.01	51,800,000 ^(a)	52.32
Kenichi Hattori	-	-	51,800,000 ^(a)	70.00	10,000 ^(b)	0.01	51,800,000 ^(a)	52.32
Lim Chiang Hang	-	-	-	-	10,000 ^(b)	0.01	-	-
Kentaro Sakoguchi	-	-	-	-	10,000 ^(b)	0.01	-	-
Dato' Zulkifli bin Abdul Rahman	-	-	-	-	10,000 ^(b)	0.01	-	-
Nik Abdul Hamid Shukri bin Nik Abdullah	-	-	-	-	10,000 ^(b)	0.01	-	-
Tan Gnear Eng	-	-	-	-	10,000 ^(b)	0.01	-	-
Gong Wooi Teik	-	-	-	-	10,000 ^(b)	0.01	-	-

Notes:

(a) *By virtue of their substantial shareholdings in Nikko Holdings*

(b) *All directors are entitled to 10,000 new ordinary shares of RM1.00 each in Nikko under the share allocation to eligible Directors and employees of the Nikko Group and Nikko Holdings in conjunction with the Initial Public Offering*

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

(x) Substantial Shareholders' Shareholdings

According to the Register of Substantial Shareholders, the substantial shareholders (with 2% or more shareholding, direct or indirect) and their respective beneficial interests in the shares of the Company before and after the Public Issue are as follows:-

Shareholders	Before Public Issue			After Public Issue		
	Direct	Indirect	%	Direct	Indirect	%
Nikko Holdings	51,800,000	-	70.0	51,800,000	-	52.32
Rimbunan Asas Murni Sdn Bhd	14,800,000	-	20.0	14,800,000	-	14.95
Halili bin Mohamed Sa'aie	7,400,000	-	10.0	7,400,000	-	7.48
Kenichi Hattori	-	51,800,000 ^(a)	70.0	10,000 ^(c)	51,800,000 ^(a)	52.32
Yuji Hattori	-	51,800,000 ^(a)	70.0	-	51,800,000 ^(a)	52.32
Minoru Yamashita	-	51,800,000 ^(a)	70.0	10,000 ^(c)	51,800,000 ^(a)	52.32
Tan Sri Dato' Abdul Rashid bin Hussain	-	14,800,000 ^(b)	20.0	-	14,800,000 ^(b)	14.95

Notes:-

- (a) Deemed interest by virtue of interests in Nikko Holdings
(b) Deemed interest by virtue of interests in Rimbunan Asas Murni Sdn Bhd
(c) All directors are entitled to 10,000 new ordinary shares of RM1.00 each in Nikko under the share allocation to eligible Directors and employees of the Nikko Group and Nikko Holdings in conjunction with the Initial Public Offering

(xi) Information on Nikko Holdings

The principal activity of Nikko Holdings is investment holding.

The Directors of Nikko Holdings and their respective beneficial interests in the shares of Nikko Holdings as at 30 November 1999 are as follows:-

Name of Director	No. of shares held			
	Direct	%	Indirect	%
Minoru Yamashita	50,998	51.0	-	-
Kenichi Hattori	24,499	24.5	-	-
Lim Tock Ooi	-	-	-	-
Lim Chiang Hang	-	-	-	-

The substantial shareholders (with 2% or more shareholding, direct or indirect) and their respective beneficial interests in the shares of Nikko Holdings as at 30 November 1999 are as follows:-

Shareholders	No. of shares held			
	Direct	%	Indirect	%
Minoru Yamashita	50,998	51.0	-	-
Yuji Hattori	24,499	24.5	-	-
Kenichi Hattori	24,499	24.5	-	-

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

(xii) Information on Rimbunan Asas Murni Sdn Bhd ('Rimbunan Asas Murni')

The Directors of Rimbunan Asas Murni and their respective beneficial interests in the shares of Rimbunan Asas Murni as at 30 November 1999 are as follows:-

Name of Director	<-----No. of shares held----->			
	Direct	%	Indirect	%
Tan Sri Dato' Abdul Rashid bin Hussain	9,999	99.99	-	-
Nik Abdul Hamid Shukri bin Nik Abdullah	1	0.01	-	-

The substantial shareholders (with 2% or more shareholding, direct or indirect) and their respective beneficial interests in the shares of Rimbunan Asas Murni as at 30 November 1999 are as follows:-

Shareholders	<-----No. of shares held----->			
	Direct	%	Indirect	%
Tan Sri Dato' Abdul Rashid bin Hussain	9,999	99.99	-	-

13.3 INFORMATION ON DONGGUAN RIXING

Dongguan Rixing was incorporated on 10 August 1993 in Dongguan City, Guang Dong Province, The People's Republic of China. Dongguan Rixing was set up as a joint-venture company between Dongguan-Shi Fenggang Jiye Fazhang Gongsi and Royal World International Limited. Dongguan Rixing is a 75.6% owned subsidiary of Royal World International Limited. As 30 November 1999, two directors of Nikko, namely Minoru Yamashita and Lim Chiang Hang, each hold approximately 33.3% equity interest in Royal World International Limited.

Dongguan Rixing has an issued and paid-up capital of the company of HKD7,700,000 consisting of 7,700,000 ordinary shares of HKD1 each.

Dongguan Rixing was originally set up to assume some of the low-end RC toy production for Nikko Japan from Nikko. With the transfer of high-end RC toy production from Nikko Singapore to Nikko in 1998, Dongguan Rixing then assumed all the low-end production for Nikko Japan, thereby allowing Nikko to focus on the production of medium to high-end RC toys.

Dongguan Rixing's manufacturing plant in China has a land area of 21,100 sq. metres and a built-up area of 15,000 sq. metres. The plant employs 70 local staff and 13 foreign staff on a permanent basis.

Dongguan Rixing's manufacturing plant in China has 22 production lines in total, with a production capacity of 550,000 units of RC toys per month. The plant utilises 45 injection moulding machines and 15 tooling machines.

13. STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

13.4 **DECLARATION OF INTEREST BY RHB SAKURA AND TAN SRI DATO' ABDUL RASHID HUSSAIN ("TAN SRI RASHID")**

- (i) RHB Sakura is the Adviser and Managing Underwriter of Nikko in relation to the Initial Public Offering. RHB Sakura does not have any interest in the outcome of the Initial Public Offering, apart from the normal advisory and underwriting fees to be earned in its capacity as Adviser and Managing Underwriter.
- (ii) The Chairman of RHB Sakura, Tan Sri Rashid, currently holds a 20.0% indirect shareholding in Nikko via Rimbunan Asas Murni Sdn Bhd. Tan Sri Rashid is a substantial shareholder and Director of Rimbunan Asas Murni Sdn Bhd. After the Public Issue, Tan Sri Rashid will hold approximately a 15.0% indirect interest in Nikko.

13.5 **GENERAL**

- (i) The nature of the Company's business is described under "Business of Nikko". Other than Nikko Holdings and Nikko Hong Kong, which is a wholly owned subsidiary of Nikko, there are no corporations which are deemed to be related to the Company by virtue of Section 6 of the Companies Act, 1965.
- (ii) Save as disclosed below, no amount or benefit has been paid or given within the two (2) years preceding the date of this Prospectus, nor is it intended to be so paid or given, to any promoter:-

Prior to the listing of Nikko on the Main Board of KLSE

- the commission of 6% on Nikko's sales price to its sales distributors, paid to Nikko Japan for the marketing arrangement.

Upon the listing of Nikko on the Main Board of KLSE

- □ ũ f d p n n jttjpo pg 5/6% po ofutbrfit qbje up Ojll p Kqbo ggs ũ f n bsl fujoh bssbohfn fou< boe
 - □ ũ f spzbnz qbzn foupg 2/6% po ofutbrfit qbje up Ojll p Kqbo voefs ũ f UBB/ ũ f tbrj fou f sn t pgu f UBB bsf tfupvuoefs äN bufsjbrDpousbduò cfmpx /
- (iii) Save as disclosed under "Share Capital" in Section 13.1, there was no offer of shares in the Company within the two (2) years preceding the date of this Prospectus.
 - (iv) Other than the 4,950,000 shares reserved for eligible Directors and employees of the Nikko Group and Nikko Holdings, there are at present no schemes for or involving the staff in the capital of the Company and its subsidiary.
 - (v) As at the date of this Prospectus, the Company or its subsidiary does not have any outstanding convertible debt securities.
 - (vi) During the prior and current financial year, there was neither a public take-over offer by third parties in respect of the Company's shares nor a public take-over offer by the Company in respect of other company's shares.
 - (vii) The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is set out in Section 14 of this Prospectus.
 - (viii) The time of opening of the Application Lists of the Public Issue is set out in Section 14.1 of this Prospectus.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

- (ix) Save as disclosed in this Prospectus, the Directors are not aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the Company or its subsidiary.
- (x) The amount payable in full on application of the Public Issue Shares is RM1.80 per share.
- (xi) Particulars relating to the outstanding borrowings and contingent liabilities of the Company or its subsidiary are disclosed in Section 8.5 of this Prospectus.
- (xii) The name and address of the Auditors of the Company are set out in Section 3 of this Prospectus.
- (xiii) Save as disclosed below, no commission, brokerage, discount or other special terms have been granted within the two years immediately preceding the date of this Prospectus in connection with the issue or sale of any capital of the Company or its subsidiary:
- Brokerage fees will be paid by the Company at the rate of 1% of the issue price of the Public Issue Shares of RM1.80 per share in respect of successful applications bearing the stamp of RHB Sakura, member companies of KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS;
 - The Public Issue Shares to be allocated for the Malaysian public have been underwritten. Underwriting commission is payable by the Company at the rate of 1.50% of the issue price of the Public Issue Shares of RM1.80 per share;
 - Any Public Issue Shares to be allocated for eligible Directors and employees of the Nikko Group and Nikko Holdings which is not subscribed for, will be underwritten. Underwriting commission is payable by the Company at the rate of 1.50% of the issue price of the Public Issue Shares of RM1.80 per share; and
 - An estimated RM2.1 million in respect of expenses and fees (including the aforementioned brokerage & underwriting fees) incidental to the listing of and quotation for the entire issued and paid-up capital of Nikko on KLSE will be paid by the Company.
- (xiv) Save as disclosed under “Financial Information”, the financial conditions and operations of the Nikko Group are not affected by any of the following:-
- (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in the Nikko Group’s liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
 - (d) known trends or uncertainties that have had or that the Nikko Group reasonably expects to have a materially favourable or unfavourable impact on revenues or operating income.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

13.6 MATERIAL LITIGATION

Nikko or its subsidiary is not engaged in any litigation, either as plaintiff or defendant, which might materially affect the position or business of Nikko or its subsidiary and the Directors do not know of any proceedings pending or threatened against Nikko or its subsidiary, or of any fact likely to give rise to any proceedings, which might materially affect the position or business of Nikko or its subsidiary.

13.7 MATERIAL CONTRACTS

Save as disclosed below, there are no other contracts which are material (not being contracts entered into in the ordinary course of business) which have been entered into by Nikko or its subsidiary within the two years preceding the date of this Prospectus:-

- (i) Underwriting Agreement dated 1 December 1999 entered into between Nikko, RHB Sakura and the Underwriters whose names are mentioned under "Corporate Directory" of this Prospectus for the underwriting of 17,500,000 shares pursuant to the Initial Public Offering for an underwriting commission of 1.50% of the price of RM1.80 per share; and
- (ii) TAA dated 6 November 1999 entered into between Nikko Japan, Nikko, Rimbunan Asas Murni Sdn Bhd and Halili bin Mohamed Sa'aie. The salient terms of the TAA are as follows:-
 - (a) Nikko Japan grants to Nikko an exclusive licence to manufacture RC toys in Malaysia using the most up-to-date technology and technical expertise of Nikko Japan (as defined in the TAA);
 - (b) Under the terms of the TAA, Nikko Japan grants Nikko the right to use all registered patents, trademarks and brand names of Nikko Japan;
 - (c) In consideration of the said exclusive licence granted by Nikko Japan, Nikko agrees to pay to Nikko Japan royalties at the rate of 1.5% of net sales of RC toys manufactured by Nikko and sold;
 - (d) The TAA shall commence on the listing date of Nikko on KLSE and shall continue in force for a period of 5 years thereafter; and
 - (e) If either Nikko or Nikko Japan commits a default under the TAA, and such default is not cured within 60 days after written notice is given by the non-defaulting party, then the non-defaulting party may give written notice to the defaulting party of its election to terminate the TAA.

At the end of 5 years, Nikko intends to enter into another agreement on similar terms as the TAA with Nikko Japan.

13.8 CONSENTS

- (i) The written consents of the Adviser and Managing Underwriter, Underwriters, Principal Bankers, Issuing House, Solicitors, Valuers and Registrar to the inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of the Auditors to the inclusion in this Prospectus of their name in the manner and form in which it appears has been given before the issue of this Prospectus and has not subsequently been withdrawn.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

- (iii) The written consent of the Reporting Accountants to the inclusion of their name, Accountants' Report and letters relating to the profit estimate and forecast and proforma balance sheets in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

13.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company during normal business hours for a period of six (6) months from the date of this Prospectus:-

- (i) Memorandum and Articles of Association of the Company;
- (ii) The consolidated profit estimate for the financial year ending 31 December 1999 and consolidated profit forecast for the financial year ending 31 December 2000 and the Reporting Accountants' letter thereon;
- (iii) The proforma balance sheets as at 30 June 1999 and the Reporting Accountants' letters thereon as included in Section 9 of this Prospectus;
- (iv) The Accountants' Report and Directors' Report as included in Sections 10 and 11 respectively of this Prospectus;
- (v) The material contracts referred to in Section 13.7 of this Prospectus;
- (vi) The Valuers' Letter on Nikko's property as included in Section 12 of this Prospectus;
- (vii) The Valuation Report on Nikko's property;
- (viii) The letters of consent referred to in Section 13.8 of this Prospectus; and
- (ix) The audited accounts of Nikko for the five financial years ended 31 December 1998 and the 6 months ended 30 June 1999 and the audited accounts of Nikko Hong Kong for the financial period ended 31 December 1997, the financial year ended 31 December 1998 and the six-months ended 31 June 1999.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

13.10 ARTICLES OF ASSOCIATION

The following provisions are reproduced from the Company's Articles of Association which have been approved by KLSE. The definitions used in the Company's Articles of Associations shall apply in the following extracts.

(i) Directors' remuneration

The provisions in the Articles of Association of the Company dealing with remuneration of the Directors are as follows:-

Article 70

- (1) The remuneration of the directors shall from time to time be determined by the Company in general meeting. The quantum of such remuneration shall be stated in the notice convening the meeting. That remuneration shall be deemed to accrue from day to day. Fees payable to non-executive directors shall be by a fixed sum, and not by a commission on or a percentage of profits or turnover.
- (2) Salaries payable to executive directors may not include a commission on or a percentage of profits or turnover. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meeting of the directors or any committee of the directors or general meeting of the Company or in connection with the business of the Company.

(ii) Voting and borrowing powers of Directors

The provisions in the Articles of Association of the Company dealing with voting powers of the Directors in proposals, arrangements or contracts in which they are interested and the borrowing powers exercisable by them and how much borrowing powers can be varied are as follows:-

Article 73

The business of the Company shall be managed by the directors who may exercise all such powers of the Company as are not, by the Act or by these regulations, required to be exercised by the Company in general meeting, subject, nevertheless, to any of these regulations, to the provisions of the Act, and to such regulations, being not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in general meeting, but no regulation made by the Company in general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

Article 74

- (1) The directors may exercise all the powers of the Company (but not those of any of its subsidiaries) to borrow money or to mortgage or charge its undertaking, property, uncalled capital, or any part thereof, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or any related third party.
- (2) In accordance with Section 132C of the Act and Section 317 of the Listing Requirements of the Kuala Lumpur Stock Exchange, the directors shall not require or dispose of an undertaking or property of a substantial value or dispose of a substantial portion of the Company's undertaking or property without the approval of the Company in general meeting.

Article 77

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

All cheques, promissory notes, drafts, bills of exchange, and other negotiable instruments, and all receipts for money paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, by any two directors or in such other manner as the directors from time to time determine.

(iii) Changes in capital and variation of class rights

The provisions of the Articles of Association of the Company in relation to the changes in capital or variation of class rights which are no less stringent than those required by law are as follows:-

Article 4

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject to the Act, shares in the Company may be issued by the directors and any such share may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the directors may subject to an ordinary resolution of the Company determine PROVIDED ALWAYS THAT:-

- (a) no shares shall be issued by the directors which will result in the transfer of a controlling interest without the prior approval of members in general meeting;
- (b) no director other than an executive director shall participate in an issue of shares to employees unless members in general meeting have specifically approved the allotment to such directors;
- (c) the rights attaching to shares of a class other than ordinary shares shall be stated at the time of issue;
- (d) the total nominal value at any time of issued preference shares shall not exceed the total nominal value of issued ordinary shares;
- (e) preference shares shall confer on the holders thereof the same rights of holders of ordinary shares as regards receiving notices, reports and balance sheets, attending general meetings of the Company and the right to vote at any general meeting convened for the purpose of the reduction of capital or the winding-up of the Company or for sanctioning the sale of the undertaking of the Company or for the consideration of any matter which directly affects their rights or privileges or when the dividend on the preference shares is in arrear for more than six (6) months;

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

- (f) subject to any direction to the contrary that may be given by the Company in general meeting, all new shares shall, before issue be offered to such persons as at the date of the offer are the holders of shares of the same class in proportion as nearly as the circumstances admit, to the number of existing shares of the same class that they hold. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of those shares in such manner as they think most beneficial to the Company. The directors may likewise also dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the directors, be conveniently offered under the provisions of this sub-article. PROVIDED THAT where the shares to be issued in any one financial year do not exceed ten per cent (10%) of the issued capital of the Company, the general meeting may be dispensed with where the Kuala Lumpur Stock Exchange and any other stock exchange on which the shares of the Company may be listed, has, upon the application of the Company, approved such dispensation.

Article 38

- (1) The Company may by ordinary resolution passed at a general meeting convert any paid-up shares into stock and reconvert any stock into paid-up shares of any denomination.
- (2) The holders of stock may transfer the same or any part thereof in the same manner and subject to the same regulations, as and subject to which, the shares from which the stock arose might before conversion have been transferred, or as near thereto as circumstances will admit, but the Directors may, from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the shares from which the stock arose.
- (3) The holders of stock shall according to the amount of the stock held by them have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such aliquot part of stock which would not if existing in shares have conferred that privilege or advantage.
- (4) Such of the regulations of the Company as are applicable to paid-up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

Article 39

The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

Article 40

The Company may by ordinary resolution:-

- (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; or
- (b) Sub-divide its existing shares, or any of them into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provision of the Act, and
- (c) Cancel any shares not taken or agreed to be taken by any person.

Article 41

The Company may by special resolution reduce its share capital and any capital redemption reserve fund in any manner authorised and subject to any conditions prescribed by the Act.

Article 42

Subject to the provisions of Section 65 of the Act, all or any of the rights, privileges or conditions for the time being attached or belonging to any class of shares for the time being forming part of the share capital of the Company may from time to time be modified, affected, varied, extended or surrendered in any manner with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the members of that class. To any such separate meeting all the provisions of these Articles as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be members of the class holding or representing by proxy one-third of the share capital paid or credited as paid on the issued shares of the class, and every holder of shares of the class in question shall be entitled on a poll to one vote for every such share held by him. The repayment of preference capital other than redeemable preference, or any other alteration of preference shareholder rights, may only be made pursuant to a special resolution of the preference shareholders concerned.

(iv) Transfer of securities

The provisions in the Articles of the Company in relation to arrangements of the transmission of securities of the Company and such restrictions thereto on the ease of transferability are as follows:-

Article 20

Subject to the provisions of these Articles, shares on which all calls to date shall have been fully paid-up shall be transferable but every transfer shall be in writing in the form prescribed by the Central Depository and lodged in the manner set out in the Rules. The transfer of any securities or class of securities of the Company shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding section 103 and 104 of the Act but subject to section 107C(2) of the Act and any exemption that may be made from compliance with section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of securities.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

Article 21

The instrument of transfer of any share shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof.

Article 22

The Central Depository may, in its absolute discretion, reject a transfer request made by a Depositor where the reason for the said transfer does not fall within any of the approved reasons stipulated in the Rules.

Article 23

The registration of transfers may be suspended at such times and for such period as the directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty days in any year. At least eighteen (18) market days' notice of such suspension shall be given to the Kuala Lumpur Stock Exchange stating the period and the purpose of such suspension.

13.11 MAIN BOARD LISTING REQUIREMENTS

The provisions of the Main Board Listing Requirements of KLSE on the transferability of securities and restrictions on their free transferability are as follows:-

Section 293A – Transfer of Securities

The transfer of any securities or class of securities of the company which have been deposited with the Central Depository, shall be by way of book entry by the Central Depository in accordance with the Rules of the Central Depository and, notwithstanding sections 103 and 104 of the Companies Act, 1965, but subject to sub-section 107C (2) of the Companies Act, 1965 and any exemption that may be made from compliance with sub-section 107C (1) of the Companies Act, 1965, the Company shall be precluded from registering and affecting any transfer of securities.

Section 293B – Transmission of securities from Foreign Register

- (1) Where:-
 - (a) the securities of a company are listed on an Approved Market Place; and
 - (b) such company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act, 1991 or section 29 of the Securities Industry (Central Depositories) Amendment Act, 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

such company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of company in the jurisdiction of the Approved Market Place (hereinafter referred to as “**the Foreign Register**”), to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as “**the Malaysian Register**”) subject to the following conditions:-

- (i) there shall be no change in the ownership of such securities; and
 - (ii) the transmission shall be executed by causing such securities to be credited directly into the securities account of such securities holder.
- (2) For the avoidance of doubt, no company which fulfills the requirements of paragraphs (a) and (b) of section 293B (1) shall allow any transmission of securities from the Malaysian Register in to the Foreign Register.

13.12 COMPANIES ACT, 1965

The provisions within the Companies Act, 1965 on the transferability of securities and restrictions on their free transferability are as follows:-

Section 103 (1)

Notwithstanding anything in its articles a company shall not register a transfer of shares or debentures unless a proper instrument of transfer in the prescribed form has been delivered to the company, but this subsection shall not prejudice any power to register as a shareholder or debenture holder any person to whom the right to any shares in or debentures in the company has been transmitted by operation of law.

Section 103 (1A)

Nothing in this section shall be construed as affecting the validity of any instrument which would be effective to transfer shares or debentures apart from this section; and any instrument purporting to be made in any form which was common or usual in use, or in any form authorised or required for that purpose apart from this section before the commencement of this Act, shall be sufficient, whether or not it is completed in accordance with the prescribed form, if it complies with the requirements as to execution and contents which apply to a transfer.

Provided that a company shall be precluded from registering a transfer of shares or debentures, the title of which is evidenced by a certificate that is issued on or after the date of coming into operation of this subsection unless a proper instrument of transfer in the prescribed form has been delivered to the company.

Section 107C (1)

On or after the coming into operation of this section, the transfer of any securities or class of securities of a company whose securities or any class of whose securities have been deposited with a central depository shall be by way of book entry by the central depository in accordance with the rules of the central depository and, notwithstanding sections 103 and 104, such company shall be precluded from registering and effecting any transfer of securities.

Section 107C (2)

Subsection (1) shall not apply to a transfer of securities to a central depository or its nominee company.

13.13 RULES OF MCD

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

The rules within the MCD on the transferability of securities and restrictions on their free transferability are as follows:-

Rule 8.01 (2)

The Central Depository may, in its absolute discretion, reject a transfer request made by a depositor thereunder, where the reason for the said transfer does not fall within any of the approved reason stipulated under Rule 8.03 (1) (c).

Rule 8.05A

Transfers made by the authorised depository agent from the agent's principal or nominee account shall be subject to the Rules in this Chapter.

Rule 9.03 (2)

It shall be the responsibility of the authorised depository agent, in processing the transfer between the two securities accounts belonging to different depositors (hereinafter the transfer is referred to as "**the inter-account transfer**"), to check and ensure the completeness, accuracy and/or genuineness of the documents lodged as follows:-

- (a) the prescribed Form FTF010 (request for ordinary transfer of securities form) or Form FTF015 (request for express transfer of securities form) fully and properly completed in triplicate;
- (b) the Transferring Depositor has executed the Transferor portion of the said form duly witnessed by another person (other than the depositor's spouse);
- (c) the Transferring Depositor has stated his reason for the transfer and that the reason is or are amongst any of the approved reasons as stated herein below:-
 - (i) transmission of securities arising from the provisions of any written law or an order of the court of competent jurisdiction;
 - (ii) rectification of errors;
 - (iii) pledge, charge or mortgage;
 - (iv) mandatory offer pursuant to the provisions of the Malaysian Code on Takeovers and Mergers 1987;
 - (v) any other circumstances as deemed fit by the Central Depository after consultation with the Securities Commission.
- (d) documents to support the reason for the transfer;
- (e) such other accompanying documents duly processed in such manner as the Central Depository may from time to time determine in the Procedures Manuals.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

13.14 RESPONSIBILITY STATEMENTS

- (i) The Prospectus has been seen and approved by the Directors of Nikko and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.
- (ii) RHB Sakura acknowledges that to the best of its knowledge and belief, the Prospectus constitutes a full and true disclosure of all material facts about the Public Issue and the Company, and considers that the profit estimate and forecast (for which the Directors are solely responsible) have been stated by the Directors after due and careful enquiry.

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES

14.1 OPENING AND CLOSING OF APPLICATION LISTS

The Application Lists for the Public Issue will open at 10.00 a.m. on 20 December 1999 and will remain open until 8.00 p.m. on the same day or for such further period or periods as the Directors of Nikko in their absolute discretion may decide.

14.2 APPLICATION FORMS

The following relevant Application Forms are issued together with this Prospectus and are deemed to form part thereof:-

- (i) Pink Application Forms for application by eligible Directors and employees of the Nikko Group and Nikko Holdings; and
- (ii) White Application Forms for application by Bumiputera investors approved by MITI and Malaysian citizens, companies, societies, co-operatives and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

White Application Forms together with copies of this Prospectus may be obtained, subject to availability from RHB Sakura, member companies of KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia and MIDFCCS.

14.3 PROCEDURE FOR APPLICATION

(i) Applications by the Eligible Directors and Employees

Applications for the 4,950,000 new ordinary shares of RM1.00 each reserved for eligible Directors and employees of the Nikko Group and Nikko Holdings must be made on the **Pink** Application Forms.

(ii) Applications by the Malaysian Public

Applications for the 12,550,000 new ordinary shares of RM1.00 each made available for application by the Malaysian public must be made on the **White** Application Forms.

(iii) Applications by the Bumiputera investors approved by the MITI

Applications for the 7,500,000 new ordinary shares of RM1.00 each reserved for Bumiputera investors approved by the MITI must be made on the **White** Application Forms.

Only one application can be made by each applicant. Multiple applications will not be accepted. Each application must be for 1,000 new ordinary shares or multiples thereof. The amount payable in full on application is RM1.80 per ordinary share.

Application for the Public Issue must be made on the Application Form issued together with this Prospectus and must be completed in accordance with the Notes and Instructions printed on the reverse side of the Application Form. In accordance with Section 37(1) of the Companies Act, 1965, the Application Form together with the Notes and Instructions printed therein shall constitute an integral part of this Prospectus. Applications which do not **STRICTLY** conform to the terms of this Prospectus or Application Form or Notes and Instructions printed therein or which are illegible will not be accepted.

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES *(cont'd)*

Directors and employees of MIDFCCS and their immediate family are strictly prohibited from applying for the Public Issue.

14.4 TERMS OF PAYMENT

Each completed Application Form must be accompanied by remittances in Malaysian Ringgit for the full amount payable either by:-

- A. BANKER'S DRAFT OR CASHIER'S ORDER purchased within Malaysia only and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants); or
- B. GUARANTEED GIRO ORDER ("GGO") from Bank Simpanan Nasional (differentiated by a special red band for Bumiputera applicants); or
- C. MONEY ORDER OR POSTAL ORDER (for applications from Sabah and Sarawak only); or
- D. ATM STATEMENT OBTAINED FROM EITHER:-
 - Arab-Malaysian Bank Berhad (295576-U);
 - Arab-Malaysian Finance Berhad (5493-X);
 - Asia Commercial Finance (M) Berhad (6521-U);
 - Ban Hin Lee Bank Berhad (1147-M);
 - BSN Commercial Bank Berhad (23877-T);
 - Bank Utama (Malaysia) Berhad (27714-A);
 - Bumiputra-Commerce Bank Berhad (13491-P);
 - Credit Corporation Malaysia Berhad (5023-H);
 - EON Bank Berhad (92351-V);
 - EON Finance Berhad (9296-K);
 - Hock Hua Bank Berhad (111501-D);
 - Hong Leong Bank Berhad (97141-X);
 - Hong Leong Finance Berhad (7797-V);
 - International Bank Malaysia Berhad (22671-U);
 - Malayan Banking Berhad (3813-K);
 - Mayban Finance Berhad (3905-T);
 - MBf Finance Berhad (8515-D);
 - Multi-Purpose Bank Berhad (88103-W);
 - Oriental Bank Berhad (845-W);
 - Oriental Finance Berhad (50555-A);
 - Phileo Allied Bank (Malaysia) Berhad (306350-K);
 - Public Bank Berhad (6463-H);
 - Public Finance Berhad (6471-U);
 - RHB Bank Berhad (6171-M);
 - Sabah Bank Berhad (45788-D);
 - The Pacific Bank Berhad (5024-T);
 - United Merchant Finance Berhad (3838-T).

and must be made out in favour of "**MIDF SHARE ISSUE ACCOUNT NO. 497**" and crossed "**A/C PAYEE ONLY**" (excluding ATM statements) and endorsed on the reverse side with the NAME AND ADDRESS OF THE APPLICANT (exactly as stated on the Application Form).

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES (cont'd)

The name and address of the applicant must be exactly the same as the APPLICANT'S IDENTITY CARD ("NRIC") (TOGETHER WITH THE CHANGE OF ADDRESS CARD OR "RESIT PENUKARAN KAD PENGENALAN (JPN 1/22)" WHERE APPLICABLE) or "RESIT PENGENALAN SEMENTARA (JPN 1/9)" in the case of an individual applicant except for the address of armed forces/police personnel which should be based on the address of the applicants' respective camp/base/station. In the case of a corporate/institutional applicant, the name of the applicant must be exactly the same as the APPLICANT'S CERTIFICATE OF INCORPORATION and the address must be exactly the same as the registered address.

Applications accompanied by any mode of payments other than those stated above or with excess or insufficient remittances may not be accepted. Details of remittances must be filled in the appropriate boxes provided in the application form.

Completed Application Forms must be despatched by ORDINARY POST or DELIVERED BY HAND in the official envelopes provided to the following address:-

MIDF Consultancy and Corporate Services Sdn. Bhd.
195A, Jalan Tun Razak
P.O. Box 11122
50736 Kuala Lumpur

so as to arrive not later than 8.00 p.m. on 20 December 1999 or delivered by hand to the Oriental Bank Berhad branches based on the following addresses:-

- | | |
|--|--|
| 1. Klang Branch
No. 2, Jalan Kapar
41400 Klang | 2. Kepong Branch
No. 60, Jalan 2
52100 Kuala Lumpur |
| 3. Kuala Lumpur Main Branch
Bangunan Oriental Bank
No. 1, Jalan Hang Lekiu
50100 Kuala Lumpur | 4. Selayang Branch
No. 141-143, Jalan 2/3A
Kompleks Pasar Borong Selayang
68100 Kuala Lumpur |
| 5. Taman Sungei Besi Branch
No. 38, Jalan 7/108C
Jalan Sungei Besi
68100 Kuala Lumpur | 6. Bukit Bintang Branch
Ground Floor, Wisma KLIH
No. 126, Jalan Bukit Bintang
55100 Kuala Lumpur |
| 7. Wangsa Maju Branch
No. 10, Jalan 1/27B
Bandar Baru Wangsa Maju
53300 Kuala Lumpur | 8. Balakong Branch
No. S-7, Jalan 1/6
Taman Indah
Batu 11, Jalan Balakong
43200 Cheras
Selangor Darul Ehsan |
| 9. Segambut Branch
No. 36-38, Jalan Segambut Utara
51200 Kuala Lumpur | 10. SS2 Branch
No. 20, Jalan SS2/6
47300 Petaling Jaya
Selangor Darul Ehsan |

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES *(cont'd)*

- | | | | |
|-----|--|-----|---|
| 11. | Bandar Park Branch
No. 152, Jalan Mega Mendung
Kompleks Bandar
Batu 5, Jalan Klang Lama
58000 Kuala Lumpur | 12. | Pulau Pinang Branch
Bangunan FOP
123, Jalan Anson
10400 Pulau Pinang |
|-----|--|-----|---|

during banking hours (9.30 a.m. to 4.00 p.m. from Monday to Friday and 9.30 a.m. to 12.00 p.m. on Saturday).

No acknowledgement of the receipt of Application Forms or application monies will be made by the Company.

14.5 APPLICATIONS AND ACCEPTANCES

The Directors of the Company reserve the right not to accept any applications which do not strictly comply with the instructions or to accept any application in part only without assigning any reason thereof.

The submission of an Application Form does not necessarily mean that the application will be successful.

In the event of an over-subscription, acceptance of applications by the Malaysian public shall be subject to **ballot** to be conducted in the manner as approved by the Directors. Due consideration will be given to the desirability of distributing the new ordinary shares to a reasonable number of applicants with a view to broadening the shareholding base in Nikko and establishing an adequate market in the trading of Nikko's shares. The final allocation of shares to any single applicant will be made to ensure that Nikko complies with the SC's shareholding spread requirement that at least 25% of the issued and paid-up capital of the Company is in the hands of public shareholders, with a minimum of 1,000 public shareholders holding not less than 1,000 shares each. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing. Applicants will be selected in a manner to be determined by the Directors of Nikko.

In the event of an under-subscription by the Malaysian public, the Public Issue Shares not applied for will be made available for subscription proportionately by the Managing Underwriter and the Underwriters in proportions specified in the Underwriting Agreement dated 1 December 1999. Any shares not subscribed by the eligible Directors and employees of the Nikko Group and Nikko Holdings will be made available for application by the Malaysian public and will be underwritten by the Managing Underwriter.

WHERE AN APPLICATION IS REJECTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED BY ORDINARY POST OR REGISTERED POST RESPECTIVELY TO THE APPLICANT, WITHIN TWENTY-ONE (21) DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS, AT THE ADDRESS SHOWN ON THE APPLICATION FORM AT THE APPLICANT'S OWN RISK.

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES *(cont'd)*

THE ISSUING HOUSE RESERVES THE RIGHT TO BANK IN ALL APPLICATION MONIES FROM UNSUCCESSFUL BUMIPUTERA APPLICANTS AND FROM PARTIALLY SUCCESSFUL APPLICATIONS. REFUND MONIES IN RESPECT OF UNSUCCESSFUL APPLICANTS WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN TWENTY-ONE (21) DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS BY REGISTERED POST AT THE ADDRESS SHOWN ON THE APPLICATION FORM AT THE APPLICANT'S OWN RISK.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

14.6 *CDS ACCOUNT*

Pursuant to Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in the ordinary shares of the Company will be by book entries through CDS Accounts. No share certificates will be issued to successful applicants.

An applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code. A list of the ADA Codes is set out below. Where an applicant already has a CDS Account, he **should not** complete the ADA Code. If a successful applicant fails to state either his CDS Account number or preferred ADA Code, the Company may, in the exercise of its absolute discretion, instruct the Issuing House to insert a preferred ADA Code on the Application Form and further instruct the MCD to open a CDS Account on the applicant's behalf at the specified ADA and credit the shares allotted to the applicant into the said applicant's CDS Account.

Failure to comply with these specific instructions or inaccuracy in the CDS Account number or the preferred ADA Code may result in the application being rejected. The Directors of the Company reserve the right to reject any incomplete and inaccurate applications.

14.7 *NOTICE OF ALLOTMENT*

Shares allotted to all successful applicants will be credited to their respective CDS Accounts. A notice of successful allotment will be despatched to the successful applicants at their addresses shown in the Application Form at the applicant's own risk within thirty (30) days after the final ballot of the application. This is the only acknowledgement of acceptance of the application.

14.8 *FORMALISING CDS ACCOUNT*

Successful applicants whose CDS Accounts have been opened by MCD at their preferred ADA are required to formally open their account in person by submitting to the ADA the necessary documents and the account opening fee. No transaction of shares credited to the account can be effected until the account has been formally opened.

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES (cont'd)

14.9 LIST OF ADAs

A list of the ADA (Broker) Code is as follows:-

Name	Address and Telephone Number	Broker Code
KUALA LUMPUR		
Affin-UOB Securities Sdn Bhd (431338-P)	Level 3, Menara Keck Seng 203, Jalan Bukit Bintang 55100 Kuala Lumpur Tel No: 03-2438668	028-001
Arab-Malaysian Securities Sdn Bhd (92977-U)	15th Floor, Bangunan Arab-Malaysian 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2382788	086-001
BBMB Securities Sdn Bhd (16453-K)	Level 2, 3 & 4 Letter Box No. 2 Menara Olympia 8 Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2019900	099-001
BIMB Securities Sdn Bhd (290163-X)	1st & 2nd Floor, Podium Block Bangunan AMDB 1, Jalan Lumut 50350 Kuala Lumpur Tel No: 03-4433533	024-001
FIMA Securities Sdn Bhd (201959-K) <i>(formerly known as Capitalcorp Securities Sdn. Bhd)</i>	No. 45-14, Plaza Level and Level One Plaza Damansara Jalan Medan Setia 1 Damansara Heights 50490 Kuala Lumpur Tel No: 03-2549966	018-001
CIMB Securities Sdn Bhd (163712-V)	9th Floor, Commerce Square Jalan Semantan Damansara Heights 50490 Kuala Lumpur Tel No: 03-2532288	065-001
HLG Securities Sdn Bhd (127855-D)	21 st Floor, Wisma HLA Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2452998	066-001
Inter-Pacific Securities Sdn Bhd (12738-U)	Level 7, Menara Shahzan-Insas 30, Jalan Sultan Ismail 50250 Kuala Lumpur Tel No: 03-2441888	054-001

KUALA LUMPUR (cont'd)

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES (cont'd)

Name	Address and Telephone Number	Broker Code
Jupiter Securities Sdn Bhd (48703-W)	7th,-8th & 9th Floor Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2041888	055-001
K & N Kenanga Berhad (15678-H)	8th Floor, Pernas International 801, Jalan Sultan Ismail 50250 Kuala Lumpur Tel No: 03-2649080	073-001
Kuala Lumpur City Securities Sdn Bhd (126994-W)	3.07 Level 3 Bangunan Angkasaraya Jalan Ampang 50450 Kuala Lumpur Tel No: 03-2449322	076-001
Leong & Company Sdn Bhd (8789-P)	Level 18, Wisma Cyclecarri 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No: 03-2928899	061-001
Mayban Securities Sdn Bhd (165630-M)	30th Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Tel No: 03-2323822	098-001
MGI Securities Sdn Bhd (682-X)	1st & 2nd Floor, Wisma MGIC 38, Jalan Dang Wangi 50100 Kuala Lumpur Tel No. 03-2911889	052-001
MIDF Sisma Securities Sdn Bhd (423833-U)	17th & 18th Floor, Empire Tower 182, Jalan Tun Razak 50400 Kuala Lumpur Tel No: 03-2668888	026-001
OSK Securities Berhad (14152-V)	10 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No: 03-2624388	056-001
PB Securities Sdn Bhd (20027-W)	27 th Floor, Bangunan Public Bank No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No: 03-2013011	051-001

KUALA LUMPUR (cont'd)

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES (cont'd)

Name	Address and Telephone Number	Broker Code
Pengkalen Securities Sdn Bhd (66299-A)	1st Floor Menara Pengkalen <i>(formerly Wisma Pekerti)</i> No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No: 03-2448055	064-001
Rashid Hussain Securities Sdn Bhd (95060-A)	Level 9 Tower One, RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Tel No: 03-9852233	087-001
KAF-Seagroatt & Campbell Securities Sdn Bhd (134631-U) <i>(formerly known as Seagroatt & Campbell Sdn Bhd)</i>	26th – 30th Floor, The Weld Tower No. 76 Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2081600	053-001
Sime Securities Sdn Bhd (165878-V)	21st Floor, Bangunan Sime Bank 4 Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No. 03-2749288	097-001
TA Securities Berhad (16029-V)	Menara TA One 22, Jalan P Ramlee 50250 Kuala Lumpur Tel No: 03-2321277	074-001
<i>SELANGOR DARUL EHSAN</i>		
Amsteel Securities (M) Sdn Bhd (51253-A)	1st, 2nd & 3rd Floor Wisma Amsteel Securities No. 1 Lintang Pekan Baru Off Jalan Meru 41050 Klang Tel No. 03-3439999	080-001
Halim Securities Sdn Bhd (107442-X)	68, Jalan Selangor (52/4) P.O. Box 561 46770 Petaling Jaya Tel No: 03-7555777	091-001
Hwang-DBS Securities Berhad (Shah Alam Branch) (14389-U)	16th, 18th –20th Floor, Plaza Masalam 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Tel No. 03-5533288	068-002
<i>SELANGOR DARUL EHSAN (Cont'd)</i>		
JF Apex Securities Berhad	3rd Floor, Wisma Apex	079-001

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES (cont'd)

Name	Address and Telephone Number	Broker Code
(47680-X)	145A-C, Jalan Bukit 43007 Kajang Tel No: 03-87361118	
Mohaiyani Securities Sdn Bhd (140238-A)	1st, 2nd & 3rd Floor Plaza Damansara Utama No.2, Jalan SS21/60 Damansara Utama 47400 Petaling Jaya Tel No: 03-7197345	095-001
SJ Securities Sdn Bhd (141671-T)	Level 3, Holiday Villa No. 9, Jalan SS 12/1 Subang Jaya 47500 Petaling Jaya Tel No: 03-7340202	096-001
MELAKA		
Malacca Securities Sdn Bhd (16121-H)	No.1, 3 & 5, Jalan PPM 9 Plaza Pandan Malim (Business Park) Balai Panjang Peti Surat 248 75250 Melaka Tel No. 06-3371533	012-001
OCBC Securities (Melaka) Sdn Bhd (18884-P)	No. 579, 580 - 581 A & B Taman Melaka Raya 75000 Melaka Tel No. 06-2825211	072-001
Straits Securities Sdn Bhd (74070-T)	Lot 9 & 10, 1st Floor Bangunan Tabung Haji Jalan Bandar Kaba 75000 Melaka Tel No: 06-2833622	011-001
PERAK DARUL RIDZUAN		
Botly Securities Sdn Bhd (14948-M)	1st Floor, Plaza Teh Teng Seng 227, Jalan Kampar 30250 Ipoh Tel No: 05-2531313	058-001
Kin Khoon & Co Sdn Bhd (17816-P)	A23 - A29 Wisma Kota Emas Jalan Dato Tahwil Azhar P.O. Box No. 421 30910 Ipoh Tel No: 05-2543311	017-001
PERAK DARUL RIDZUAN (Cont'd)		
MBf Northern Securities Sdn Bhd (14782-V)	No. 71, Jalan Lim Bo Seng 30300 Ipoh	067-001

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES (cont'd)

Name	Address and Telephone Number	Broker Code
	Tel No: 05-2548999	
M & A Securities Sdn Bhd (15017-H)	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Tel No: 05-2419800	057-001
Phileo Allied Securities Sdn Bhd (25397-M)	Wisma Philco 63, Persiaran Greenhill 30450 Ipoh Tel No: 05-2558233	071-001
SBB Securities Sdn Bhd (100518-M)	51-53, Persiaran Greenhill 30450 Ipoh Tel No: 05-2530888	090-001
Taiping Securities Sdn Bhd (113521-K)	21, Jalan Stesen 34000 Taiping Tel No: 05-8060888	092-001
Premier Capital Securities Sdn Bhd (64149-M)	Wisma Premier Capital 21, Jalan Seenivasagam 30450 Ipoh Tel No. 05-2415100	082-001
<i>PULAU PINANG</i>		
A.A. Anthony & Co Sdn. Bhd. (13622-K)	No. 41-1-1 & 41-2-1 Jalan Cantonment 10250 Pulau Pinang Tel No: 04-2299318	014-001
Hwang-DBS Securities Berhad (14389-U)	Level 2, 3, 4, 7 & 8 Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No: 04-2636996	068-001
Ke-Zan Securities Sdn Bhd (89986-P)	Wisma Ke-Zan 64, Bishop Street 10200 Pulau Pinang Tel No: 04-2634222	085-001
Mercury Securities Sdn Bhd (113193-W)	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Seberang Perai Tel No: 04-3322123	093-001
<i>PULAU PINANG (Cont'd)</i>		
Smith Zain Securities Sdn Bhd (13901-H)	7th & 8th Floor, Wisma PSCI 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang	016-001

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES (cont'd)

Name	Address and Telephone Number	Broker Code
	Tel No: 04-2283355	
Soon Theam Securities Sdn Bhd (14147-K)	No.111, Jalan Macalister 10400 Pulau Pinang Tel No: 04-2281868	060-001
Thong & Kay Hian Securities Sdn Bhd (14592-P)	Level 5 & 6, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No: 04-2635481	070-001
UT Securities Sdn Bhd (20710-W) <i>(formerly known as United Traders Securities Sdn Bhd)</i>	12th Floor, Bangunan Mayban Trust 3, Penang Street 10200 Pulau Pinang Tel No: 04-2626644	059-001
<i>KEDAH DARUL AMAN</i>		
Alor Setar Securities Sdn Bhd (123654-H)	Lot T-30, 2nd Floor Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Tel No: 04-7317088	094-001
<i>NEGERI SEMBILAN DARUL KHUSUS</i>		
Kimara Equities Sdn Bhd (228587-U)	2nd, 9th & 10 th Floor Bangunan Yayasan Negeri Sembilan Jalan Yam Tuan 70000 Seremban Tel No: 06-7633999	084-001
Malpac Securities Sdn Bhd (159143-V)	Tingkat 1, 2 & 3 Nos. 19 - 21, Jalan Kong Sang 70000 Seremban Tel No. 06-7623131	063-001
<i>JOHOR DARUL TAKZIM</i>		
Eng Securities Sdn Bhd (53333-T)	No. 95, Jalan Tun Abdul Razak 80000 Johor Bahru Tel No: 07-2231211	081-001
<i>JOHOR DARUL TAKZIM (Cont'd)</i>		
JB Securities Sdn Bhd (17812-U)	Suite 8.2, Level 8 Menara Sarawak Enterprise No. 5 Jalan Bukit Meldrum 80300 Johor Bahru	078-001

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES (cont'd)

Name	Address and Telephone Number	Broker Code
	Tel No: 07-3332000	
Kestrel Securities Sdn Bhd (97150-A)	57, 59 & 61, Jalan Ali 84000 Muar Tel No: 06-9532222	088-001
Peninsula Securities Sdn Bhd (57258-V)	Level 2, Menara Pelangi Jalan Kuning Taman Pelangi 80400 Johor Bahru Tel No: 07-3333600	077-001
PJB Pacific Securities Sdn Bhd (430550-H)	Podium 2A & 3, Menara Ansar 65, Jalan Trus 80000 Johor Bahru Tel No. 07-2222692	027-001
South Johor Securities Sdn Bhd (53647-D)	3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Tel No: 07-4317033	069-001
<i>PAHANG DARUL MAKMUR</i>		
WK Securities Sdn Bhd (70978-V)	A-397, A-399 & A-401 Taman Sri Kuantan III Jalan Berserah 25300 Kuantan Tel No: 09-5660800	083-001
<i>KELANTAN DARUL NAIM</i>		
Kota Bharu Securities Sdn Bhd (15629-M)	298, Jalan Tok Hakim 15000 Kota Bahru Tel No: 09-7433388	075-001
<i>PERLIS INDRA KAYANGAN</i>		
Upen Securities Sdn Bhd (254920-D)	2 nd Floor, Podium Block Bangunan KWSP 01000 Kangar Tel No: 04-9766315	023-001
<i>TERENGGANU DARUL IMAN</i>		
FA Securities Sdn Bhd (251711-V)	3rd Floor, Wisma UMNO Jalan Masjid Abidin 20100 Kuala Terengganu Tel No: 09-6238128	021-001

14. PROCEDURE FOR APPLICATIONS AND ACCEPTANCES (cont'd)

Name	Address and Telephone Number	Broker Code
PTB Securities Sdn Bhd (425317-T)	Tingkat 1, 2 & 3 No. 61 Jalan Sultan Ismail Peti Surat 151 Pejabat Pos Besar 20700 Kuala Terengganu Tel No. 09-6235546	025-001
SARAWAK		
Sarawak Securities Sdn Bhd (219322-W)	Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Tel No: 082-338000	019-001
Sarawak Securities Sdn Bhd (Miri Branch) (219322-W)	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Tel No. 085-435577	019-002
LABUAN		
Labuan Securities Sdn Bhd (239683-W)	Level 2, Wisma Oceanic Jalan OKK Awang Besar 87007 Wilayah Persekutuan Labuan Tel No: 087-410621	022-001
SABAH		
InnoSabah Securities Sdn Bhd (194990-K)	11, Equity House, Block K Sadong Jaya, Karamuning 88100 Kota Kinabalu Tel No: 088-234099	020-001