

NIKKO ELECTRONICS BHD. (174076-U)

CONDENSED BALANCE SHEET AS AT 31 MARCH 2008

	Unaudited As at 31/3/2008 RM ' 000	Audited As at 31/3/2007 RM ' 000
NON-CURRENT ASSETS		
Property, plant and equipment	55,479	60,760
Prepaid land lease payments	7,002	7,683
Development costs	3,501	-
	65,982	68,443
CURRENT ASSETS		
Inventories	35,121	28,942
Receivables - trade and others	15,759	29,792
Cash and bank balances	1,022	1,689
	51,902	60,423
TOTAL ASSETS	117,884	128,866
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	99,269	99,269
Share premium	17,445	17,445
Revaluation reserve	4,225	4,225
ESOS reserve	162	162
Accumulated profit/(loss)	(68,501)	(31,013)
Treasury shares, at cost	(106)	(106)
	52,494	89,982
Minority interest	-	-
TOTAL EQUITY	52,494	89,982
CURRENT LIABILITIES		
Trade and other payables	28,017	30,572
Short term loan from related companies	16,909	-
Bank borrowings	20,464	8,312
	65,390	38,884
TOTAL LIABILITIES	65,390	38,884
TOTAL EQUITY AND LIABILITIES	117,884	128,866
Net assets per share attributable to equity holders of the Company (RM)	0.53	0.91

(The Condensed Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial statements)

NIKKO ELECTRONICS BHD. (174076-U)

UNAUDITED CONDENSED INCOME STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2008

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current Qtr Ended 31/3/2008</u>	<u>Comparative Qtr ended 31/3/2007</u>	<u>12 Months</u>	<u>Comparative</u>
			<u>Cumulative To Date 31/3/2008</u>	<u>12 Months Cumulative To Date 31/3/2007</u>
	RM ' 000	RM ' 000	RM ' 000	RM ' 000
Sales	8,561	7,585	76,453	103,547
Expenses excluding finance cost and tax	(22,528)	(21,864)	(115,515)	(144,407)
Other operating income	283	888	2,486	2,490
Loss from operations	(13,684)	(13,391)	(36,576)	(38,370)
Finance costs	(244)	(49)	(912)	(856)
Loss before taxation	(13,928)	(13,440)	(37,488)	(39,226)
Taxation	-	-	-	-
Loss after taxation	(13,928)	(13,440)	(37,488)	(39,226)
Minority interest	-	-	-	-
Net loss for the period	(13,928)	(13,440)	(37,488)	(39,226)
Loss per share				
- Basic (sen)	(14.04)	(13.55)	(37.79)	(39.54)
- Diluted (sen)	N/A	N/A	N/A	N/A

(The Condensed Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial statements)

NIKKO ELECTRONICS BHD. (174076-U)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2008

	Share capital	Treasury Shares	Share premium	<u>Non-Distributable</u>	<u>(Accumulated</u>	Total
				Revaluation and other reserves	losses) / Retained profits	
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 April 2006	99,269	(106)	17,445	4,225	8,213	129,046
Net loss after taxation	-	-	-	-	(39,226)	(39,226)
ESOS vested	-	-	-	162	-	162
At 31 March 2007 / 1 April 2007	99,269	(106)	17,445	4,387	(31,013)	89,982
Net loss after taxation	-	-	-	-	(37,488)	(37,488)
At 31 March 2008	99,269	(106)	17,445	4,387	(68,501)	52,494

(The Condensed Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial statements)

NIKKO ELECTRONICS BHD. (174076-U)

**UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2008**

	12 months ended 31/3/2008	12 months ended 31/3/2007
	RM ' 000	RM ' 000
OPERATING CASH FLOW		
Net loss after tax	(37,488)	(39,263)
Adjustments for :-		
Depreciation for property, plant and equipment	8,881	10,122
Interest expense	912	856
Share option granted under ESOS	-	208
Interest income	(88)	(279)
Provision for slow moving stock	1,937	1,390
Amortization of development costs	250	-
Provision for warraanty	176	-
Net (gain)/loss on disposal of land and building, plant and equipment	29	(364)
	<u>(25,391)</u>	<u>(27,330)</u>
Changes in Working Capital		
Inventory	(8,116)	25,770
Receivables	14,033	7,724
Payables	(2,667)	2,440
	<u>3,250</u>	<u>35,934</u>
Interest paid	(912)	(856)
Net operating cash flow	<u>(23,053)</u>	<u>7,748</u>
INVESTING CASH FLOW		
Interest received	88	279
Purchase of plant and equipment	(5,053)	(3,305)
Proceeds from disposal of land and building, plant and equipment	1,916	616
Development costs	(3,625)	-
	<u>(6,674)</u>	<u>(2,410)</u>
FINANCING CASH FLOW		
Net change in bank borrowings	8,014	(4,982)
Short term loan from related company	16,909	-
Dividend paid	(1)	-
	<u>24,922</u>	<u>(4,982)</u>
Net change in cash and cash equivalents	(4,805)	356
Cash and cash equivalents at beginning of period	(841)	(1,196)
Cash and cash equivalents at end of period	<u>(5,646)</u>	<u>(840)</u>
Cash and cash equivalents comprise :-		
Deposits, cash and bank balances	1,022	1,689
Bank overdraft	(6,668)	(2,529)
	<u>(5,646)</u>	<u>(840)</u>

(The Condensed Cash Flow Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial statements.)

NIKKO ELECTRONICS BHD. (174076-U)
PART A:- EXPLANATORY NOTES PURSUANT TO FRS 134
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134 – Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial report of the Company for the financial year ended 31 March 2007. The explanatory notes attached to the interim financial report statement provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 March 2007.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2007 except for the adoption of the following new/revised Financial Reporting Standards ("FRS"):

		Effective for financial period beginning on or after
FRS 117	Leases	1 October 2006
FRS 124	Related Party Disclosures	1 October 2006
FRS 119 ₂₀₀₄ (Revised)	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007

The adoption of the above FRSs does not have significant financial impact on the Company. The principal effect of changes in accounting policies arising from the adoption of FRS 117 is as follows:

FRS 117: Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Prior to 1 April 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117 at 1 April 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid land lease payments has been accounted retrospectively and certain comparatives as at 31 March 2007 have been restated.

Balance Sheet As at 31 March 2007	As Previously Stated RM'000	Effect of FRS 117 RM'000	As Restated RM'000
Property, plant and equipment	68,443	(7,683)	60,760
Prepaid land lease payments	-	7,683	7,683

NIKKO ELECTRONICS BHD. (174076-U)
PART A:- EXPLANATORY NOTES PURSUANT TO FRS 134
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report for the financial year ended 31 March 2007 was not subject to any qualification.

A4. Comments about Seasonal or Cyclical Factors

The sales demand of the Company for radio-controlled toys are subject to seasonality with more than half of the annual sales normally made in the September quarter.

A5. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence during the quarter under review.

A6. Changes in Estimates

There were no changes in estimates of amounts reported that have a material effect on the results in the current interim period.

A7. Debt and Equity Securities

There was no issuance and repayment of debt and equity securities, share buy back, share cancellation and resale of treasury shares during the financial quarter ended 31 March 2008.

A8. Dividend Paid

No dividend was paid during the current quarter ended 31 March 2008.

A9. Segmental Information

Segmental information is not applicable as the Company operates wholly in Malaysia and its activities are predominantly in the manufacturing and sales of radio controlled toys.

A10. Valuation of Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without amendment, from the financial year ended 31 March 2007.

A11. Events Subsequent to the end of the Interim Reporting Period

There were no material events subsequent to 31 March 2008 and up to the date of this report which have not been reflected in the financial statements for the quarter under review.

A12. Changes in the Composition of the Company

There were no changes in the composition of the Company during the quarter under review, including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

NIKKO ELECTRONICS BHD. (174076-U)
PART A:- EXPLANATORY NOTES PURSUANT TO FRS 134
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008

A13. Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets since the last annual balance sheet as at 31 March 2008 and up to the date of this report.

A14. Capital Commitments

There were no capital commitments for the purchase of property, plant and equipment not provided for in the financial statements as at 31 March 2008.

A15. Significant Related Party Transactions

Save as disclosed below, the Directors are of the opinion that there are no other related party transactions which would have material impact on the financial position and the business of the Company during the current financial quarter.

The significant transactions with related parties by the Company are as follows:

Name of Company	Type of Transaction	12 months ended 31 March 2008 RM'000
Nikko Co. Ltd.	Sales of goods	305
	Purchase of raw materials and equipment	104
	Royalty and sales commission payments	4,383
	R&D services	4,353
Nikko Tec Int. Ltd.	Sales of goods	2,732
Nikko (Asia) Toy Pte. Ltd.	Sales of goods	222
Rising Sun Toys Sdn. Bhd.	Sales of goods	80
Nikko Scandinavia AS	Sales of goods	1,992
Nikko Europe BV	Sales of goods	3,790
Nikko Entertainment BV	Sales of goods	972
Nikko America Inc.	Sales of goods	2,928
Nikko UK Limited	Sales of goods	831
Meccano SN	Sales of goods	6,466
Nics Engineering Ltd.	Purchase of raw materials	2,959
		<u>32,117</u>

* Meccano SN S.A. ceased to be a related party during the quarter ended 30 September 2007.

NIKKO ELECTRONICS BHD. (174076-U)**ADDITIONAL INFORMATION REQUIRED PURSUANT TO APPENDIX 9B OF BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008**

B1. Review of Performance

The Company recorded a turnover of RM8.6 million and a loss before taxation of RM13.9 million for the fourth quarter ended 31 March 2008 compared with a turnover of RM7.6 million and a loss before taxation of RM13.4 million in the preceding financial year's corresponding quarter.

The marginal increase in turnover during the quarter under review compared to the previous financial year's corresponding quarter ended 31 March 2007 was due to contribution of sales from new home entertainment products.

B2. Material Changes in Quarterly Results Compared to the Results of the Preceding Quarter

The Company recorded a loss before taxation of RM13.9 million with a turnover of RM8.6 million in the fourth quarter ended 31 March 2008 compared to a loss before taxation of RM12.1 million and a turnover of RM14.8 million in the preceding quarter ended 31 December 2007. The comparatively lower sales in the March 2008 quarter was attributed to the seasonal nature of the business that typically slows down in the beginning of the calendar year.

B3. Prospects for the Next Financial Year

In view of the prevailing difficult operating environment, the Board is anticipating another challenging year ahead for the Company. Sales of new home entertainment products did not perform as expected and the Company continues to face competition for its radio-controlled toys business.

B4. Variance of Actual Profit from Forecast Profit

This is not applicable as no profit forecast was published.

B5. Taxation

<u>Individual Quarter</u>		<u>Cumulative Year-to-Date</u>	
<u>Quarter ended</u>	<u>Quarter ended</u>	<u>12 months ended</u>	<u>12 months ended</u>
<u>31/3/2008</u>	<u>31/3/2007</u>	<u>31/3/2008</u>	<u>31/3/2007</u>
<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysian taxation:			
- Current taxation	-	-	-

There was no provision for taxation for the current quarter under review as the Company is in a tax loss position.

B6. Profits/(Losses) on Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments and/or properties for the current quarter ended 31 March 2008.

NIKKO ELECTRONICS BHD. (174076-U)**ADDITIONAL INFORMATION REQUIRED PURSUANT TO APPENDIX 9B OF BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008**

B7. Quoted Securities

There was no purchase or sale of quoted securities for the current quarter ended 31 March 2008.

B8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report.

B9. Borrowings and Debt Securities

The Company's borrowings and debt securities as at 31 March 2008 which are secured by negative pledge on the assets of the Company are as follows:

	RM'000
a) <u>Bank Overdraft</u>	
Denominated in RM	6,668
b) <u>Short Term Borrowings</u>	
Denominated in RM	13,796
	<hr/>
Total Borrowings	<u>20,464</u>

B10. Off Balance Sheet Financial Instruments

There are no off balance sheet financial instruments as at the date of this report.

B11. Material Litigation

There is no pending material litigation at the date of this report.

B12. Dividend

No dividend was recommended by the Board for the current quarter ended 31 March 2008.

NIKKO ELECTRONICS BHD. (174076-U)**ADDITIONAL INFORMATION REQUIRED PURSUANT TO APPENDIX 9B OF BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008****B13. Loss Per Share**

(a) Basic loss per share

	<u>Individual Quarter</u>		<u>Cumulative Year-to-Date</u>	
	<u>Quarter ended</u> <u>31/3/2008</u>	<u>Quarter ended</u> <u>31/3/2007</u>	<u>12 months ended</u> <u>31/3/2008</u>	<u>12 months ended</u> <u>31/3/2007</u>
Net loss after taxation (RM '000)	(13,430)	(13,440)	(36,990)	(39,226)
Weighted average number of ordinary shares on issue ('000)	99,201	99,201	99,201	99,201
Basic loss per share (sen)	(13.54)	(13.55)	(37.29)	(39.54)

(b) Diluted earnings / (loss) per share

The fully diluted earnings / (loss) per share is not presented as the unissued ordinary shares granted to employees pursuant to the Company's Employees Share Option Scheme ("ESOS") have no dilutive effect since the exercise price of the ESOS is above the average market value of the Company's shares.

BY ORDER OF THE BOARD

Chin Ooi Wee
Company Secretary

30 May 2008