

NIKKO ELECTRONICS BHD.

(In Provisional Liquidation)

(Company No.: 174076-U)

Incorporated in Malaysia

**CONDENSED BALANCE SHEET
AS AT 31 MARCH 2009**

	(Unaudited) As at 31.03.2009 RM'000	(Audited) As at 31.03.2008 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	28,420	55,479
Prepaid land lease payments	5,428	7,002
	<u>33,848</u>	<u>62,481</u>
Current assets		
Inventories	3,811	35,184
Trade and other receivables	1,427	16,871
Short term investment	200	505
Cash and bank balances	414	517
	<u>5,852</u>	<u>53,077</u>
TOTAL ASSETS	<u>39,700</u>	<u>115,558</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	99,269	99,269
Share premium	17,445	17,445
Revaluation reserve	-	4,225
ESOS reserve	162	162
Accumulated loss	(146,471)	(71,352)
Treasury shares, at cost	(106)	(106)
Total equity	<u>(29,701)</u>	<u>49,643</u>
Current liabilities		
Trade and other payables	43,123	45,190
Provision for product warranties	-	176
Bank borrowings	26,278	20,464
Dividend payable	-	85
	<u>69,401</u>	<u>65,915</u>
Total liabilities	<u>69,401</u>	<u>65,915</u>
TOTAL EQUITY AND LIABILITIES	<u>39,700</u>	<u>115,558</u>
Net assets per share attributable to equity holders of the parent (sen)	<u>(0.30)</u>	<u>0.50</u>

(The Condensed Balance Sheet should be read in conjunction with the audited financial statements for the financial year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial statements.)

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**CONDENSED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009**

	(Unaudited)		(Unaudited)	
	3 months ended (Quarter)		12 months ended (Cumulative)	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008
	RM'000	RM'000	RM'000	RM'000
Sales	488	8,561	12,351	76,453
Expenses excluding finance cost and tax	(1,672)	(22,528)	(86,030)	(115,515)
Other operating income	37	283	355	2,486
Loss from operations	(1,147)	(13,684)	(73,324)	(36,576)
Finance costs	(760)	(244)	(1,795)	(912)
Loss before taxation	(1,907)	(13,928)	(75,119)	(37,488)
Taxation	-	-	-	-
Net loss for the period	(1,907)	(13,928)	(75,119)	(37,488)
Loss per share attributable to equity holders of the parent:				
- Basic (sen)	(1.92)	(14.04)	(75.72)	(37.79)
- Diluted (sen)	NA	NA	NA	NA

(The Condensed Income Statement should be read in conjunction with the audited financial statements for the financial year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial statements.)

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**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2009**

	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Non-Distributable Revaluation		Distributable		Total Equity RM'000
				ESOS Reserve RM'000	Reserves and Other Reserves RM'000	Accumulated Loss RM'000	ESOS Reserve RM'000	
Balance at 1 April 2007	99,269	(106)	17,445	4,225	162	(31,013)		89,982
Net loss for the period	-	-	-	-	-	(37,488)		(37,488)
Balance at 31 March 2008	99,269	(106)	17,445	4,225	162	(68,501)		52,494
Balance at 1 April 2008	99,269	(106)	17,445	4,225	162	(71,352)		49,643
Net loss for the period	-	-	-	(4,225)	-	(75,119)		(79,344)
Balance at 31 March 2009	99,269	(106)	17,445	-	162	(146,471)		(29,701)

(The Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial statements.)

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	(Unaudited) 12 months ended	(Unaudited)
	31.03.2009	31.03.2008
	RM'000	RM'000
CONDENSED CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009		
Cash Flows From Operating Activities		
Net loss after taxation	(75,119)	(37,488)
Adjustments for :-		
Depreciation of property, plant and equipment	3,260	8,881
Impairment of assets	54,208	-
Provision for termination benefits	8,345	-
Provision for doubtful debts	1,168	-
Interest expense	1,796	912
Amortisation of prepaid land lease payments	134	-
Amortisation of development costs	-	250
Provision for inventory obsolescence	-	1,937
Net loss on disposal of land and building, plant and equipment	-	29
Provision/(write back) for product warranties	(176)	176
Interest income	(19)	(88)
Operating loss before working capital changes	(6,403)	(25,391)
Changes in working capital:		
Inventories	(1,682)	(8,116)
Receivables	14,276	14,033
Payables	(10,411)	(2,667)
Cash used in operations	(4,220)	(22,141)
Interest paid	(1,796)	(912)
Net cash used in operating activities	(6,016)	(23,053)
Cash Flows From Investing Activities		
Interest received	19	88
Purchase of property, plant and equipment	(140)	(5,053)
Proceeds from disposal of land and building, plant and equipment	-	1,916
Development costs	-	(3,625)
Increase in short term investments	305	-
Net cash generated from/(used in) investing activities	184	(6,674)
Cash Flow From Financing Activities		
Increase in bank borrowings	108	8,014
Loan from a related party	-	16,908
Unclaimed dividend submitted to Unclaimed Money Authority	(85)	-
Net cash generated from financing activities	23	24,922
NET DECREASE CASH AND CASH EQUIVALENTS	(5,809)	(4,805)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF PERIOD	(6,151)	(841)
CASH AND CASH EQUIVALENTS AS AT END OF PERIOD	(11,960)	(5,646)
Cash and cash equivalents comprise:-	RM'000	RM'000
Deposits, cash and bank balances	414	1,022
Bank overdraft	(12,374)	(6,668)
	<u>(11,960)</u>	<u>(5,646)</u>

(The Condensed Cash Flow Statement should be read in conjunction with the audited financial statements for the financial year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial statements.)

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NOTES TO THE QUARTERLY REPORT – 31 MARCH 2009

A. EXPLANATORY NOTES AS PER FRS 134 – INTERIM FINANCIAL REPORTING

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 (“Bursa Securities”) on the basis that the Company is a non-going concern.

The interim financial report should be read in conjunction with the audited financial report of the Company for the financial year ended 31 March 2008. 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 2008.

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 2008 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) issued by the Malaysian Accounting Standards Board (“MASB”) effective for the financial period beginning 1 January 2008:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provision, Contingent Liabilities and Contingent Assets

The adoption of the above mentioned FRSs is not expected to have any significant impact on the Company. The adoption of revised FRS119 – Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures is not relevant to the Company.

A3. Auditor’s Report on Preceding Annual Financial Statements

The external auditors of the Company issued a disclaimer of opinion on the financial statements of the Company for the financial year ended 31 March 2008. The basis for the disclaimer of opinion was the inability to obtain sufficient and appropriate evidence to satisfy the auditors of the carrying values of certain assets and liabilities and they could not determine the effects of adjustments arising, if any, on the financial position of the Company as at 31 March 2008 or on its financial results for the financial year then ended.

The Company had undertaken an independent valuation of its properties in Prai and Parit Buntar and have incorporated the forced sale values made by an independent valuer in its unaudited financial report for the first quarter ended 30 June 2008.

Other plant and equipment and inventories have also been written down to an amount as per directors’ best estimate of recoverable value. The impairment of assets was fully provided for as of the unaudited financial report for the third quarter ended 31 December 2008.

A4. Comments about Seasonal or Cyclical Factors

The seasonal nature of the sales for radio-controlled toys was no longer relevant as the Company had ceased operations with effect from 30 June 2008.

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NOTES TO THE QUARTERLY REPORT – 31 MARCH 2009

A. EXPLANATORY NOTES AS PER FRS 134 – INTERIM FINANCIAL REPORTING

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 the estimates of amounts reported that have a material effect on the results in the current quarter under review.

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 2009.

A8. Dividend Paid

No dividend was paid during the current quarter ended 31 March 2009.

A9. Segmental Information

Segmental information is not applicable as the Company had ceased operations with effect from 30 June 2008.

A10. Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward, without amendment, from the quarter ended 30 June 2008.

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

There were no other material events other than those already announced to Bursa Securities and those mentioned under Note B8 - Status of Corporate Proposals of this report.

A12. Changes in Composition of the Group

On 30 June 2008, the Company announced that it had ceased its manufacturing operations with immediate effect. As at the date of this report, the Company was unable to estimate the total amount of cessation costs.

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

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NOTES TO THE QUARTERLY REPORT – 31 MARCH 2009

A. EXPLANATORY NOTES AS PER FRS 134 – INTERIM FINANCIAL REPORTING

A13. Changes in Contingent Liabilities and Contingent Assets

There were no other contingent liabilities or contingent assets that have become enforceable since the last annual balance sheet date 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 interim condensed financial statements as at 31 March 2009.

A15. Significant Related Party Transactions

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

The significant transactions with related parties by Group are as follows:

Name of company	Type of Transaction	3 months	12 months
		(Quarter) 31.03.2009 RM '000	(Cumulative) 31.03.2009 RM '000
Nikko Co. Ltd.	Sales of goods	-	10
	Purchase of raw materials and equipment	-	7
	Royalty and sales commission payments	-	495
Nikko Entertainment Hong Kong Ltd.*	Sales of goods	-	4,519
Nikko America Inc.	Sales of goods	-	1,052
Nikko Scandinavia AS	Sales of goods	-	260
Nikko Tec Int. Ltd.	Sales of goods	-	83
Rising Sun Toys Sdn. Bhd.	Sales of goods	-	2
Nikko Entertainment BV	Sales of goods	-	186
Nics Engineering Ltd.	Purchase of raw materials	-	4

* Note: Nikko Entertainment Hong Kong Ltd. ceased to be a related party when Mr. Yuji Hattori disposed of his shareholding in the company with effect from 16 October 2008. The amounts disclosed above were for sales of goods transacted before 16 October 2008.

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NOTES TO THE QUARTERLY REPORT – 31 MARCH 2009

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1. Review of Performance

The Company recorded a turnover of RM0.49 million and a loss before taxation of RM1.91 million for the fourth quarter ended 31 March 2009 compared with a turnover of RM8.56 million and a loss before taxation of RM13.93 million in the preceding financial year's corresponding quarter.

The Company had ceased all manufacturing activities since 30 June 2008. The turnover recorded for the quarter under review was derived from sales of old stocks. Loss for the quarter under review was mainly due to interest on bank borrowings, depreciation charges, salaries and contract labour charges and legal and professional fees incurred.

B2. Comment on Material Change in Profit Before Taxation of Current Quarter Compared with Preceding Quarter

The Company recorded a loss before taxation of RM1.91 million with a turnover of RM0.49 million for the fourth quarter ended 31 March 2009 compared with a loss before taxation of RM0.89 million with a turnover of RM1.24 million in the preceding quarter ended 31 December 2008. The increased loss in the current quarter under review compared to the preceding quarter was due to the reasons as stated in Note B1 above.

B3. Commentary on Current Year Prospects

On 30 June 2008, the Company was classified as an Affected Listed Issuer pursuant to the paragraphs 2.1(f) and 2.1(g) of the Amended Practice Note No. 17/2005 ("PN17") and Paragraph 8.14C of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). Following the issuance of a disclaimer of opinion by the auditors on the financial statements of the Company for the financial year ended 31 March 2008, the Company was also classified an Affected Listed Issuer pursuant to paragraph 2.1(d) of PN 17 on 30 July 2008.

The Company is required to submit a Regularisation Plan within eight months from its first announcement on 30 June 2008 to Bursa Securities for approval, failing which, the shares of the Company will be suspended from trading and de-listed. On 11 February 2009, the Company, vide its letter dated 10 February 2009, applied for an extension of time to submit a Regularisation Plan to Bursa Securities. As at the date of this report, Bursa Securities has granted the Company an extension of time until 28 May 2009 to submit the Regularisation Plan.

The ability of the Company to continue as a going concern is dependent upon the successful implementation of the restructuring scheme which is in the midst of being submitted to the relevant Authorities for approval.

B4. Profit Forecast or Profit Guarantee

This is not applicable as no profit forecast was published.

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NOTES TO THE QUARTERLY REPORT – 31 MARCH 2009**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS**

B5. Income Tax Expense

	3 months ended (Quarter)		12 months ended (Cumulative)	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008
	RM'000	RM'000	RM'000	RM'000
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 during the current quarter ended 31 March 2009.

B7. Quoted Securities

There was no purchase or disposal of quoted and marketable securities during the current quarter ended 31 March 2009.

B8. Status of Corporate Proposals

On 6 April 2009, the Company announced that Bursa Securities has granted the Company an extension of time until 28 May 2009 to submit the Regularisation Plan to the Securities Commission and other relevant authorities ("the Approving Authorities") for approval.

The extension of time granted to the Company is without prejudice to Bursa Securities' rights to proceed to de-list the securities of the Company from the Official List of Bursa Securities in the event the Company fails to submit the Company's Regularisation Plan to the Approving Authorities for approval by 28 May 2009 or fails to obtain the approval from any of the Approving Authorities necessary for the implementation of the Company's Regularisation Plan.

As at the date of this report, the appointed Merchant Banker is in the midst of preparing the Regularisation Plan for submission to the Approving Authorities.

B9. Borrowings and Debt Securities

The Company's borrowings and debt securities as at 31 March 2009 are as follows:

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NOTES TO THE QUARTERLY REPORT – 31 MARCH 2009**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS**

	(Unaudited) As at 31.03.2009 RM '000	(Audited) As at 31.03.2008 RM '000
a) <u>Bank overdraft - denominated in RM</u>		
Secured by Prai land and buildings	9,596	3,796
Secured by negative pledge on assets	2,778	2,872
	<u>12,374</u>	<u>6,668</u>
b) <u>Short term borrowings - denominated in RM</u>		
Secured by Prai land and buildings	10,864	11,256
Secured by negative pledge on assets	3,040	2,540
	<u>13,904</u>	<u>13,796</u>
Total borrowings	<u>26,278</u>	<u>20,464</u>

B10. Off Balance Sheet Financial Instruments

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

B11. Material Litigations

There are no other material litigations other than those already announced to Bursa Securities and those disclosed under Note A11: Events Subsequent to the End of Interim Reporting Period of this report.

B12. Proposed Dividend

No dividend was recommended by the Board for the current quarter ended 31 March 2009.

B13. Earnings Per Share ("EPS")

(a) Basic loss per share

	<u>3 months ended (Quarter)</u>		<u>12 months ended (Cumulative)</u>	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008
	RM'000	RM'000	RM'000	RM'000
Net loss attributable to equity holders of the parent (RM '000)	(1,907)	(13,928)	(75,119)	(37,488)
Weighted average number of ordinary shares in issue ('000)	99,201	99,201	99,201	99,201
Basic loss per share (sen)	(1.92)	(14.04)	(75.72)	(37.79)

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

(b) Diluted loss per share

The diluted loss per share in the current quarter under review is not disclosed as the unissued ordinary shares granted to executive employees pursuant to the Company's ESOS have no dilutive effect as the exercise price was above the average market value of the Company's shares.

Dated: 29th May 2009