

General Announcement

Submitting Merchant Bank : **COMMERCE INTERNATIONAL MERCHANT BANKERS BERHAD**
Company Name : **NIKKO ELECTRONICS BHD.**
Stock Name : **NIKKO**
Date Announced : **26/02/2004**

Type : **Announcement**
Subject : **NIKKO ELECTRONICS BHD. ("NIKKO" OR THE "COMPANY")
PROPOSED EMPLOYEES' SHARE OPTION SCHEME ("PROPOSED ESOS")**

Contents :

1. INTRODUCTION

We refer to the announcement dated 5 December 2003 made by Commerce International Merchant Bankers Berhad ("CIMB") on behalf of the Board of Directors ("Board") of Nikko. On behalf of the Board, CIMB wishes to announce that Nikko proposes to revise certain terms of the Proposed ESOS, the details of which are set out below, after taking into consideration the announcement made by the Malaysia Securities Exchange Berhad ("MSEB") on 9 February 2004.

2. DETAILS OF THE REVISED TERMS OF THE PROPOSED ESOS

The revised terms of the Proposed ESOS are as follows:

- (i) The maximum number of new ordinary shares of RM1.00 each in Nikko ("Nikko Shares") comprised in the options ("Options") to be offered under the Scheme shall not exceed fifteen per centum (15%) of the issued and paid-up ordinary share capital of the Company at any point in time during the duration of the Proposed ESOS, or such per centum that may be permitted by the relevant regulatory authorities during the duration of the Proposed ESOS.
- (ii) Any Director or Employee of Nikko and its subsidiary, who fulfils the following conditions shall be eligible to participate in the Proposed ESOS if the Director or Employee, as the case may be:
 - (a) is at least eighteen (18) years of age on the date on which an offer (including any subsequent offers) is made by the option committee to an eligible employee to participate in the Proposed ESOS ("Date of Offer"); or
 - (b) is a natural person who is a Malaysian citizen who is confirmed as at the Date of Offer and must have served the Group on a full-time basis for a continuous period of one (1) year or such other period as may be determined by the option committee; or

(c) is serving under an employment or service contract, the Employee shall have served the Company on a full time basis for a continuous period of one (1) year or such other period as may be determined by the option committee, as at the Date of Offer under the contract and renewal thereof; or

(d) is employed by a subsidiary (other than a subsidiary which is dormant) of the Company, the Employee's period of employment in the Group, for purposes of determining the minimum continuous service as stipulated in paragraph (c) above, shall be deemed to commence from the date on which such company becomes a subsidiary of the Group; or

(e) is a Director of a company within the Group who has held office for at least one (1) year in the Group and whose entitlement under the Proposed ESOS is approved by shareholders of the Company in general meeting (for Directors of Nikko only), and who is not prohibited or disallowed by the relevant authorities from participating in the Proposed ESOS; or

(f) is a foreign employee, in addition to the conditions stipulated in paragraphs (a) to (d) above, the Employee's contribution must be deemed by the option committee to be vital to the Group. In the case of a foreign Director, he must have held office for a period at least one (1) year.

(iii) A Director in a non-executive capacity who is eligible pursuant to By-Law 5.1 must not sell, transfer or assign the Shares obtained through the exercise of the Options granted pursuant to the Scheme within one (1) year from the Date of Offer.

(iv) The effective date for the implementation of the Proposed ESOS shall be the date of full compliance with all relevant provisions of the Listing Requirements of MSEB including the following:

(a) the submission of the final copy of the By-Laws of the Proposed ESOS together with a letter of compliance to MSEB;

(b) receipt of the approval-in-principle from MSEB for the listing of the Nikko Shares to be issued pursuant to the Proposed ESOS;

(c) obtain the shareholders' approval for the Scheme at a general meeting;

(d) receipt of approval of any other relevant authorities, where applicable; and

(e) fulfilment of all conditions attached to the above approvals, if any.

The adviser of the Company is required to submit a confirmation to MSEB of full compliance of the provisions above, stating the effective date of implementation of the Proposed ESOS ("Effective Date") together with a certified true copy of the relevant resolution passed by the shareholders in general meeting and such confirmation must be submitted to MSEB no later than five (5) market days after the Effective Date.

3. RATIONALE FOR THE REVISED TERMS OF THE PROPOSED ESOS

The revision of the terms of the Proposed ESOS is in line with the new guidelines on employees' share option scheme announced by MSEB on 9 February 2004.

4. CONDITIONS OF THE PROPOSED ESOS

In view of the new guidelines issued by MSEB on 9 February 2004, the Proposed ESOS is no longer subject to the approval of the Securities Commission. The Proposed ESOS is however subject to the following:

- (i) the approval of MSEB;
- (ii) the approval-in-principle of MSEB, for the listing of and quotation for the new Nikko Shares to be issued pursuant to the exercise of Options granted pursuant to the Proposed ESOS;
- (iii) the shareholders of Nikko at an extraordinary general meeting ("EGM") to be convened; and
- (iv) any other relevant authorities, if required.

5. EFFECTS OF THE PROPOSED ESOS

5.1 Issued and paid-up share capital

The Proposed ESOS will not have an immediate effect on the existing issued and paid-up share capital of Nikko. However, the issued and paid-up share capital of Nikko will increase progressively depending on the number of Options exercised and hence, the number of new Nikko

Shares issued pursuant thereto.

Assuming the full exercise of the Options, the effects of the Proposed ESOS on the issued and paid-up share capital of the Company are set out in **Table 1**.

5.2 Substantial Shareholders' Shareholdings

The effects of the Proposed ESOS on the substantial shareholders' shareholdings of the Company based on the Register of Substantial Shareholders' as at 30 January 2004 are set out in **Table 2**.

5.3 Net Tangible Asset ("NTA")

The Proposed ESOS will not have an immediate effect on the NTA of the Nikko Group. However, the NTA of the Group will increase progressively depending on the price of the Options, which is to be determined at the time an offer is granted, and the number of new Nikko Shares to be issued upon the exercise of the Options.

Assuming the full exercise of the Options, the effects of the Proposed ESOS on the NTA of the Group based on the audited consolidated balance sheet of Nikko as at 31 December 2002 are set out in **Table 3**.

5.4 Earnings

The Proposed ESOS is not expected to have an immediate effect on the earnings per share of the Nikko Group for the financial year ending 31 March 2004 as the Proposed ESOS is expected to be completed after the said financial year end. Any potential effect on the earnings per share of the Nikko Group in the future would depend on the number of Options granted and exercised, the exercise price payable upon the exercise of the Options as well as the utilisation of the proceeds raised from the Options exercised.

5.5 Dividends

The Company paid a first and final tax-exempt dividend of 6 sen per share amounting to RM5.938 million for the financial year ended 31 December 2002. Barring unforeseen circumstances, the Board does not expect the Proposed ESOS to materially affect the dividend policy of the Company.

6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As all the Directors of Nikko are entitled to participate in the Proposed ESOS, they are therefore deemed interested in respect of their respective entitlements under the Proposed ESOS. The Directors have abstained and will continue to abstain from all deliberations and voting on the Proposed ESOS and their respective entitlements under the Proposed ESOS at the relevant meetings of the Board. Accordingly, the Directors will also abstain and shall undertake to ensure that persons connected to them will abstain from voting in respect of their direct and indirect shareholdings in Nikko on the ordinary resolutions pertaining to the Proposed ESOS and their respective entitlements under the Proposed ESOS to be tabled at the forthcoming EGM.

In addition, Minoru Yamashita, who is a Non-Independent Non-Executive Director of Nikko, is an indirect substantial shareholder of Nikko via his substantial shareholdings in Nikko Electronic Holdings Sdn Bhd, a substantial shareholder of Nikko. As such, he will also abstain and shall undertake to ensure that persons connected to him will abstain from voting in respect of their direct and indirect shareholdings in Nikko on the ordinary resolutions pertaining to the Proposed ESOS and his entitlement under the Proposed ESOS to be tabled at the forthcoming EGM.

7. DIRECTORS'/ADVISER'S RECOMMENDATION

In view that all members of the Board are deemed interested in the Proposed ESOS, the Board will abstain from recommending the Proposed ESOS.

In this regard, after considering all aspects of the Proposed ESOS, CIMB as the adviser for the Proposed ESOS is of the opinion that the Proposed ESOS is in the best interest of the Company.

This announcement is dated 26 February 2004.

Table 1 - Issued and Paid-up Share Capital

	No. of Nikko Shares 000	Total RM 000
	99,000	99,000
Issued and paid-up capital as at 30 January 2004	14,850	14,850
To be issued pursuant to the full exercise of the Options*	113,850	113,850

Note:

* Assuming that the number of Options granted is based on 15% of the issued and paid-up share capital of Nikko.

Table 2 – Substantial Shareholders' Shareholdings

	<-----As at 30 January 2004----->				<-----After Proposed ESOS ⁽¹⁾ ----->			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Nikko Shares	Percentage of issued and paid-up share capital %	No. of Nikko Shares	Percentage of issued and paid-up share capital %	No. of Nikko Shares	Percentage of issued and paid-up share capital %	No. of Nikko Shares	Percentage of issued and paid-up share capital %
Nikko Electronic Holdings Sdn Bhd ("NEH")	*37,600,000	38.00	-	-	*37,600,000	33.05	-	-
Lim Say Chong	6,685,000	6.76	-	-	6,685,000	5.88	-	-
Employees Provident Fund	6,161,000	6.23	-	-	6,161,000	5.41	-	-
Minoru Yamashita	90,000	@	^37,600,000	38.00	90,000	@	^37,600,000	33.05
Kenichi Hattori [#]	10,000	@	^37,600,000	38.00	10,000	@	^37,600,000	33.05
Yuji Hattori	-	-	^37,600,000	38.00	-	-	^37,600,000	33.05

Notes:

* Includes 21,290,000 Nikko Shares held by CIME Nominees (Tempatan) Sdn Bhd and 7,770,000 Nikko Shares which are under moratorium.

^ Deemed interested by virtue of their substantial shareholdings in NEH

@ Less than 0.1%

The Nikko Shares which were held by the late Kenichi Hattori have yet to be transferred to his estate.

(1) Assuming full conversion of the Options to be granted under the Proposed ESOS.

Table 3 - NTA

	Audited as at 31 December 2002 RM 000	After Proposed ESOS RM 000
Share capital	99,000	113,850
Retained profits	40,426	@40,326
Share premium	17,356	*32,503
Other reserves	2,754	2,754
Treasury shares	(57)	(57)
NTA	<u>159,479</u>	<u>189,376</u>
NTA per share (RM)	<u>1.61</u>	<u>1.66</u>

Notes:

@ *Less estimated expenses relating to the Proposed ESOS of approximately RM100,000.*

* *Assuming the subscription price for the new Nikko Shares shall be at RM2.02 per Nikko Share, which is at a discount of approximately 10% from the weighted average market price of Nikko Shares for the 5 trading days ended 25 February 2004 of RM2.24 per Nikko Share.*