

YIKON CORPORATION BHD (527272-V)
INTERIM REPORT FOR THE THIRD FINANCIAL QUARTER ENDED 31 JULY 2005
Condensed Consolidated Income Statements (Unaudited)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/7/2005 RM'000	Preceding Year Corresponding Quarter 31/7/2004 RM'000	Current Year To Date 31/7/2005 RM'000	Preceding Year To Date 31/7/2004 RM'000
Revenue **				
- Workmanship charges	2,871	2,803	8,420	8,281
- Sale of Gold	2,163	10,225	6,026	24,390
- Sale of Jewellery	4,101	560	6,048	979
- Investment Holding/Others	-	2	-	3
Total Revenue	9,136	13,590	20,494	33,653
Cost of goods sold	(7,755)	(12,433)	(16,362)	(29,504)
Gross profit	1,381	1,157	4,132	4,149
Administrative expenses	(1,500)	(1,196)	(4,499)	(3,760)
Other operating expenses	(30)	(30)	(89)	(111)
Other operating income	560	594	1,666	1,689
Operating profit	411	525	1,210	1,967
Finance cost	(242)	(275)	(870)	(916)
Profit before tax	169	250	340	1,051
Taxation	-	(36)	(34)	(189)
Profit after tax	169	214	306	862
Earnings per share (sen)				
- basic	0.42	0.54	0.76	2.16
- diluted	0.41	0.53	0.75	2.15

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	Workmanship charge/ Sales of Jewellery/ Others RM'000	Sales of Gold RM'000	Group RM'000
Revenue	14,468	6,026	20,494
Profit before tax	286	54	340
Taxation			(34)
Profit after tax			306

Sale of gold only occurs when customers settle their purchase in cash rather than physical gold. Furthermore, the Group is not involved in the trading of gold bullion and therefore, the profit margin derived from the sale of gold is negligible. An analysis of profitability of the business is better reflected in the contribution from the workmanship charges/sales of jewellery.

The Condensed Consolidated Income Statements should be read in conjunction with the Group's audited Financial Statements as at 31 Oct 2004. The accompanying notes are an integral part of this income statements.

YIKON CORPORATION BHD (527272-V)
INTERIM REPORT FOR THE THIRD FINANCIAL QUARTER ENDED 31 JULY 2005
Condensed Consolidated Balance Sheet

	Note	Unaudited As at 31/7/2005 RM'000	Audited As at 31/10/2004 RM'000
Non Current Assets			
Property, Plant & Equipment		19,913	20,225
Current Assets			
Inventories		11,118	8,819
Trade receivables		1,499	6882
Other receivables, deposits and prepayments		29,146	34,455
Tax refundable		2,226	2,102
Cash & cash equivalents		6,362	5,468
		<u>50,351</u>	<u>57,726</u>
Current Liabilities			
Trade payables		2,078	4,414
Other payables and accruals		16,265	9,049
Short term borrowing	23	600	13,272
		<u>18,943</u>	<u>26,735</u>
Net Current Assets		<u>31,408</u>	<u>30,991</u>
		51,321	51,216
Shareholders' Funds			
Share Capital		40,850	40,000
Reserves			
Share Premium		4,948	4,720
Exchange Fluctuation Reserve		(68)	(38)
Unappropriated profits		3,811	3,505
		<u>8,691</u>	<u>8,187</u>
Negative Goodwill on Consolidation		416	1,665
Deferred Taxation		1,364	1,364
		<u>51,321</u>	<u>51,216</u>
Net Tangible Assets per share (RM)		1.21	1.20

The Condensed Consolidated Income Statements & Balance Sheet should be read in conjunction with the Group's audited Financial Statements as at 31 October 2004. The accompanying notes are an integral part of this balance sheet.

YIKON CORPORATION BHD (527272-V)
INTERIM REPORT FOR THE THIRD FINANCIAL QUARTER ENDED 31 JULY 2005
Condensed Consolidated Statement of Changes in Equity (Unaudited)

As of 31/7/2005	Note	Non - Distributable			Distributable	
		Share Capital	Share Premium	Exchange Fluctuation Reserve	Retained Profit	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 01/11/2004		40,000	4,720	(38)	3,505	48,187
Issue of share		850	228			1,078
Net Profit for the year					306	306
Currency Translation Difference				(30)		(30)
Balance as at 31/7/2005		40,850	4,948	(68)	3,811	49,540

As of 31/7/2004	Note	Non - Distributable			Distributable	
		Share Capital	Share Premium	Exchange Fluctuation Reserve	Retained Profit	Total
		RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 01/11/2003		40,000	4,720		4,002	48,722
Net Profit for the year					862	862
2003 first and final Dividend -3% tax exempt					(1,200)	(1,200)
Currency translation different				(46)		(46)
Balance as at 31/7/2004		40,000	4,720	(46)	3,665	48,339

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Group's audited Financial Statements as at 31 October 2004. The accompanying notes are an integral Part of this statement.

YIKON CORPORATION BHD (527272-V)
INTERIM REPORT FOR THE THIRD FINANCIAL QUARTER ENDED 31 JULY 2005
Condensed Consolidated Cash Flow Statement (Unaudited)

	As of 31/7/2005	As of 31/7/2004
Note	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	340	1,051
Adjustments for: -		
Depreciation	1,378	1,086
Impairment loss	89	89
Gain on disposal of fixed assets	(19)	
Fixed asset written off	25	
Interest expenses	870	916
Negative goodwill recognized	(1,249)	(1,249)
Interest income	(341)	(380)
Operating profit before working capital changes	1,093	1,513
(Increase) / Decrease in:		
Inventories	(2,299)	(34)
Trade and other receivables	10,384	5,634
Increase / (Decrease) in:		
Trade and other payables	5,209	2,069
Cash generated from operating activities	14,387	9,182
Interest paid	(870)	(916)
Interest received	341	380
Tax paid	(173)	(707)
Net cash generated from operating activities	13,685	7,939
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,194)	(4,017)
Proceed From Disposal of property, plant & equipment	27	
Issued of shares	1,078	
Exchange Different	(30)	(47)
Net cash generated from / (used in) investing activities	(119)	(4,064)
CASH FLOW FROM FINANCING ACTIVITIES		
Bank Borrowings	(12,672)	(4,612)
Dividend paid		(1,186)
Net cash generated from / (used in) financing activities	(12,672)	(5,798)
Net increase in cash and cash equivalents	894	(1,923)
Cash and cash equivalents as at 1 November	5,468	4,965
Cash and cash equivalents as at 31 July	6,362	3,042

Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's audited Financial Statements as at 31 October 2004. The accompanying notes are an integral part of this statement.

YIKON CORPORATION BHD (527272-V)
INTERIM REPORT FOR THE THIRD FINANCIAL QUARTER ENDED 31 JULY 2005
Notes to the interim financial report

1. Accounting Policies

The interim financial reports of the Group have been prepared in accordance with FRS 134 "Interim Financial Report" and Chapter 9, Part K of the Listing Requirements of Kuala Lumpur Stock Exchange, and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 October 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 October 2004.

2. Audit Report of Preceding Annual Financial Statements

The audited financial statements of the Group for the financial year ended 31 October 2004 were not subject to any audit qualifications.

3. Seasonal or Cyclical Factors

Seasonal or cyclical factors have no significant impact on the principal business operations of the Group, except turnover for the Group is normally higher during the festive seasons in particular the Ramadan month.

4. Exceptional and Extraordinary Item

There were no material exceptional and extraordinary items affecting assets, liabilities, equity, net income or cash flow during the quarter under review.

5. Changes in Estimates

There was no material change in estimates of amounts reported in prior interim periods of the current financial year to date or prior financial year.

6. Issuances and Repayment of Debt and Equity Securities

There was no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year under review except 850,200 new ordinary shares had been issued to eligible staff who exercised their options under the Employee Share Option Scheme (ESOS) of the Company. The details are as follow:

No. of shares (unit)	Option Price (RM)	Share Capital (RM)	Premium (RM)	Increase in Equity (RM)
740,200	1.21	740,200	155,442	895,642
<u>110,000</u>	1.66	<u>110,000</u>	<u>72,600</u>	<u>182,600</u>
<u>850,200</u>		<u>850,200</u>	<u>228,042</u>	<u>1,078,242</u>

7. Dividend Paid

There was no dividend paid during the current financial quarter under review.

8. **Segmental Information**

	Middle East	Other Asian Countries	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000
Revenue by location of customer	10,067	10,427	-	20,494
Profit before tax	1,502	(1,162)	-	340

The segmental information is presented based on the geographical location of customers.

9. **Property, Plant and Equipment**

The valuations of land and buildings have been brought forward without any amendment from the previous audited financial statements, except for an impairment loss of approximately RM88,992 has been provided for a suspended property under construction owned by a subsidiary in compliance with the adopted MASB 23.

10. **Material Events Subsequent to the End of the Period Reported**

There was no material event subsequent to the end of the current quarter under review.

11. **Changes In The Composition Of The Group**

There was no change in the composition of the Group during the current quarter under review.

12. **Contingent Liabilities**

	As at 31/7/2005 RM'000	As at 31/10/2004 RM'000
Corporate guarantee given to financial institutions in respect of banking facilities granted to a subsidiary	67,700	67,700

13. **Capital Commitments**

There was no capital commitment for the purchase of property, plant and equipment for the Group as of the reporting date.

14. **Related Party Transactions**

There was no related party transaction in the current quarter under review except rental expenses of RM 52,920 paid by a subsidiary to a company in which certain Directors have substantial financial interest.

The Directors of the Company are of the opinion that this transaction was entered into in the ordinary course of business and the terms of which have been established on a negotiated basis.

15. **Review of Performance of the Company and its Principal Subsidiaries Compared to the Results of the Preceding Year**

The turnover of the Group has reduced by 32.8% in the current reporting quarter as compared to the preceding year. This is mainly due to reduced in sales of gold in current quarter. Sale of gold only occurs when customers settle their purchase in cash rather than physical gold. However, this does not lower the gross profit of the Group as the margin derives from the sales of gold is negligible.

The Group registered a profit before tax of RM169,000 in current quarter. This represents approximately a 32.4% drop as compared to previous year quarter. This is in line with the lower turnover in the current quarter under review. In addition, operation expenses is higher as compared to the same quarter last financial year as a result of more retail outlets have been set up in current financial year.

The Group continues to amortise its negative goodwill of approximately RM416,000 in the current financial quarter under review.

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

The Group's turnover improved in current reporting quarter due to increase in sales of gold and sales of jewellery. This has contributed to the better performance of the Group. Its profit before tax has increased by 85.7% to RM 169,000 in current quarter as compare to the immediate preceding quarter.

17. **Current Year Prospects**

Barring any unforeseen circumstances, the Board anticipates that the manufacturing sector will be able to maintain its current level of operations. No major improvement is expected due to the uncertainties of the political situation and the treat of terrorist in the Middle East.

The Group is expected to expand its retail operations in China in this financial year. As the retail business is quite new, it will take approximately three years for the retail business to realize any positive returns and as such the Group performance will be affected.

18. **Variance of Actual Profit Compared to Forecast Profit**

Not applicable as no profit forecast was published.

19. **Taxation**

The taxation of the Group for the financial quarter under review is as follow:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/7/2005 RM'000	Preceding Year Corresponding Quarter 31/7/2004 RM'000	Current Year To Date 31/7/2005 RM'000	Preceding Year To Date 31/7/2004 RM'000
Tax Expenses	-	36	34	152
Malaysia – current year				
- prior year				37
Total	-	36	34	189

The tax provision for the Group in the current financial quarter as well as current financial year, reflect a lower effective tax rate than the statutory income tax rate mainly due to certain income are not subject to tax and tax incentive available to a subsidiary.

20. **Unquoted Investment and Properties**

There was no disposal of unquoted investment and properties in the quarter under review.

21. **Quoted Securities**

There was no disposal or purchase of quoted securities for the current quarter under review.

22. **Status of Corporate Proposals Announced**

There was no corporate proposal announced by the Company in the current quarter under review.

23. **Group Borrowings and Debts Securities**

The Group borrowings as at 31 July 2005 are as follows:

	As at 31/7/2005 RM'000	As at 31/10/2004 RM'000
Amount payable within 12 months	600	13,272

The bank borrowings of the Group are all in Ringgit Malaysia and secured by corporate guarantee given by the holding company.

24. **Off Balance Sheet Financial Instruments**

The off balance sheet financial instrument of this quarterly report are as follow:

	Contract Amount (RM'000)
Foreign exchange forward contracts	5,927

The above contract is maturing within a period of 3 months from the date of this quarterly report.

Financial instruments are viewed as risk management tools by the Group.

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The above financial instruments are used to reduce the exposure to fluctuation in foreign exchange market rates. However, the contracted amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk.

The credit risk arises in the event that the Company unable to meet the terms of a contract in which the Bank has a gain position. The amount of the risk will change over the life of the contracts, maturity dates and market rates.

In regards of related accounting policies, forward foreign contracts are not recognized in the financial statements on inception. The gain and losses on foreign exchange forward contracts are recognized in the income statements upon realization.

25. **Changes In Material Litigation**

a. The Group has not engaged in any material litigation case which proceedings might materially or adversely affect the financial position or business of the Group except the following:

On 30th October 1997, Yikon Jewellery Industry Sdn Bhd (YJI), filed a suit against Malaysian Airline System Berhad ("Defendant") claiming a sum of USD99,172 plus interest for inter-alia, the failure by the Defendant to exercise proper and reasonable care in carrying out its duty to ensure that proper procedures and instructions by YJI are carried out before the Defendant released a shipment of gold jewellery to a customer.

The court had on 26th April 2002 ruled in favour of YJI and has entered judgment for the sum of RM247, 237.83 with interest at 8% from the date of judgment and cost. The said amount has been paid to YJI.

The defendant filed a Notice of appeal against the judgment and the case has been fixed for hearing on 24 October 2005.

b. On 24 November 2004, Yikon Jewellery Industry Sdn Bhd (YJI) filed a Summons against M.A.H.F. Precious Metal Refinery Sdn Bhd ("Defendant") claiming a sum of RM 302,850 being the refundable security for the trade activities in gold whereby YJI has ceased its trading activities with the Defendant since 22 May 2004. The said Summons In Chambers was heard in January 2005 and YJI obtained a judgement against the defendant. M.A.H.F has been wound up and our legal counsel had filed the General Proxy and Proof of Debt Form in July 2005 and is now awaiting the Official Assignee to notify the date of Creditors' Meeting.

26. **Proposed Dividend**

There was no dividend proposed during the current financial quarter under review.

27. **Earnings Per Share**

(a) Basic EPS

		Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
		31/7/2005	31/7/2004	31/7/2005	31/7/2004
Net profit for the period (Basic EPS numerator)	(RM'000)	170	214	306	862
Weighted average number of ordinary shares (Basic EPS denominator)	('000)	40,342	40,000	40,342	40,000
Basic earnings per share	(sen)	0.42	0.54	0.76	2.16

(b) Diluted EPS		Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
		31/7/2005	31/7/2004	31/7/2005	31/7/2004
Net profit for the Period (Diluted EPS Numerator)	(RM'000)	169	214	306	862
Weighted average number of ordinary shares in issue	('000)	40,342	40,000	40,342	40,000
Weighted average number of shares under ESOS	('000)	1,745	554	1,745	554
Weighted average number of shares that would have been issued at fair value	('000)	(1,150)	(536)	(1,150)	(536)
Adjusted weighted average number of ordinary shares (Diluted EPS denominator)	('000)	40,937	40,018	40,937	40,018
Diluted earnings per share	(sen)	0.41	0.53	0.75	2.15

By Order of the Board

Lam Voon Kean (MIA 4793)
Dated this 27 September 2005