

**YIKON CORPORATION BHD (527272-V)**  
**INTERIM REPORT FOR THE SECOND FINANCIAL QUARTER ENDED 30 APRIL 2006**  
**Condensed Consolidated Income Statements (Unaudited)**

	Current Quarter		Cumulative Quarter	
	Current Year Quarter 30/4/2006 RM'000	Preceding Year Corresponding Quarter 30/4/2005 RM'000	Current Year To Date 30/4/2006 RM'000	Preceding Year To Date 30/4/2005 RM'000
Revenue	68,076	4,163	128,786	11,358
Cost of goods sold	(65,208)	(2,741)	(122,589)	(8,607)
Gross profit	2,868	1,422	6,197	2,751
Administrative expenses	(1,620)	(1,575)	(3,307)	(2,999)
Other operating expenses	-	(29)	-	(59)
Other operating income	150	537	361	1,106
Operating profit	1,398	355	3,251	799
Finance cost	(237)	(264)	(460)	(628)
Profit before tax	1,161	91	2,791	171
Taxation	(390)	(34)	(662)	(34)
Profit after tax	771	57	2,129	137
Earnings per share (sen)				
- basic	1.85	0.14	5.11	0.34
- diluted	1.80	0.14	4.96	0.33

*The Condensed Consolidated Income Statements should be read in conjunction with the Group's audited Financial Statements as at 31 Oct 2005. The accompanying notes are an integral part of this income statements.*

**YIKON CORPORATION BHD (527272-V)**  
**INTERIM REPORT FOR THE SECOND FINANCIAL QUARTER ENDED 30 APRIL 2006**  
**Condensed Consolidated Balance Sheet**

	Note	Unaudited As at 30/4/2006 RM'000	Audited As at 31/10/2005 RM'000
<b>Non Current Assets</b>			
Property, Plant & Equipment		19,413	20,217
<b>Current Assets</b>			
Inventories		21,123	10,723
Trade receivables		25,065	24,868
Other receivables, deposits and prepayments		28,867	33,669
Tax refundable		153	485
Cash & cash equivalents		10,227	4,089
		85,435	73,834
<b>Current Liabilities</b>			
Trade payables		29,611	23,249
Other payables and accruals		17,206	17,851
Short term borrowing	23	3,350	1,300
		50,167	42,400
<b>Net Current Assets</b>			
		35,268	31,434
		<b>54,681</b>	<b>51,651</b>
<b>Shareholders' Funds</b>			
Share Capital		41,962	40,975
Reserves			
Share Premium		5,390	5,021
Exchange Fluctuation Reserve		(405)	210
Unappropriated profits		5,961	3,832
		10,946	9,063
<b>Deferred Taxation</b>			
		1,773	1,613
		<b>54,681</b>	<b>51,651</b>
<b>Net Assets per share (RM)</b>		<b>1.26</b>	<b>1.22</b>

*The Condensed Consolidated Income Statements & Balance Sheet should be read in conjunction with the Group's audited Financial Statements as at 31 October 2005. The accompanying notes are an integral part of this balance sheet.*

**YIKON CORPORATION BHD (527272-V)**  
**INTERIM REPORT FOR THE SECOND FINANCIAL QUARTER ENDED 30 APRIL 2006**  
**Condensed Consolidated Statement of Changes in Equity (Unaudited)**

As of 30/4/2006	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 01/11/2005		40,975	5,021	210	3,832	50,038
Issue of share		987	369			1,356
Net Profit for the year					2,129	2,129
Currency Translation Difference				(615)		(615)
<b>Balance as at 30/4/2006</b>		<b>41,962</b>	<b>5,390</b>	<b>(405)</b>	<b>5,961</b>	<b>52,908</b>

As of 30/4/2005	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		661	139	-	-	800
Net Profit for the year					137	137
Currency Translation Difference				(21)		(21)
<b>Balance as at 30/4/2005</b>		<b>40,661</b>	<b>4,859</b>	<b>(59)</b>	<b>3,642</b>	<b>49,103</b>

*The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Group's audited Financial Statements as at 31 October 2005. The accompanying notes are an integral Part of this statement.*

**YIKON CORPORATION BHD (527272-V)**  
**INTERIM REPORT FOR THE SECOND FINANCIAL QUARTER ENDED 30 APRIL 2006**  
**Condensed Consolidated Cash Flow Statement (Unaudited)**

	As of 30/4/2006	As of 30/4/2005
Note	RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	2,791	170
Adjustments for: -		
Depreciation	982	873
Impairment loss	-	59
Loss/(Gain) on disposal of fixed assets	-	(19)
Fixed Asset written off	56	
Interest expenses	460	628
Negative goodwill recognized		(832)
Other income		
Interest income	(361)	(223)
Operating profit before working capital changes	3,928	656
(Increase) / Decrease in:		
Inventories	(10,399)	(959)
Trade and other receivables	4,636	12,027
Increase / (Decrease) in:		
Trade and other payables	5,739	282
Cash generated from operating activities	3,904	12,006
Interest paid	(460)	(628)
Interest received	361	223
Tax paid	(214)	(172)
Other income		
Net cash generated from operating activities	<b>3,591</b>	<b>11,429</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(244)	(850)
Proceed from disposal of property, plant & equipment	-	19
Net cash generated from / (used in) investing activities	<b>(244)</b>	<b>(831)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Bank Borrowings	2,050	(11,972)
Issued of shares	1,356	800
Net cash generated from / (used in) financing activities	<b>3,406</b>	<b>(11,172)</b>
Exchange different in Translation	(615)	(21)
Net increase/(decrease) in cash and cash equivalents	<b>6,138</b>	<b>(595)</b>
<b>Cash and cash equivalents as at 1 November</b>	4,089	5,468
<b>Cash and cash equivalents as at 30 April</b>	<b>10,227</b>	<b>4,872</b>

*Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's audited Financial Statements as at 31 October 2005. The accompanying notes are an integral part of this statement.*

**YIKON CORPORATION BHD (527272-V)**  
**INTERIM REPORT FOR THE SECOND FINANCIAL QUARTER ENDED 30 APRIL 2006**  
**Notes to the interim financial report**

**1. Accounting Policies**

The interim financial reports of the Group have been prepared in accordance with MASB 26 "Interim Financial Report" and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia, and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 October 2005.

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 2005.

**2. Audit Report of Preceding Annual Financial Statements**

The audited financial statements of the Group for the financial year ended 31 October 2005 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 month of Ramadan.

**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 986,600 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 follows:

No. of shares (unit)	Option Price (RM)	Share Capital (RM)	Premium (RM)	Increase in Equity (RM)
842,400	1.21	842,400	176,904	1,019,304
29,400	1.66	29,400	19,404	48,804
<u>114,800</u>	2.51	<u>114,800</u>	<u>173,348</u>	<u>288,148</u>
<u>986,600</u>		<u>986,600</u>	<u>369,656</u>	<u>1,356,256</u>

**7. Dividend Paid**

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

8. **Segmental Information**

	<b>Middle East</b>	<b>Malaysia</b>	<b>Other Asian Countries</b>	<b>Group</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue by location of customer	61,564	60,670	6,551	128,785
Profit before tax	(557)	3,679	(331)	2,791

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.

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 except a new wholly own subsidiary with paid up capital of RM2 has been incorporated in current quarter.

12. **Contingent Liabilities**

	<b>As at 30/4/2006 RM'000</b>	<b>As at 31/10/2005 RM'000</b>
Corporate guarantee given to financial institutions in respect of banking facilities granted to a wholly owned subsidiary	62,700	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 35,136 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 Group recorded a turnover of RM68.1m in the current quarter, an increase of RM63.9m as compared to the corresponding quarter in year 2005. This is mainly contributed by the higher sales of gold, increase in gold price, and the higher sales of gold wafer. In addition, retail business in China has registered higher sales as compared to previous year.

In line with the higher turnover, the Group achieved a better profit before tax of RM1,161,000 in current quarter. In addition, lower finance cost incurred has also improved the Group's result.

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

The Group's turnover increased by 12.1% in the current reporting quarter as compared to the preceding quarter largely driven by the increase in sale of gold, gold wafer and higher gold price.

However, sale of jewellery in Middle East market reduced due to the gold price volatility as well as local market factors such as the demise of the Ruler of Dubai which has scaled down the Dubai Shopping Festival. In addition, the performance of China operations marginally slowed down after the strong demand seen in last quarter in conjunction with the Christmas and Chinese New Year celebrations.

As a result, profit before tax of the Group has dropped by 28.8% to RM 1,161,000 in current quarter.

17. **Current Year Prospects**

Barring any unforeseen circumstances, the Board is confident that the manufacturing sector will improve its performance as compared to previous financial year despite the current high gold price. The contracts in manufacturing of gold wafer are expected to contribute positively to the earnings of the Group.

Retail operation in China is also expected to perform better in the current financial year. The Group will continue its efforts in expanding the retail operations, which focus on a few of the more strategic Provinces.

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 follows:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/4/2006 RM'000	Preceding Year Corresponding Quarter 30/4/2005 RM'000	Current Year To Date 30/4/2006 RM'000	Preceding Year To Date 30/4/2005 RM'000
<b>Tax Expenses</b>				
Malaysia – current year	348	34	502	34
- prior year				
<b>Sub Total</b>	<hr/> 348	<hr/> 34	<hr/> 502	<hr/> 34
	<hr/>	<hr/>	<hr/>	<hr/>

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/4/2006 RM'000	Preceding Year Corresponding Quarter 30/4/2005 RM'000	Current Year To Date 30/4/2006 RM'000	Preceding Year To Date 30/4/2005 RM'000
<b>Deferred Tax Expenses</b>				
Malaysia – current year	42	-	160	-
- prior year		-		-
<b>Sub Total</b>	42	-	160	-
<b>Total</b>	390	34	662	34

The tax provision for the Group in the current financial quarter reflects a higher effective tax rate than the statutory income tax rate mainly due to tax on profits of certain subsidiaries which cannot be set-off against losses of other subsidiaries for tax purposes as group relief is not available. However, the tax provided for financial year to date reflects a lower effective tax rate than the statutory income tax rate which is mainly due to availability of certain incentive to a profitable 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 30 April 2006 are as follows:

	As at 30/4/2006 RM'000	As at 31/10/2005 RM'000
Amount payable within 12 months	3,350	1,300

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**

There is no off balance sheet financial instrument for the current reporting quarter.



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 30<sup>th</sup> 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 26<sup>th</sup> 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 14 August 2006.

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**

<b>(a) Basic EPS</b>		<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
		<b>Current Year Quarter</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current Year To Date</b>	<b>Preceding Year To Date</b>
		<b>30/4/2006</b>	<b>30/4/2005</b>	<b>30/4/2006</b>	<b>30/4/2005</b>
<b>Net profit for the period (Basic EPS numerator)</b>	(RM'000)	771	57	2,129	137
<b>Weighted average number of ordinary shares (Basic EPS denominator)</b>	('000)	41,623	40,154	41,623	40,154
<b>Basic earnings per share</b>	(sen)	1.85	0.14	5.11	0.34

(b) Diluted EPS		Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
		30/4/2006	30/4/2005	30/4/2006	30/4/2005
<b>Net profit for the Period (Diluted EPS Numerator)</b>	(RM'000)	771	57	2,129	137
<b>Weighted average number of ordinary shares in issue</b>	('000)	41,623	40,154	41,623	40,154
<b>Weighted average number of shares under ESOS</b>	('000)	2,061	1,889	2,061	1,889
<b>Weighted average number of shares that would have been issued at fair value</b>	('000)	(742)	(1,534)	(742)	(1,534)
<b>Adjusted weighted average number of ordinary shares (Diluted EPS denominator)</b>	('000)	42,942	40,509	42,942	40,509
<b>Diluted earnings per share</b>	(sen)	1.80	0.14	4.96	0.33

By Order of the Board

Lam Voon Kean (MIA 4793)  
Dated this 26 June 2006