

YIKON CORPORATION BHD (527272-V)
INTERIM REPORT FOR THE THIRD FINANCIAL QUARTER ENDED 31 JULY 2006
Condensed Consolidated Income Statements (Unaudited)

	Current Quarter		Cumulative Quarter	
	Current Year Quarter 31/7/2006 RM'000	Preceding Year Corresponding Quarter 31/7/2005 RM'000	Current Year To Date 31/7/2006 RM'000	Preceding Year To Date 31/7/2005 RM'000
Revenue	50,883	9,136	179,668	20,494
Cost of goods sold	(50,433)	(7,755)	(173,020)	(16,362)
Gross profit	450	1,381	6,648	4,132
Administrative expenses	(1,849)	(1,500)	(5,157)	(4,499)
Other operating expenses	(76)	(30)	(76)	(89)
Other operating income	171	560	533	1,666
Operating profit	(1,304)	411	1,948	1,210
Finance cost	(245)	(242)	(705)	(870)
Profit before tax	(1,549)	169	1,243	340
Taxation	-	-	(662)	(34)
Profit after tax	(1,549)	169	581	306
Earnings per share (sen)				
- basic	(3.71)	0.42	1.39	0.76
- diluted	NA	0.41	1.36	0.75
- anti-dilutive	(3.62)	NA	NA	NA

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 THIRD FINANCIAL QUARTER ENDED 31 JULY 2006
Condensed Consolidated Balance Sheet

	Note	Unaudited As at 31/7/2006 RM'000	Audited As at 31/10/2005 RM'000
Non Current Assets			
Property, Plant & Equipment		19,384	20,217
Current Assets			
Inventories		23,560	10,723
Trade receivables		35,118	24,868
Other receivables, deposits and prepayments		19,282	33,669
Tax refundable		389	485
Cash & cash equivalents		22,922	4,089
		101,271	73,834
Current Liabilities			
Trade payables		34,732	23,249
Other payables and accruals		32,040	17,851
Short term borrowing	23	-	1,300
		66,772	42,400
Net Current Assets			
		34,499	31,434
		53,883	51,651
Shareholders' Funds			
Share Capital		42,258	40,975
Reserves			
Share Premium		5,692	5,021
Exchange Fluctuation Reserve		(253)	210
Unappropriated profits		4,413	3,832
		9,852	9,063
Deferred Taxation			
		1,773	1,613
		53,883	51,651
Net Assets per share (RM)			
		1.23	1.22

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 THIRD FINANCIAL QUARTER ENDED 31 JULY 2006
Condensed Consolidated Statement of Changes in Equity (Unaudited)

As of 31/7/2006	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		1,283	671			1,954
Net Profit for the year					581	581
Currency Translation Difference				(463)		(463)
Balance as at 31/7/2006		42,258	5,692	(253)	4,413	52,110

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

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 THIRD FINANCIAL QUARTER ENDED 31 JULY 2006
Condensed Consolidated Cash Flow Statement (Unaudited)

	As of 31/7/2006	As of 31/7/2005
Note	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	1,242	340
Adjustments for: -		
Depreciation	1,530	1,378
Impairment loss		89
Loss/(Gain) on disposal of fixed assets		(19)
Fixed Asset written off	56	25
Interest expenses	705	870
Negative goodwill recognized		(1,249)
Other income		
Interest income	(442)	(341)
Operating profit before working capital changes	3,091	1,093
(Increase) / Decrease in:		
Inventories	(12,837)	(2,299)
Trade and other receivables	4,142	10,384
Increase / (Decrease) in:		
Trade and other payables	25,521	5,209
Cash generated from operating activities	19,919	14,387
Interest paid	(705)	(870)
Interest received	442	341
Tax paid	(256)	(173)
Other income		
Net cash generated from operating activities	19,400	13,685
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(768)	(1,194)
Proceed from disposal of property, plant & equipment	10	27
Exchange different	(43)	
Net cash generated from / (used in) investing activities	(801)	(1,167)
CASH FLOW FROM FINANCING ACTIVITIES		
Bank Borrowings	(1,300)	
Issued of shares	1,954	1,078
Net cash generated from / (used in) financing activities	654	1,078
Exchange different in Translation	(420)	(30)
Net increase/(decrease) in cash and cash equivalents	18,833	894
Cash and cash equivalents as at 1 November	4,089	5,468
Cash and cash equivalents as at 31 July	22,922	6,362

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 THIRD FINANCIAL QUARTER ENDED 31 JULY 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 1,282,400 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
199,200	1.66	199,200	131,472	330,672
<u>240,800</u>	2.51	<u>240,800</u>	<u>363,608</u>	<u>604,408</u>
<u>1,282,400</u>		<u>1,282,400</u>	<u>671,984</u>	<u>1,954,384</u>

7. Dividend Paid

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

8. **Segmental Information**

	Middle East	Malaysia	Other Asian Countries	Group
	RM'000	RM'000	RM'000	RM'000
Revenue by location of customer	105,667	68,637	5,364	179,668
Profit before tax	(1,293)	2,905	(369)	1,243

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 financial year.

12. **Contingent Liabilities**

	As at 31/7/2006 RM'000	As at 31/10/2005 RM'000
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 52,704 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.

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

The Group recorded a turnover of RM50.9m in the current quarter, an increase of RM41.7m as compared to the corresponding quarter in year 2005. This is mainly contributed by the higher sales of wafer gold and increase in gold price. In addition, retail business in China has registered higher sales as compared to previous year.

Despite the higher turnover, the Group registered a loss before tax of RM 1.5m in current quarter; this is mainly due to drop in sale of jewellery in Middle East. Market remains competitive as a consequence of high gold price and political uncertainties in the Middle East.

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

The Group's turnover dropped by 25.2% in the current reporting quarter as compared to the preceding quarter largely driven by the reduced in sale of gold wafer as well as jewellery in the Middle East.

Market in Middle East remains competitive due to the gold price volatility as well as local market factors. As a result, Group recorded a loss before tax of RM 1,549,000 in current quarter.

17. **Current Year Prospects**

Barring any unforeseen circumstances, the Board foresees that the manufacturing sector will improve its performance as compared to previous financial year despite the current high gold price.

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

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 31/7/2006 RM'000	Preceding Year Corresponding Quarter 31/7/2005 RM'000	Current Year To Date 31/7/2006 RM'000	Preceding Year To Date 31/7/2005 RM'000
Tax Expenses				
Malaysia – current year	-	-	502	34
- prior year				
Sub Total		-	502	34

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/7/2006 RM'000	Preceding Year Corresponding Quarter 31/7/2005 RM'000	Current Year To Date 31/7/2006 RM'000	Preceding Year To Date 31/7/2005 RM'000
Deferred Tax Expenses				
Malaysia – current year	-	-	160	-
- prior year	-	-	-	-
Sub Total	-	-	160	-
Total	-	-	662	34

The tax provision for the Group in the current financial year to date is higher than the statutory 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.

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 2006 are as follows:

	As at 31/7/2006 RM'000	As at 31/10/2005 RM'000
Amount payable within 12 months	-	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 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 postponed several times. The learned Judge directed the Counsel for the parties to put in written submissions by or before the date fixed for clarification on 15 January 2007.

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
		31/7/2006	31/7/2005	31/7/2006	31/7/2005
Net profit for the period (Basic EPS numerator)	(RM'000)	(1,549)	169	581	306
Weighted average number of ordinary shares (Basic EPS denominator)	('000)	41,755	40,342	41,755	40,342
Basic earnings per share	(sen)	(3.71)	0.42	1.39	0.76

(b) Diluted EPS		Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
		31/7/2006	31/7/2005	31/7/2006	31/7/2005
Net profit for the Period (Diluted EPS Numerator)	(RM'000)	(1,549)	169	581	306
Weighted average number of ordinary shares in issue	('000)	41,755	40,342	41,755	40,342
Weighted average number of shares under ESOS	('000)	1,737	1,745	1,737	1,745
Weighted average number of shares that would have been issued at fair value	('000)	(731)	(1,150)	(731)	(1,150)
Adjusted weighted average number of ordinary shares (Diluted EPS denominator)	('000)	42,761	40,937	42,761	40,937
Diluted earnings per share	(sen)	NA	0.41	1.36	0.75
Anti-Diluted earnings per share	(sen)	(3.62)	NA	NA	NA

By Order of the Board

Lam Voon Kean (MIA 4793)
Dated this 27 Sept 2006