

YIKON CORPORATION BHD (527272-V)
INTERIM REPORT FOR THE FIRST FINANCIAL QUARTER ENDED 31 JANUARY 2007
Condensed Consolidated Income Statements (Unaudited)

	Current Quarter		Cumulative Quarter	
	Current Year Quarter 31/1/2007 RM'000	Preceding Year Corresponding Quarter 31/1/2006 RM'000	Current Year To Date 31/1/2007 RM'000	Preceding Year To Date 31/1/2006 RM'000
Revenue	39,608	60,710	39,608	60,710
Cost of goods sold	(38,690)	(57,381)	(38,690)	(57,381)
Gross profit	918	3,329	918	3,329
Administrative expenses	(1,988)	(1,687)	(1,988)	(1,687)
Other operating expenses		-		-
Other operating income	169	211	169	211
Operating profit	(901)	1,852	(901)	1,852
Finance cost	(149)	(223)	(149)	(223)
Profit before tax	(1,050)	1,630	(1,050)	1,630
Taxation	(12)	(273)	(12)	(273)
Profit after tax				
Attributable to the Shareholders of the Company	(1,062)	1,357	(1,062)	1,357
Earnings per share (sen)				
- basic	(2.51)	3.28	(2.51)	3.28
- diluted	NA	3.17	NA	3.17
- anti-dilutive	(2.48)	NA	(2.48)	NA

The Condensed Consolidated Income Statements should be read in conjunction with the Group's audited Financial Statements as at 31 Oct 2006. The accompanying notes are an integral part of this income statements.

YIKON CORPORATION BHD (527272-V)
INTERIM REPORT FOR THE FIRST FINANCIAL QUARTER ENDED 31 JANUARY 2007
Condensed Consolidated Balance Sheet

	Note	Unaudited As at 31/1/2007 RM'000	Restated As at 31/10/2006 RM'000
Non Current Assets			
Property, Plant & Equipment		15,890	16,381
Investment Properties		835	839
Prepaid lease payments		2,184	2,196
Current Assets			
Inventories		27,028	26,699
Trade receivables		24,483	26,397
Other receivables, deposits and prepayments		16,873	14,906
Tax refundable		1,157	935
Cash & cash equivalents		12,565	24,117
Total Current Assets		82,106	93,054
Total Assets		101,015	112,470
Equity			
Share Capital		42,451	42,294
Reserves			
Share Premium		5,758	5,720
Exchange Fluctuation Reserve		(943)	(291)
Unappropriated profits		2,976	4,037
Total equity attributable to shareholders of the Company		50,242	51,760
Non Current Liability			
Deferred Taxation		1,684	1,684
Total non-current liability		51,926	53,444
Trade payables		35,343	36,386
Other creditors & accruals		13,746	22,640
Total current liabilities		49,089	59,026
Total liabilities		101,015	112,470
Net Assets per share (RM)		1.18	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 2006. The accompanying notes are an integral part of this balance sheet.

YIKON CORPORATION BHD (527272-V)
INTERIM REPORT FOR THE FIRST FINANCIAL QUARTER ENDED 31 JANUARY 2007
Condensed Consolidated Statement of Changes in Equity (Unaudited)

As of 31/1/2007	← Attributable to shareholders of the Company →				
	Non - Distributable			Distributable	
	Share Capital	Share Premium	Exchange Fluctuation Reserve	Retained Profit	Total Equity
Note	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1/11/2006	42,294	5,720	(291)	4,038	51,761
Issue of share pursuant to ESOS	157	38			195
Net Profit for the year				(1,062)	(1,062)
Currency Translation Difference			(652)		(652)
Balance as at 31/1/2007	42,451	5,758	(943)	2,976	50,242

As of 31/1/2006	← Attributable to shareholders of the Company →				
	Non - Distributable			Distributable	
	Share Capital	Share Premium	Exchange Fluctuation Reserve	Retained Profit	Total Equity
Note	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 pursuant to ESOS	882	216			1,098
Net Profit for the year				1,357	1,357
Currency Translation Difference			(10)		(10)
Balance as at 31/1/2006	41,857	5,237	200	5,189	52,483

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Group's audited Financial Statements as at 31 October 2006. The accompanying notes are an integral Part of this statement.

YIKON CORPORATION BHD (527272-V)
INTERIM REPORT FOR THE FIRST FINANCIAL QUARTER ENDED 31 JANUARY 2007
Condensed Consolidated Cash Flow Statement (Unaudited)

	As of 31/1/2007	As of 31/10/2006
Note	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	(1,050)	449
Adjustments for: -		
Depreciation	536	1,978
Fixed Asset written off		67
Interest expenses	149	875
Gain on liquidation of a subsidiary		(35)
Other income		(851)
Interest income	(280)	
Operating profit before working capital changes	<u>(645)</u>	<u>2,483</u>
(Increase) / Decrease in:		
Inventories	(329)	(16,103)
Trade and other receivables	(35)	17,031
Increase / (Decrease) in:		
Trade and other payables	(9,946)	17,980
Cash generated from operating activities	<u>(10,955)</u>	<u>21,392</u>
Interest paid	(149)	(875)
Interest received	280	851
Tax paid	(242)	(627)
Other income		
Net cash generated from operating activities	<u>(10,066)</u>	<u>20,740</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(29)	(1,260)
Proceed from disposal of property, plant & equipment		
Exchange different		
Net outflow on liquidation of a subsidiary		(7)
Net cash generated from / (used in) investing activities	<u>(29)</u>	<u>(1267)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Bank Borrowings		(1,300)
Issued of shares	195	2,018
Net cash generated from / (used in) financing activities	<u>195</u>	<u>718</u>
Exchange different in Translation	(652)	(163)
Net increase/(decrease) in cash and cash equivalents	<u>(11,552)</u>	<u>20,028</u>
Cash and cash equivalents as at 1 November	24,117	4,089
Cash and cash equivalents as at 31 October	<u>12,565</u>	<u>24,117</u>

Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's audited Financial Statements as at 31 October 2006. The accompanying notes are an integral part of this statement.

YIKON CORPORATION BHD (527272-V)
INTERIM REPORT FOR THE FIRST FINANCIAL QUARTER ENDED 31 JANUARY 2007
Notes to the interim financial report

1. Accounting Policies

The interim financial reports of the Group have been prepared in accordance with Financial Reporting Standards ("FRS") 134, "Interim Financial Reporting", issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Bursa Malaysia Listing Requirements, and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 October 2006.

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 2006, except for the accounting policy changes that are expected to be reflected in the 2007 annual financial statements with the adoption of FRS.

In the current financial year ending 31 October 2007, the Group adopted the following FRSs which are applicable to financial statements for annual periods beginning on or after 1 January 2006 and 1 October 2006 and are relevant to the Group operations. The 2006 comparatives have been restated as required, in accordance with the relevant requirements.

FRS 2	Share-based Payment
FRS 3	Business Combination
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 124	Related Party Disclosure
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above FRSs did not result in substantial changes to the Group. The principal effects of the changes in the accounting policies resulting from the adoption of the above FRSs are disclosed in Note 2.

2. Changes in Accounting Policies

a. FRS 2 – Share-based Payment

This FRS requires an entity to recognize share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity or entity's parent or another entity in the same Group as the entity.

With the adoption of FRS 2, the Group is required to recognize the fair value of share options granted by Yikon Corporation Bhd to its employees of the Group as an expense in the income statement.

In prior years, no amounts were recognized when employee were granted share options over shares in the Company, if the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 November 2006, in order to comply with FRS 2, the Group recognizes the fair value of the share options as an expense in the income statement over the vesting periods of the grants, with a corresponding increase in equity. If an employee choose to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserve is transferred directly to retained earnings.

Under the transitional provisions of FRS 2, this FRS shall be applied to share options that were granted after 31 December 2004 and had not yet vested as of the effective date of FRS 2 i.e. for annual period beginning on or after 1 January 2006. The change in accounting policy has no financial impact to the Group for current financial period as there was no option of the Company remained unvested on the applicable date of FRS 2 to the Group. No adjustments to the opening balance are required as FRS 2 has not come into effect for the Group at that time.

b. FRS 140 – Investment Property

Under FRS 140, properties which are held for rental or capital appreciation will be treated as investment properties. Investment properties are stated at cost or valuation less accumulated depreciation. Changes in the carrying amount arising from revaluation are credited to/ charged against the revaluation reserve.

In prior years, property held for rental is classified as property, plant and equipment and is stated at cost or valuation less accumulated depreciation.

The adoption of FRS 140 has resulted in the reclassification of investment property with a carrying value of RM 835,038 from property, plant and equipment and presented as a separate line item in non-current assets.

c. FRS 117 - Leases

Before the effective of FRS 117, the leasehold land held for own use classified as property, plant and equipment, were stated at revaluation less accumulated depreciation and accumulated impairment losses. Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

With the adoption of FRS 117, the leasehold land held for own use is accounted for as being held under an operating lease. Such leasehold land will no longer be revalued. Where the leasehold land had been previously revalued, the Group retained the unamortized revalued amount as the surrogate carrying amount of prepaid lease payments as allowed by FRS 117.67A. Such prepaid lease payments are amortised on a straight line basis over the remaining lease term of the land.

The adoption of FRS 117 has resulted in the reclassification of prepaid lease payment with a carrying value of RM 2,183, 972 from property, plant and equipment and presented as a separate line item in non-current assets.

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

The audited financial statements of the Group for the financial year ended 31 October 2006 were not subject to any audit qualifications.

4. **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.

5. **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.

6. **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.

7. **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 156,500 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)
143,800	RM 1.21	143,800	30,198	173,998
12,700	RM 1.66	12,700	8,382	21,082
156,500		156,500	38,580	195,080

8. **Dividend Paid**

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

9. **Segmental Information**

	Middle East	Malaysia	Other Asian Countries	Group
	RM'000	RM'000	RM'000	RM'000
Revenue by location of customer	35,664	444	3,500	39,608
Profit /(Loss) before tax	(1,192)	52	99	(1,050)

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

10. **Property, Plant and Equipment**

The valuations of land and buildings have been brought forward without any amendment from the previous audited financial statements.

11. **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.

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

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

13. **Contingent Liabilities**

	As at 31/1/2007 RM'000	As at 31/10/2006 RM'000
Corporate guarantee given to financial institutions in respect of banking facilities granted to a wholly owned subsidiary	62,700	67,700

14. **Capital Commitments**

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

15. **Related Party Transactions**

There was no related party transaction in the current quarter under review except rental expenses paid by a subsidiary to a Director and a company in which certain Directors have substantial financial interest for the amount of RM 3,498 and RM16,145 respectively.

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.

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

The Group recorded a turnover of RM39.6m in the current quarter, a decrease of 35 percent as compared to the corresponding quarter in year 2006. This is mainly attributed to no sales of gold wafer in the current reporting quarter.

In addition, market climate in the Middle East did not recover due to the continuity in political uncertainty. The volatile gold price has further depressed the demand of jewellery. As a result, the Group registered a loss before tax of RM 1.05m in the reporting quarter.

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

The Group's turnover dropped by 20 percent in the current reporting quarter as compared to the preceding quarter largely driven by the dropped in gold price and lower of sale of jewellery.

Market in Middle East remains competitive due to the continuity in gold price volatility as well as local market factors. As a result, loss before tax of the Group increased by 32 percent in the current quarter.

18. **Current Year Prospects**

Barring any unforeseen circumstances, the Board foresees a competitive but improving market in the current financial year. The volatility of the gold price remains the important factor affecting demand in the gold jewellery industry.

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

One of the subsidiaries has ventured into a new business to supply material to a local company which principally involved in the business of coinage and medallions for the local and overseas market. This new venture is expected to contribute positively to the Group.

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

Not applicable as no profit forecast was published.

20. **Taxation**

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

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	To Date
	31/1/2007	31/1/2006	31/1/2007	31/1/2006
	RM'000	RM'000	RM'000	RM'000
Tax Expenses				
Malaysia – current year		155		155
- prior year	12		12	
Sub Total	12	155	12	155
	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	To Date
	31/1/2007	31/1/2006	31/1/2007	31/1/2006
	RM'000	RM'000	RM'000	RM'000
Deferred Tax Expenses				
Malaysia – current year		118		118
- prior year				
Sub Total	-	118	-	118
Total	12	273	12	273

The Group does not provide tax expenses in the current financial year to date mainly due to the subsidiaries are recording loss.

21. **Unquoted Investment and Properties**

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

22. **Quoted Securities**

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

23. **Status of Corporate Proposals Announced**

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

24. Group Borrowings and Debts Securities

There is no Group borrowing as at 31 January 2007.

25. Off Balance Sheet Financial Instruments

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

26. 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 14 May 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.

27. Proposed Dividend

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

28. 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
		31/1/2007	31/1/2006	31/1/2007	31/1/2006
Net profit for the period (Basic EPS numerator)	(RM'000)	(1,062)	1,357	(1,062)	1,357
Weighted average number of ordinary shares (Basic EPS denominator)	('000)	42,371	41,347	42,371	41,347
Basic earnings per share	(sen)	(2.51)	3.28	(2.51)	3.28
(b) Diluted EPS		Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
		31/1/2007	31/1/2006	31/1/2007	31/1/2006
Net profit for the Period (Diluted EPS Numerator)	(RM'000)	(1,062)	1,357	(1,062)	1,357
Weighted average number of ordinary shares in issue	('000)	42,371	41,347	42,371	41,347
Weighted average number of shares under ESOS	('000)	1,670	2,443	1,670	2,443
Weighted average number of shares that would have been issued at fair value	('000)	(1,214)	(965)	(1,214)	(965)
Adjusted weighted average number of ordinary shares (Diluted EPS denominator)	('000)	42,827	42,825	42,827	42,825
Diluted earnings per share	(sen)	-	3.17	-	3.17
Anti-Diluted earnings per share	(sen)	(2.48)	-	(2.48)	-

By Order of the Board
Lam Voon Kean (MIA 4793)
Dated this 26 March 2007

