

**YIKON CORPORATION BHD (527272-V)**  
**INTERIM REPORT FOR THE SECOND FINANCIAL QUARTER ENDED 30 APRIL 2008**  
**Condensed Consolidated Income Statements (Unaudited)**

	Current Quarter		Cumulative Quarter	
	Current Year Quarter 30/4/2008 RM'000	Preceding Year Corresponding Quarter 30/4/2007 RM'000	Current Year To Date 30/4/2008 RM'000	Preceding Year To Date 30/4/2007 RM'000
Revenue	21,501	58,355	37,334	97,963
Cost of goods sold	(22,131)	(56,442)	(37,807)	(95,132)
Gross profit	(630)	1,913	(473)	2,831
Administrative expenses	(1,983)	(2,327)	(3,952)	(4,315)
Other operating expenses	(726)	-	(726)	-
Other operating income	21	75	76	244
Operating profit	(3,318)	(339)	(5,075)	(1,240)
Finance cost	(400)	(308)	(864)	(457)
Share of profit/(loss) of associates	(50)		(204)	
Profit before tax	(3,768)	(647)	(6,143)	(1,697)
Taxation	(77)	-	(77)	(12)
<b>Profit after tax</b>				
<b>Attributable to the Shareholders of the Company</b>	(3,845)	(647)	(6,220)	(1,709)
Earnings per share (sen)				
- basic	(8.95)	(1.53)	(14.47)	(4.03)
- diluted	-	-	-	-
- anti-dilutive	(8.82)	(1.52)	(14.26)	(4.00)

*The Condensed Consolidated Income Statements should be read in conjunction with the Group's audited Financial Statements as at 31 Oct 2007. 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 2008**  
**Condensed Consolidated Balance Sheet**

	<b>Unaudited As at 30/4/2008 RM'000</b>	<b>Audited As at 31/10/2007 RM'000</b>
<b>Non Current Assets</b>		
Property, Plant & Equipment	14,317	14,953
Investment Properties	813	827
Prepaid lease payments	2,118	2,144
Investment in Associated Company	922	1,125
<b>Current Assets</b>		
Inventories	18,414	25,484
Trade receivables	20,713	36,536
Other receivables, deposits and prepayments	10,245	19,335
Tax refundable	772	765
Cash & cash equivalents	4,628	2,643
<b>Total Current Assets</b>	<b>54,772</b>	<b>84,762</b>
<b>Total Assets</b>	<b>72,942</b>	<b>103,811</b>
<b>Equity</b>		
Share Capital	43,065	42,705
Reserves		
Share Premium	5,960	5,837
Exchange Fluctuation Reserve	(1,796)	(1,513)
Unappropriated profits	(20,116)	(13,897)
<b>Total equity attributable to shareholders of the Company</b>	<b>27,113</b>	<b>33,132</b>
<b>Non Current Liability</b>		
Deferred Taxation	587	587
<b>Total non-current liability</b>	<b>27,700</b>	<b>33,719</b>
Trade payables	17,170	32,218
Other creditors & accruals	9,387	11,466
Amount owing to directors	-	5,595
Bank Borrowings	18,685	20,814
<b>Total current liabilities</b>	<b>45,242</b>	<b>70,092</b>
<b>Total liabilities</b>	<b>72,942</b>	<b>103,811</b>
<b>Net Assets per share (RM)</b>	<b>0.64</b>	<b>0.78</b>

*The Condensed Consolidated Income Statements & Balance Sheet should be read in conjunction with the Group's audited Financial Statements as at 31 October 2007. 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 2008**  
**Condensed Consolidated Statement of Changes in Equity (Unaudited)**

	← Attributable to shareholders of the Company →					
	Non - Distributable			Distributable		
	Share Capital	Share Premium	Exchange Fluctuation Reserve	Retained Profit	Total Equity	
As of 30/4/2008	Note	RM'000	RM'000	RM'000	RM'000	
Balance at 1/11/2007		42,705	5,837	(1,513)	(13,896)	33,133
Issue of share pursuant to ESOS		360	123			483
Net Profit for the year					(6,220)	(6,220)
Currency Translation Difference				(283)		(283)
<b>Balance as at 30/4/2008</b>		<b>43,065</b>	<b>5,960</b>	<b>(1,796)</b>	<b>(20,116)</b>	<b>27,113</b>
As of 30/4/2007	Note	Share Capital	Share Premium	Exchange Fluctuation Reserve	Retained Profit	Total Equity
		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		356	81			437
Net Profit for the year					(1,709)	(1,709)
Currency Translation Difference				(1,094)		(1,094)
<b>Balance as at 30/4/2007</b>		<b>42,650</b>	<b>5,801</b>	<b>(1,385)</b>	<b>2,329</b>	<b>49,395</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 2007. 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 2008**  
**Condensed Consolidated Cash Flow Statement (Unaudited)**

	As of 30/4/2008	As of 31/10/2007
Note	RM'000	RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	(6,143)	(19,054)
Adjustments for: -		
Depreciation	1,184	2,035
Share of loss from associated company	204	
Loss/(Gain) on disposal of fixed assets	12	163
Fixed Asset written off		25
Interest expenses	864	1,266
Gain on liquidation of a subsidiary		
Other income		
Interest income	(179)	(699)
Operating profit before working capital changes	(4,058)	(16,263)
 (Increase) / Decrease in:		
Inventories	7,070	781
Trade and other receivables	26,071	(15,436)
 Increase / (Decrease) in:		
Trade and other payables	(17,254)	(15,205)
Cash generated from operating activities	11,829	(46,123)
 Interest paid	(864)	(1,266)
Interest received	179	699
Tax paid	(8)	193
Other income		
Net cash generated from operating activities	<b>11,136</b>	<b>(46,498)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(531)	(822)
Advance to Associated Company	(1,095)	
Proceeds from disposal of property, plant and equipment		52
Investment in Associated Company		(1,125)
Net cash generated from / (used in) investing activities	<b>(1,626)</b>	<b>(1,895)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Bank Borrowings	(2,129)	20,814
Issued of shares	482	528
Advances from Director	(5,595)	5,595
Net cash generated from / (used in) financing activities	<b>(7,242)</b>	<b>26,937</b>
Exchange different in Translation	(283)	(7)
Net increase/(decrease) in cash and cash equivalents	<b>1,985</b>	<b>(21,455)</b>
 <b>Cash and cash equivalents as at 1 Nov 2007/2006</b>	<b>2,643</b>	<b>24,106</b>
<b>Cash and cash equivalents as at 30 Apr 2008/ 31 Oct 2007</b>	<b>4,628</b>	<b>2,643</b>

*Condensed Consolidated Cash Flow Statement should be read in conjunction with the Group's audited Financial Statements as at 31 October 2007. 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 2008**  
**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 2007.

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 2007.

In the current financial year ending 31 October 2008, the Group adopted the following FRSs which are effective since 1 July 2007. The application of these new FRSs did not have material impact on the financial statements of the Group.

FRS 107	Cash Flow Statements
FRS 112	Income Tax
FRS 118	Revenue
Amendments to FRS 121	The effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

**2. Changes in Accounting Policies**

There is no change in accounting policies adopted by the Group in current reporting quarter as compared with the audited financial statements for the financial year ended 31 October 2007 except of the adoption of the above FRSs. The adoption of these FRSs did not have material impact on the financial statements of the Group.

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

The audited financial statements of the Group for the financial year ended 31 October 2007 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 359,900 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)
256,400	RM 1.21	256,400	53,844	310,244
103,500	RM 1.66	103,500	68,310	171,810
Total		359,900	122,154	482,054

8. **Dividend Paid**

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

9. **Segmental Information**

	<b>Middle East</b>	<b>Malaysia</b>	<b>Other Asian Countries</b>	<b>Others</b>	<b>Group</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue by location of customer	24,050	29	8,048	5,207	37,334
Profit /(Loss) before	(3,963)	(1,416)	556	(1,320)	(6,143)

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 30/4/2008 RM'000	As at 31/10/2007 RM'000
Corporate guarantee given to financial institutions in respect of banking facilities granted to a wholly owned subsidiary	62,700	62,700

14. **Capital Commitments**

There is no capital commitment as of the current reporting quarter.

15. **Related Party Transactions**

There was no related party transaction in the financial year 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 6,474 and RM39,840 respectively.

One of the subsidiaries is paying the directors for the amount of RM 61,358 being interest payable for the cash advance owing by one of the subsidiaries to the directors.

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 RM21.5 million in the current quarter, a 63.2 percent drop as compared to the corresponding quarter of the preceding year. This is mainly due to the volatile in gold price has caused the export sales to Middle East dropped by 64.8 percent.

In the current reporting quarter, the manufacturing operation in Malaysia has been scaled down and incurred about RM 726,000 retrenchment benefits which are classified under other operating expenses paid to the affected workers.

The result further depressed by the one off loss incurred from the sales of material by one of the subsidiaries by approximately RM 1.3 million

As the result, the Group recorded a loss before tax of RM 3.77 million in the current reporting quarter which is an increase of 482.4 percent as compared to the preceding year.

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

The Group recorded a turnover of RM21.5 million in the current quarter, a 35.7 percent increased as compared to the first quarter. This is mainly due to the sale of materials by one of the subsidiaries.

In the current reporting quarter, the manufacturing operation in Malaysia has been scaled down and incurred about RM 726,000 retrenchment benefits which are classified under other operating expenses paid to the affected workers.

The result further depressed by the one off loss incurred from the sales of material by one of the subsidiaries by approximately RM 1.3 million

Retail segment in China managed to improve its sales and recorded a profit before tax of RM 438,000 in the current reporting quarter.

However, the profit before tax in retail segment has been set off by the loss in manufacturing segments. As the result, the Group recorded a loss before tax of RM 3.77 million in the current reporting quarter which is an increase of 58.8% as compared to the previous reporting quarter.

**18. Current Year Prospects**

The Group is in the progress of relocating the manufacturing operation in Malaysia to China. Barring any unforeseen circumstances and in view of the lower production cost and potential market in China, it is expected the relocation of the manufacturing facilities will generate higher profit to the Group in the long term.

The jewellery industry in China is foreseen to grow and the Group will continue to expand its retail operations there. More efforts will be channeled to create greater awareness of “Yikoni Gold” brand name among the consumers. Future outlets will be concentrated in a few strategic Provinces. This sector’s performance is expected to further improve in the current financial year.

**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:

	<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>30/4/2008</b>	<b>30/4/2007</b>	<b>30/4/2008</b>	<b>30/4/2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Tax Expenses</b>				
Malaysia -current year	-			
Malaysia -prior year		(12)		(12)
Overseas– current year	(77)		(77)	
<b>Sub Total</b>	<b>(77)</b>	<b>(12)</b>	<b>(77)</b>	<b>(12)</b>
<hr/>				
	<b>Current Year Quarter</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current Year To Date</b>	<b>Preceding Year To Date</b>
	<b>30/4/2008</b>	<b>30/4/2007</b>	<b>30/4/2008</b>	<b>30/4/2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Deferred Tax Expenses</b>				
Malaysia - current year	-	-	-	-
Malaysia - prior year	-	-	-	-
<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>(77)</b>	<b>(12)</b>	<b>(77)</b>	<b>(12)</b>

The tax provided in the current reporting quarter mainly refers to tax provided by a profitable subsidiary in China. No tax is provided by the subsidiaries located in Malaysia which are recording losses.

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**

The Group borrowings as at 30 April 2008 are as follows:

	<b>As at 30/4/2008 RM'000</b>	<b>As at 31/10/2007 RM'000</b>
Amount payable within 12 months	18,685	20,814

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

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 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 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 and the hearing has been subsequently postponed to 14 July 2008.

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.

c. On 22 May 2007 Yikon Jewellery Industry Sdn Bhd ("YJI"), a wholly owned subsidiary of Yikon Corporation Bhd filed a suit in the Penang High Court against The Royal Mint of Malaysia Sdn Bhd ("Royal Mint"), Paradym Resources Industries Sdn. Bhd ("Paradym"), one Azli Bin Abdul Rahman ("Azli") and one Mimi Sharkina Bte Md. Noh ("Mimi") for the sum of RM18,879,435-23 together with interest and cost being the debt owing to YJI. An *ex parte* application for an interim injunction ("Injunction 1") order to prevent Royal Mint from disposing off the *Cupro Nickel* supplied by YJI was also filed on the same day. The said application was initially fixed for mentioned on 28 May 2007 and subsequently postponed a few times and the case is now fixed for mentioned on 28 August 2008.

## 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
		30/4/2008	30/4/2007	30/4/2008	30/4/2007
Net profit for the period (Basic EPS numerator)	(RM'000)	(3,845)	(647)	(6,220)	(1,709)
Weighted average number of ordinary shares (Basic EPS denominator)	('000)	42,976	42,419	42,976	42,419
Basic earnings per share	(sen)	<u>(8.95)</u>	<u>(1.53)</u>	<u>(14.47)</u>	<u>(4.03)</u>

(b) Diluted EPS		Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30/4/2008	Preceding Year Corresponding Quarter 30/4/2007	Current Year To Date 30/4/2008	Preceding Year To Date 30/4/2007
Net profit for the Period (Diluted EPS Numerator)	(RM'000)	(3,845)	(647)	(6,220)	(1,709)
Weighted average number of ordinary shares in issue	('000)	42,976	42,419	42,976	42,419
Weighted average number of shares under ESOS	('000)	634	1,335	634	1,335
Weighted average number of shares that would have been issued at fair value	('000)	-	(1,070)	-	(1,070)
Adjusted weighted average number of ordinary shares (Diluted EPS denominator)	('000)	43,610	42,684	43,870	42,684
Diluted earnings per share	(sen)				
Anti-Diluted earnings per share	(sen)	(8.82)	(1.52)	(14.26)	(4.00)

By Order of the Board  
Lam Voon Kean (MIA 4793)  
Dated this 19 June 2008