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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of the Company will be held at Dato Ali Esa Room, Pearl Island Country Club, 8, Persiaran Kelicap, 11900 Bayan Lepas, Penang on Thursday, 29 April 2004 at 10:30 a.m. for the following purposes:-

AGENDA

- | | |
|--|-----------------------|
| 1. To receive and adopt the Audited Financial Statements for the year ended 31 October 2003 and Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| 2a. To re-elect Mr Chin Poh On, who retires pursuant to Article 133 of the Company's Articles of Association. | Ordinary Resolution 2 |
| 2b. To re-elect Mr Lai Kwang Hooi @ Lai Bah Eng, who retires pursuant to Section 129 of the Companies Act, 1965 | Ordinary Resolution 3 |
| 3. To approve a first and final tax exempt dividend of 3 sen per share for the year ended 31 October 2003. | Ordinary Resolution 4 |
| 4. To approve Directors' fees for the year ended 31 October 2003. | Ordinary Resolution 5 |
| 5. To re-appoint Messrs KPMG and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |
| 6. As Special Business | |

To consider, and if thought fit, to pass the following Ordinary Resolution:-

SECTION 132D OF THE COMPANIES ACT, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorized to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Malaysia Securities Exchange Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."

Ordinary Resolution 7

7. To transact any other business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares transferred into the depositor's securities account before 4:00 p.m. on 10 May 2004 in respect of ordinary transfers; and
- b. Shares bought on the Malaysia Securities Exchange Berhad on a cum entitlement basis according to the Rules of the Malaysia Securities Exchange Berhad.

The dividend, if approved will be paid on 28 May 2004 to depositors registered in the Record of Depositors at the close of business on 10 May 2004.

By Order of the Board

Lam Voon Kean
(MIA 4793)
Company Secretary

Penang,
7 April 2004

Notes:

1. A Member may appoint two (2) proxies to attend on the same occasion. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Act shall not, apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
4. To be valid, the proxy form duly completed must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.

Explanatory Note on Special Business:

5. The proposed Resolution 7, if passed, will give authority to the Board of Directors to issued and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Noor Ahmad Mokhtar Bin Haniff
(Chairman / Independent Non-Executive Director)
Chin Kok On
(Managing Director)
Chin Poh On
(Executive Director)
Lai Kwang Hooi @ Lai Bah Eng
(Independent Non-Executive Director)

AUDIT COMMITTEE

Dato' Noor Ahmad Mokhtar Bin Haniff – Chairman
Chin Kok On – Member
Lai Kwang Hooi @ Lai Bah Eng – Member

NOMINATING COMMITTEE

Lai Kwang Hooi @ Lai Bah Eng – Chairman
Dato' Noor Ahmad Mokhtar Bin Haniff – Member

REMUNERATION COMMITTEE

Dato' Noor Ahmad Mokhtar Bin Haniff – Chairman
Lai Kwang Hooi @ Lai Bah Eng – Member
Chin Kok On – Member

REGISTERED OFFICE

Suite 2-1, 2nd Floor, Menara Penang Garden,
42A, Jalan Sultan Ahmad Shah,
10050 Penang, Malaysia.
Telephone No.: 04-2294390
Facsimile No.: 04-2265860
E-mail: mcsvpg@tm.net.my

SHARE REGISTRAR

AGRITEUM Share Registration Services Sdn. Bhd.
(578473-T)
2nd Floor, Wisma Penang Garden,
42, Jalan Sultan Ahmad Shah,
10050 Penang, Malaysia.
Telephone No.:04-2282321
Facsimile No.:04-2272391

COMPANY SECRETARY

Lam Voon Kean (MIA 4793)

AUDITORS

KPMG
Chartered Accountants
1st Floor, Wisma Penang Garden,
42, Jalan Sultan Ahmad Shah,
10050 Penang, Malaysia.

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd (271809-K)
RHB Bank Berhad (6171-M)
EON Bank Berhad (92351-V)
Alliance Bank Malaysia Berhad (88103-W)

STOCK EXCHANGE LISTING

Malaysia Securities Exchange Berhad
Second Board
Stock Code : 7139
Stock Name : YIKON

DIRECTORS' PROFILES

DATO' NOOR AHMAD MOKHTAR BIN HANIFF

Dato' Noor Ahmad Mokhtar Bin Haniff, aged 64, was appointed to the Board as the Chairman/Independent Non-Executive Director on 2 March 2002. He was the General Manager of the Penang Development Corporation ("PDC") until 1997 when he retired from the service. He started working in PDC in 1972 as the Director of the first Free Industrial Zone in the country that he helped to plan, develop and manage.

He received a Bachelor of Arts Degree (Hons) in Economics from University Malaya in 1964 and a year later a post-graduate Diploma in Education, from the same university. He also obtained a certificate in Top Management from the Asian Institute of Management in Manila in 1977 and he pursued a course in Development Economics from the World Bank in Tokyo in 1980.

While in the service, he was extensively involved in and sat on numerous councils dealing with economic planning, investment, tourism, education and environment conservation matters in the state of Penang.

His current directorships in public companies, other than Yikon Corporation Bhd are with Globetronics Technologies Bhd, Amtek Holdings Bhd and Eurospan Holdings Berhad. He also sits on the Board of several private limited companies.

CHIN KOK ON

Chin Kok On, aged 41, is the Managing Director of the Company and was appointed to the Board on 2 March 2002. He has more than 20 years of experience in the gold jewellery business, coupled with his entrepreneur skills, he has steered the Group from a small scale goldsmith to become one of the leading gold jewellery manufacturers and exporters in Malaysia. He is responsible for the overall sales and marketing as well as strategic planning of the Group. He also sits on the Board of several private limited companies.

CHIN POH ON

Chin Poh On, aged 39, is the Executive Director of the Company and was appointed to the Board on 2 March 2002. He has more than 20 years of valuable experience and knowledge in the gold jewellery business. He participates in trade exhibitions to broaden his knowledge and to keep himself abreast with the latest development in the manufacturing technology in relation to the gold jewellery industry.

His responsibilities include overseeing the production sections and manufacturing technique as well as quality functions of the Group. He also heads the Group's research and development team and provides support to new product development and enhancing the manufacturing capabilities of the Group. He also sits on the Board of several private limited companies.

LAI KWANG HOOI @ LAI BAH ENG

Lai Kwang Hooi @ Lai Bah Eng, aged 71, was appointed to the Board as an Independent Non-Executive Director on 2 March 2002. He was with the Tax Division of the Inland Revenue Department as an Assistant Examiner and served in Kedah, Perak, Kuala Lumpur and Penang for 22 years. During the course of his work, he took a corresponding course to study Accountancy conducted by Australian Society of Accountants [now known as Certified Public Accountants, Australia ("CPA, Australia")] and obtained his accountancy qualification in 1972. Subsequently, he became an Associate Member of CPA, Australia in 1973, a Member of the Malaysian Institute of Accountants in 1973 and Member of the Malaysian Institute of Certified Public Accountants in 1975.

He set up his own audit firm under the name of Lai Kwang Hooi & Co. and started practicing since 1988. He also sits on the Board of a private limited company.

Notes:

1. All the Directors are Malaysian.
2. None of the Directors has any family relationship with other Directors or substantial shareholders of the Company except for Mr Chin Kok On and Mr Chin Poh On who are brothers.
3. None of the Directors has any conflict of interest with the Group other than as disclosed in the Notes to the Financial Statements under Note 20.
4. None of the Directors has been convicted for any offences within the past 10 years other than for traffic offences if any.

On behalf of the Board of Directors of Yikon Corporation Bhd, it is my pleasure to present the Annual Report and Financial Statements of the Group for the financial year ended 31 October 2003.

FINANCIAL PERFORMANCE

The Group achieved a turnover of RM54.8 million for the financial year ended 31 October 2003, a decrease of 0.4% as compared to the preceeding year. The Group's profit before taxation however, recorded a figure of RM2.77 million as compared with the previous year figure of RM7.2 million. This decline is due to the drop in workmanship charges which declined by 15.84% as compared to the previous year resulting mainly from the effects of the outbreak of Severe Acute Respiratory Syndrome ("SARS") and the war in Iraq during the year under review.

OPERATIONS REVIEW

The global gold jewellery markets remain competitive as the global economy was adversely affected by the outbreak of SARS in China and the war in Iraq. During the year under review, the Group has put in much effort to improve its competitiveness in order to compete more efficiently in the 2 major markets i.e. the Middle East and China. In spite of the recovery of the economy from the outbreak of SARS and the Iraq war towards the end of the financial year, full recovery did not materialize as the situation in middle east is far from stable. Besides, there was also the recurrence of SARS in China which prevented the full recovery of the tourism industry. As our sales are mainly denominated in US Dollars, the weakness of the US Dollar and the increase in gold price to a level highest in seven years coupled with the volatile bullion market have adversely affected the industry as a whole. Construction of the new factory building also has affected the volume output due to the restructuring of production line.

During the financial year, the Group established 3 retail outlets in China. The retail outlets are still new and are only expected to contribute to the profits of the Group in the years ahead.

DIVIDENDS

The Board is very grateful to all the loyal shareholders for their continued support and has recommended a first and final tax exempt dividend of 3% for the financial year ended 31 October 2003.

The recommended dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

CORPORATE DEVELOPMENT

The shareholders approved the Employee Share Option Scheme at the Extraordinary General Meeting held on 10 October 2003. Subsequently the Scheme was implemented on 20 November 2003 with an offer of 3,524,000 shares to 176 eligible employees at an offer price of RM 1.21 per share.

CORPORATE GOVERNANCE

The Board of Directors has reviewed and considered the principles and best practices of the Code on Corporate Governance and recognized the importance of adopting good corporate governance. In addition, the Board also ensures the requirements of the Malaysia Securities Exchange Berhad ("MSEB") Listing Requirements are adhered to by the Company.

PROSPECTS

With the completion of the new factory building, the Group is expected to increase production volume in the next financial year. In tandem with the improved global economic outlook, the Group will continue its efforts to increase its customers base by expanding into new markets for its products.

In respect of growth opportunities, the Group will focus its efforts in seeking more business opportunities in the same industry such as diversifying its products to generate higher turnover.

In addition, the Group will continue to set up a few more outlets in China in the next financial year. This expansion program is expected to enable the Group to establish a firm footing in the retail sector in China. The Board of Directors is optimistic on the tremendous opportunity in the retail market there, thus enhancing the profitability of the Group in the near future.

With the above measures and barring any unforeseen circumstances, the Board anticipates that the Group will achieve better results in the next financial year.

APPRECIATION

I would also like to take this opportunity to express our sincere appreciation for the confidence and support given by our shareholders, customers, bankers, business associates and government authorities.

We especially thank the great team of management and staff who have worked with dedication and commitment. With their continued contribution, we look forward to achieving sustained success together in future.

DATO' NOOR AHMAD MOKHTAR BIN HANIFF

Chairman
29 March 2004

GROUP STRUCTURE



YIKON CORPORATION BHD

YIKON JEWELLERY INDUSTRY SDN BHD

Manufacturer and exporter of gold jewellery and ornaments.

100%

YIKONI GOLD SDN BHD

Trading of gold jewellery and ornaments.

100%

YIKON (HK) LTD

Jewellery distributor.

100%

YIKONI GOLD (SHAN XI) CO. LTD

Trading of gold jewellery and ornaments.

100%

YIKONI GOLD (SHEN ZHEN) CO. LTD

Trading of gold jewellery and ornaments.

100%

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Yikon Corporation Bhd has always recognized the importance of adopting good corporate governance to protect and enhance shareholders' value.

Set out below are the details on how the Group has applied the Principles of Corporate Governance and the extent of compliance with the Best Practices during the year ended 31 October 2003.

THE BOARD AND BOARD BALANCE

The Board is led and controlled by an experienced Board, the Directors collectively bring to the Board diversity in business experience, in-depth financial and technical expertise which are sufficient to deal with all the business matters of the Group effectively.

The Board of Directors is responsible for the overall control and proper management of the Group as well as the strategic direction, establishing goals for the management and monitoring the achievement of these goals.

There is a clear division of responsibility between the Chairman, who is an Independent Non-Executive Director and the Managing Director who is the Chief Executive Officer. The management of the Group's business and implementation of policies and day to day running of business is delegated to Executive Directors. The Non-Executive Directors provide unbiased and independent views to safeguard the interest of shareholders.

The Board presently has four Directors comprising two Executive Directors and two Independent Non-Executive Directors. Given the nature and scope of the Group's operations, the Board considers the recommendation of the Nominating Committee and agreed that the current size of the Board is adequate at its meeting held on 30 December 2003.

BOARD MEETINGS

During the financial year ended 31 October 2003, the Board convened four (4) meetings to deliberate on various matters and to decide and advise on important issues.

The attendance record of Directors' meeting is shown below:

Directors	28/12/02	28/3/03	26/6/03	25/9/03
Dato' Noor Ahmad Mokhtar Bin Haniff	✓	✓	✓	✓
Chin Kok On	✓	✓	✓	✓
Chin Poh On	✓	✓	✓	✓
Lai Kwang Hooi @ Lai Bah Eng	✓	✓	✓	✓

SUPPLY OF INFORMATION

Agenda and board papers are distributed to all Directors prior to meetings. Sufficient notice is always given to all Board and Committee meetings.

The Directors have unrestricted access and utilized fully the advice and services of the Company Secretary as well as other professional advisors to facilitate Directors in discharging their duties.

At meetings, the Management of the Group usually provides updates to the Board on the business matters relevant to the Group.

BOARD COMMITTEES

The Board has also set up three main committees namely the Nominating, Remuneration and Audit Committees, which operate within approved terms of reference. These committees put forward recommendations and report to the Board and it is the Board's responsibility to make final decision.

NOMINATING COMMITTEE

A Nominating Committee was set up on 16 September 2002. The Nominating Committee comprises of two Independent Non-Executive Directors. The members are Mr Lai Kwang Hooi @ Lai Bah Eng who is the Chairman and Dato' Noor Ahmad Mokhtar Bin Haniff. A formal set of terms of reference has been adopted by the Committee to carry out its functions. The committee met once during the financial year ended 31 October 2003 on 28 December 2002 and another meeting held on 30 December 2003. All the members were present at both meetings.

The Nominating Committee assists the Board on the following functions:

1. Considers candidates and recommends to the Board candidates for Directorships.
2. Recommends candidates for Board committees to the Board.
3. Reviews the Board structure, size and composition and assesses the effectiveness of the Board.

The final decisions on appointments rest on the Board. The Nominating Committee shall meet whenever there is a need for the Committee to perform its functions, and at least once every year in carrying out an annual review of the Board.

RE-ELECTION OF DIRECTORS

In accordance with the Articles of Association, one-third of the Directors who are subject to retirement by rotation shall retire at each annual general meeting provided always that all Directors shall retire from office at least once every three years and shall be eligible for re-election.

A Director who is over seventy (70) years of age retires annually and submits himself for re-appointment in accordance with Section 129(6) of the Companies Act, 1965.

The Company Secretary shall ensure that the Company meets all the legal and regulatory requirements before the appointments of Directors are made.

DIRECTORS' REMUNERATION

The Remuneration Committee was formed on 16 September 2002. During the financial year ended 31 October 2003, the committee met once on 28 December 2002 and another meeting held on 30 December 2003. All the members were present at both meetings. The members are Dato' Noor Ahmad Mokhtar Bin Haniff who is the Chairman, Mr Lai Kwang Hooi @ Lai Bah Eng and Mr Chin Kok On. Two third of the Committee comprises Non-Executive Directors.

The Remuneration Committee recommends to the Board for approval the remuneration package of Directors. The remuneration system takes into account individual performance, Company's performance and responsibilities of the Directors as well as prevailing market rates in the market.

Details of the Directors' remuneration during the year are as follows:

Category	Fees	Allowance	Salaries	Bonuses	EPF	Total
Executive Directors	34,000	54,000	408,000	0	64,464	560,464
Non-Executive Directors	55,000					55,000
Total	89,000	54,000	408,000	0	64,464	615,464

The number of Directors whose remuneration falls into the following bands comprises:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
50,000 and below	–	2
50,001 - 100,000	–	–
100,001 - 150,000	–	–
150,001 - 200,000	–	–
200,001 - 250,000	–	–
250,001 - 300,000	1	–
300,001 - 350,000	1	–

DIRECTORS' TRAINING

All the Directors have attended the Mandatory Accreditation Programme ("MAP") organized by the Research Institute of Investment Analysts. The Directors will continue to attend other relevant training programs to enhance their knowledge, from time to time.

The Company will maintain an orientation programme with the aim of providing an overview of the Group's business operations and its direction for new Board members.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Company keeps shareholders informed on all material business matters affecting the Group by announcements and timely release of quarterly financial results through the MSEB link, press releases, annual report or other channel of communications. The Company also responds to requests from institutional investors and analysts for information on the Group's business strategy and financial performance.

ANNUAL GENERAL MEETING ("AGM")

The Board provides opportunities for shareholders to enquire issues and discuss matters with regards to the Group at the AGM. The AGM is the main forum for dialogue and interaction with shareholders and investors. Notice of AGM and annual reports are sent at least 21 days before the meeting.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

In presenting the annual financial statements and quarterly financial results to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board to review the information disclosed to ensure its accuracy and adequacy.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board has the responsibility to ensure that the financial statements give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and the results and cash flows of the Company and Group for the financial year. In preparing the financial statements, the Directors have ensured that accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

STATE OF INTERNAL CONTROLS

The Internal Control Statement furnish on page 20 of this Annual Report provides an overview of the state of the internal controls within the Group.

RELATIONSHIP WITH THE AUDITORS

The Board through the Audit Committee has established an appropriate and transparent relationship with the external auditors of the Company.

The Audit Committee serves as an independent channel of communication with the external auditors. The Audit Committee seeks professional advice of the external auditors and ensures compliance with the approved accounting standards in preparing the Company's financial statements.

COMPLIANCE STATEMENT

Throughout the year ended 31 October 2003, the Group has complied with all the Best Practices of corporate governance set out in Part 2 of the Code except for the following:-

Appointment of a senior Independent Non-Executive Director, to whom concerns may be conveyed, has not been made yet.

The Board does not have a formal schedule of matters reserved to it for decision. However, it has been the practise for the Board to deliberate on significant matters that concern the overall strategy of the Group such as major investment and divestment decisions, financial and operating performance, acquisition and disposal of fixed assets.

This statement is issued in accordance with a resolution of the Directors dated 29 March 2004.

AUDIT COMMITTEE REPORT

MEMBERS

The committee consists of three members of which two of them are Independent Directors. One of the members is a member of the Malaysian Institute of Accountants. The Chairman is an Independent Director. No alternate director has been appointed as member and there has been no change of committee members throughout the financial year ended 31 October 2003. The Board of Directors at a meeting held on 30 December 2003 reviewed the terms of office and performance of the members of the Audit Committee and is satisfied with the committee's performance. The Members of the Audit Committee are:

DATO' NOOR AHMAD MOKHTAR BIN HANIFF

Chairman/Independent Non-Executive Director

CHIN KOK ON

Managing Director

LAI KWANG HOOI @ LAI BAH ENG

Independent Non-Executive Director

Member of MIA

ACTIVITIES OF THE AUDIT COMMITTEE

MEETINGS

The Audit Committee convened four (4) meetings during the financial year ended 31 October 2003. These meetings were appropriately structured through the use of agendas, which were distributed to members. The Company Secretary acted as the Secretary for the committee at all the meetings held. The other director and senior management of the group were also present at these meetings as and when invited to do so.

The attendance at the meetings were as follows:

Directors	28/12/02	28/3/03	26/6/03	25/9/03
Dato' Noor Ahmad Mokhtar Bin Haniff	✓	✓	✓	✓
Chin Kok On	✓	✓	✓	✓
Lai Kwang Hooi @ Lai Bah Eng	✓	✓	✓	✓

SUMMARY OF ACTIVITIES

The Audit Committee carried out its duties in accordance with its terms of reference during the year. The main activities undertaken by the Committee were as follows:

- Reviewed the external auditors' scope of work and audit plans
- Reviewed with the external auditors the results of the audit, the audit report and the management letter
- Reviewed the Internal Audit Department's resources requirement, programmes and plans for the financial year and the annual assessment of the Internal Audit Department's performance
- Reviewed the internal audit reports on a quarterly basis
- Reviewed the annual financial statements of the Group and the Company with the external auditors, prior to submission to the Board for their consideration and approval
- Reviewed the Company's compliance, in particular, the quarterly and year end financial statements with the Listing Requirements of the MASEB, Malaysian Accounting Standards Board and other relevant legal and regulatory requirements
- Reviewed the quarterly unaudited financial results announcements before recommending them for Board's approval. The review and discussions were conducted with the Assistant General Manager

TERMS OF REFERENCE

FUNCTIONS OF THE AUDIT COMMITTEE

1. To consider the appointment of external auditors, the audit fee and any question of resignation or dismissal including recommending and nominating of person or persons as external auditors;
2. To discuss with the external auditors when necessary on the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved;
3. To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing on:-
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgmental areas
4. To prepare the Audit Committee Report at the end of each financial year;
5. To discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary);
6. To review the external auditors' management letter and management's response;
7. To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
8. To review the Internal Audit Department's resources requirement, programmes and plans for the financial year and the annual assessment of the Internal Audit Department's performance.
9. To review the Internal Audit reports, which highlighted the audit issues, recommendations and management response and ensure that material findings are adequately addressed by management.
10. To carry out such other responsibilities, functions or assignments as may be defined jointly by the Committee and the Board from time to time;
11. In compliance with Paragraph 15.17 of the MSEC Listing Requirements, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee must promptly report such matter to the MSEC.

MEMBERSHIP

- a) The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfills the following requirements:-
 - i) the committee must compose of no fewer than three (3) members;
 - ii) a majority of the Committee must be independent directors; and
 - iii) at least one member of the Committee :
 - must be a member of the Malaysian Institute of Accountants; or
 - if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

MEMBERSHIP (Cont'd)

- b) The members of the Committee shall elect a Chairman from among themselves who is an Independent Director.
- c) No Alternate Director should be appointed as a member of the Committee.
- d) In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of the MSEB pertaining to composition of Audit Committee, the Board of Directors shall within three months of that event appoint such number of new members as may be required to fill the vacancy.
- e) The Board of Directors shall review the terms of office and performance of the committee and each of its members at least once every three years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

MEETINGS

The committee shall meet at least four (4) times a year.

A quorum shall consist of a majority of Independent Directors.

The Company Secretary shall be the Secretary of the Committee or in her absence, another person authorized by the Chairman of the Committee.

The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meetings.

The external auditors may be required to attend the meetings when it is necessary. At least once a year, the Committee shall meet with the external auditors.

AUTHORITY

The Committee in performing its duties, is granted the authority to:

- i) investigate any issues within its terms of reference;
- ii) have the necessary resources which are required to perform its duties;
- iii) have unrestricted access to any information pertaining to the Group;
- iv) directly communicate with the external auditors and the employees of the Group;
- v) be able to obtain independent professional or other advice; and
- vi) have meetings with external auditors, without the attendance of the executive members of the committee, whenever it is deemed necessary.

OTHER CORPORATE DISCLOSURE

1. Utilisation of Proceeds

A total gross proceeds of RM23.794 million arising from the rights issue and public issue pertaining to the Public Listing of Yikon Corporation Bhd on the Second Board of the Malaysia Securities Exchange Berhad has been utilized according to the schedule as stated in the Prospectus of Yikon Corporation Bhd dated 24th April 2002 except for the following:

Utilisation	Approved RM'000	Utilised RM'000	Balance RM'000
Purchase of plant & machinery	3,200	2,299	901

2. Share Buybacks, Options, Warrants or Convertible Securities

No Options, Warrants or Convertible Securities were exercised by the Company during the financial year.

3. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programmes during the financial year.

4. Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by the relevant regulatory bodies.

5. Non-Audit Fees

During the financial year ended 31 October 2003, an amount of RM7,400 was payable to the external auditors for non-audit services rendered.

6. Profit Estimate, Forecast, Projection or Unaudited Results

There was no significant variance between the results for the financial year and the unaudited results previously announced.

7. Profit Guarantee

During the financial year, there was no profit guarantee given by the Company.

8. Material Contracts

There were no material contracts with the Company and its subsidiaries involving Directors' and major shareholders' interest.

9. Revaluation Policy on Landed Properties

The Company does not have a policy of regular revaluation on landed properties.

INTERNAL CONTROL STATEMENT

The Board of Directors acknowledges its responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. It should be noted that the system, by its nature, is designed to manage rather than eliminate the risk of failure to achieve corporate objectives. Such system can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. The system of internal control covers, inter-alia, risk management and financial, organizational, operational and compliance controls.

The Group has a clear organisation structure with well-defined scope of responsibilities and levels of authority. In the absence of a structured ongoing process for identifying, evaluating and managing significant risks faced by the Group during the financial year, the Board relied largely on the active involvement of the Executive Directors in the day to day operations of the Group and the periodic review of the Group's financial results by the Audit Committee. Areas that are of significant risk are raised with management and the board on a proactive basis and appropriate measures are devised to address these risks.

The Group has the following processes in ensuring the adequacy and integrity of the system of internal control:-

- An organization structure with clearly defined lines of responsibility, authority and accountability.
- Management accounts and reports are prepared for effective monitoring and decision making.
- Defined the process of hierarchical reporting in order to establish an auditable trail of accountability.
- The Managing Director reports to the Board of Directors on the performance of the Group and highlights issues which the attention and collective decisions of the board are needed.
- Operational management has clear responsibility for identifying and evaluating risks that the Group may face.

On a quarterly basis, the Internal Audit Unit reports to the Audit Committee on the activities carried out by the unit. The Audit Committee, assisted by the Internal Audit Unit, monitors and reviews the effectiveness as well as the adequacy and the integrity of the system of internal control of the Group. During the year, review on the adequacy of control measures in the Sales and Purchasing Department was carried out by the Internal Audit Unit and was reported to the Audit Committee.

During the year under review, there were no material losses incurred as a result of weaknesses in internal control system that would require disclosure in the annual report. The management continues to review and implement measures to strengthen the internal control environment of the Group.

This statement is issued in accordance with a resolution of the Directors dated 29 March 2004.

ANALYSIS OF SHAREHOLDINGS

AUTHORISED SHARE CAPITAL	:	RM50,000,000
ISSUED AND FULLY PAID-UP CAPITAL	:	RM40,000,000
CLASS OF SHARE	:	Ordinary shares of RMI each fully paid
VOTING RIGHT	:	On a show of hands one vote for every shareholder On a poll one vote for every ordinary share held

DISTRIBUTION OF SHAREHOLDINGS – AS AT 1 MARCH 2004

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	2	0.08	100	0.00
100-1,000	1829	75.02	1,822,000	4.56
1,001-10,000	497	20.39	2,018,600	5.05
10,001-100,000	87	3.57	2,220,800	5.55
100,001-1,999,999 (Less than 5%)	19	0.78	11,958,500	29.90
2,000,000-40,000,000	4	0.16	21,980,000	54.95
TOTAL	2438	100.00	40,000,000	100.00

DIRECTORS' SHAREHOLDINGS – AS AT 1 MARCH 2004

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	Dato' Noor Ahmad Mokhtar Bin Haniff	10,000	0.03	–	–
2	*Chin Kok On	3,160,000	7.90	15,660,000	39.15
3	*Chin Poh On	3,160,000	7.90	15,660,000	39.15
4	Lai Kwang Hooi @Lai Bah Eng	10,000	0.03	–	–

By virtue of their interests of more than 15% in the shares of the Company, Messrs Chin Kok On and Chin Poh On are also deemed to be interested in the shares of all its subsidiaries to the extent the Company has an interest.

* Option to subscribe for 400,000 shares in the Company pursuant to Yikon Corporation Bhd. Employee Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS – AS AT 1 MARCH 2004

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	Profound Era Sdn. Bhd.	15,660,000	39.15	–	–
2	Chin Kok On	3,160,000	7.90	15,660,000	39.15
3	Chin Poh On	3,160,000	7.90	15,660,000	39.15

ANALYSIS OF SHAREHOLDINGS cont'd

THIRTY LARGEST SHAREHOLDERS AS AT 1 MARCH 2004

No.	Name	No. of Shares	% of Issued Share Capital
1	Profound Era Sdn. Bhd.	13,160,000	32.90
2	Chin Poh On	3,160,000	7.90
3	Chin Kok On	3,160,000	7.90
4	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Profound Era Sdn. Bhd.	2,500,000	6.25
5	Cheah Tian Ping @ Cheah Tiang Kheng	1,400,000	3.50
6	OSK Nominees (Tempatan) Sdn. Berhad EON Finance Berhad For Hamzah Bin Mohd Salleh	1,376,000	3.44
7	Mohd Haniff Bin Abd Aziz	1,332,400	3.33
8	Ong Yeow Fooi	1,327,500	3.32
9	Ng Cheong Wah	1,033,000	2.58
10	Lembaga Tabung Angkatan Tentera	1,000,000	2.50
11	Ng Sai Hwa	862,000	2.16
12	Maju Nominees (Tempatan) Sdn. Bhd. Pledged Securities Accounts For Wan Mohd Ismail Bin Wan Hussain	700,000	1.75
13	Lew Woo Sang @ Liew Woo Sang	480,000	1.20
14	Affin-ACF Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ong Yeow Fooi	400,000	1.00
15	Lim Chun Thang	395,000	0.99
16	Citicorp Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ng Geok Lian	300,000	0.75
17	Perbadanan Nasional Berhad	278,600	0.70
18	Loo Chee Hin	278,000	0.70
19	Noor Muzammil Bin Noor Ahmad Mokhtar	220,000	0.55
20	Ng Geok Hua	200,000	0.50
21	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Wan Mohd Ismail Bin Wan Hussain	200,000	0.50
22	Affin-ACF Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Wong Lai Kuen	176,000	0.44
23	Citicorp Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Wan Mohd Ismail Bin Wan Hussain	100,000	0.25
24	Thean Lan Chan @ Then Swee Chen	85,000	0.21
25	Manura Binti Mohamed Idris	75,000	0.19
26	Leow Kim Guan	60,000	0.15
27	Affin-ACF Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ravindren A/L Velloo	57,000	0.14
28	Yeoh Kean Hua	52,900	0.13
29	Yeoh Ah Keow	50,000	0.13
30	Chan Lee Yuen	43,400	0.11
	TOTAL	34,461,800	86.15

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2003

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 October 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the subsidiaries are set out in Note 3 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Net profit for the year	1,938,788	1,244,835

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

DIVIDEND

Since the end of the previous financial year, the Company paid a first and final 8% tax exempt dividend totalling RM3,200,000 in respect of the financial year ended 31 October 2002 on 30 May 2003.

Subject to the shareholders' approval, the directors recommend a first and final tax exempt dividend of 3%, amounting to RM1,200,000 in respect of the financial year ended 31 October 2003.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Dato' Noor Ahmad Mokhtar Bin Haniff - Chairman
Chin Kok On
Chin Poh On
Lai Kwang Hooi @ Lai Bah Eng

DIRECTORS' INTEREST IN SHARES

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations of those who were directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

Name of Directors	Ordinary shares of RMI each			Deemed Interest	
	Balance at 1.11.2002	Allotment	Bought/ (Sold)	Balance at 1.11.2002	Balance at 31.10.2003
Chin Kok On	3,160,000	—	—	15,660,000	15,660,000
Chin Poh On	3,160,000	—	—	15,660,000	15,660,000
Dato' Noor Ahmad Mokhtar Bin Haniff	10,000	—	—	—	—
Lai Kwang Hooi @ Lai Bah Eng	10,000	—	—	—	—

By virtue of their interests of more than 15% in the shares of the Company, Messrs Chin Kok On and Chin Poh On are also deemed to be interested in the shares of all its subsidiaries to the extent the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements of the Company and its related company) by reason of a contract made by the Company with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than the rental income amounting to RM30,000 paid by a director to a subsidiary.

There were no arrangements during and at the end of the financial year which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up share capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year.

SIGNIFICANT EVENTS DURING THE YEAR

- i) Incorporation of Yikoni Gold (Shan Xi) Co. Ltd., a wholly-owned subsidiary to Yikon (HK) Ltd. with a paid-up share capital of 8,264,550 shares of RMB1 per share at par, for cash on 20 August 2003.
- ii) At an Extraordinary General Meeting held on 10 October 2003, the shareholders of the Company approved the establishment of the Employees' Share Option Scheme.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent; or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- iv) not otherwise dealt with in this report or in the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; and
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, except for the changes in accounting policies as disclosed in Note 24 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 October 2003 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the directors:

CHIN KOK ON
Director

CHIN POH ON
Director

Penang,
Date: 21 February 2004

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the directors, the financial statements set out on pages 29 to 57 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 October 2003 and their results and cash flows for the year ended on that date.

Signed in accordance with a resolution of the directors:

CHIN KOK ON

Director

CHIN POH ON

Director

Penang,

Date: 21 February 2004

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, CHIN KOK ON (I.C. No. 620317-07-5463), the director primarily responsible for the financial management of YIKON CORPORATION BHD, do solemnly and sincerely declare that the financial statements set out on pages 29 to 57 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed CHIN KOK ON at)
Georgetown in the State of Penang)
on 21 February 2004.)

BEFORE ME:

Chai Choon Kiat, PJM (No: P. 073)
Commissioner for Oaths

REPORT OF THE AUDITORS TO THE MEMBERS

OF YIKON CORPORATION BHD

We have audited the financial statements set out on pages 29 to 57. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 October 2003 and their results and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 3 to the financial statements and we have considered its financial statements and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG

Firm No: AF 0758
Chartered Accountants

NG SWEE WENG

Partner
Approval No: 1414/03/04 (J/PH)

Penang,
Date: 21 February 2004

CONSOLIDATED BALANCE SHEET

AT 31 OCTOBER 2003

	NOTE	2003 RM	2002 RM (As restated)
PROPERTY, PLANT AND EQUIPMENT	2	18,684,648	12,652,256
CURRENT ASSETS			
Inventories	4	2,364,228	135,490
Trade and other receivables	5	41,468,362	43,316,013
Tax refundable		1,500,498	–
Cash and cash equivalents	6	4,964,658	8,230,008
		50,297,746	51,681,511
CURRENT LIABILITIES			
Other payables	7	4,742,182	1,856,774
Borrowings	8	10,491,000	6,001,383
Taxation		–	277,330
		15,233,182	8,135,487
NET CURRENT ASSETS		35,064,564	43,546,024
		53,749,212	56,198,280
Financed by:			
SHARE CAPITAL	9	40,000,000	40,000,000
RESERVES	10	8,722,120	9,983,332
SHAREHOLDERS' FUNDS		48,722,120	49,983,332
NEGATIVE GOODWILL	11	3,329,712	4,994,568
DEFERRED TAX LIABILITIES	12	1,697,380	1,220,380
		53,749,212	56,198,280

The financial statements were approved and authorised for issue by the Board of Directors on 21 February 2004.

The notes set out on pages 40 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2003

	NOTE	2003 RM	2002 RM
Revenue	13	54,798,526	55,009,585
Cost of goods sold		(48,100,252)	(45,752,837)
Gross profit		6,698,274	9,256,748
Administrative expenses		(3,876,210)	(1,875,022)
Other operating expenses		(896,048)	–
Other operating income		2,284,681	274,834
Operating profit	14	4,210,697	7,656,560
Finance costs	15	(1,434,006)	(452,076)
Profit before tax		2,776,691	7,204,484
Tax expense	16	(837,903)	(1,925,364)
Net profit for the year		1,938,788	5,279,120
Basic earnings per ordinary share (sen)	17	4.85	21.81
Gross dividend per ordinary share (sen)	18	3.00	8.00

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2003

	Share Capital RM	Share Premium RM	(Accumulated Losses)/ Retained Profits RM	Total RM
At 1 November 2001	2	–	(15,806)	(15,804)
Issue of shares	39,999,998	6,192,165	–	46,192,163
Listing expenses written off	–	(1,472,147)	–	(1,472,147)
Net losses not recognised in the consolidated income statement	–	(1,472,147)	–	(1,472,147)
Net profit for the year	–	–	5,279,120	5,279,120
At 31 October 2002	40,000,000	4,720,018	5,263,314	49,983,332
Net profit for the year	–	–	1,938,788	1,938,788
2002 first and final dividend - 8% tax exempt	–	–	(3,200,000)	(3,200,000)
At 31 October 2003	40,000,000	4,720,018	4,002,102	48,722,120

The notes set out on pages 40 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2003

	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,776,691	7,204,484
Adjustments for:		
Depreciation	1,059,396	580,404
Gain on disposal of plant and equipment	-	(45,054)
Interest expense	1,434,006	452,076
Interest income	(601,711)	(282,257)
Impairment loss	118,657	-
Recognition of negative goodwill	(1,664,856)	-
Operating profit before working capital changes	3,122,183	7,909,653
(Increase)/Decrease in:		
Inventories	(2,228,738)	(135,490)
Trade and other receivables	1,847,651	(11,956,593)
Increase in other payables	2,885,408	451,733
Cash generated from/(used in) operating activities	5,626,504	(3,730,697)
Interest received	601,711	282,257
Interest paid	(1,434,006)	(452,076)
Tax paid	(2,138,731)	(3,367,312)
Net cash generated from/(used in) operating activities	2,655,478	(7,267,828)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of plant and equipment	-	58,750
Purchase of property, plant and equipment	(7,210,445)	(3,088,570)
Issue of shares (Note B)	-	23,793,543
Acquisition of subsidiaries, net of cash (Note A)	-	2,039,718
Listing expenses paid	-	(1,472,147)
Net cash (used in)/generated from investing activities	(7,210,445)	21,331,294

CONSOLIDATED CASH FLOW STATEMENT cont'd
FOR THE YEAR ENDED 31 OCTOBER 2003

	2003 RM	2002 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Bankers' acceptances, net	4,491,000	(8,114,570)
Repayment of hire purchase	(1,383)	(18,762)
Withdrawal of fixed deposits	-	2,299,872
Dividend paid	(3,200,000)	-
Net cash generated from/(used in) financing activities	1,289,617	(5,833,460)
Net (decrease)/increase in cash and cash equivalents	(3,265,350)	8,230,006
Cash and cash equivalents at beginning of year	8,230,008	2
Cash and cash equivalents at end of year (Note C)	4,964,658	8,230,008

NOTES

A. Analysis of acquisition of subsidiaries

The fair value of assets and liabilities assumed were as follows:

	2003 RM	2002 RM
Property, plant and equipment	-	10,157,786
Trade and other receivables	-	31,359,420
Fixed deposits with licensed banks	-	2,299,872
Cash and cash equivalents	-	2,039,721
Sundry payables	-	(1,389,235)
Borrowings	-	(14,134,715)
Taxation	-	(1,892,278)
Deferred taxation	-	(426,000)
Net assets	-	28,014,571
Negative goodwill	-	(5,615,948)
Purchase price paid	-	22,398,623
Less: Cash and cash equivalents	-	(2,039,721)
Issue of shares	-	(22,398,620)
Cash flow on acquisition, net of cash acquired	-	(2,039,718)

The notes set out on pages 40 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED CASH FLOW STATEMENT cont'd
FOR THE YEAR ENDED 31 OCTOBER 2003

	2003 RM	2002 RM
B. Issue of shares		
Issue of shares, at premium	-	46,192,163
Less : Purchase of investments in a subsidiary satisfied by issue of shares	-	(22,398,620)
	<hr/>	<hr/>
	-	23,793,543
	<hr/>	<hr/>
C. Cash and cash equivalents		
Cash and cash equivalents included in the consolidated cash flow statement comprise the following consolidated balance sheet amounts:		
	2003 RM	2002 RM
Short term deposits with licensed banks	1,850,000	7,663,509
Cash and bank balances	3,114,658	566,499
	<hr/>	<hr/>
	4,964,658	8,230,008
	<hr/>	<hr/>

BALANCE SHEET

AT 31 OCTOBER 2003

	NOTE	2003 RM	2002 RM
INVESTMENT	3	22,403,422	22,398,623
AMOUNT DUE FROM SUBSIDIARIES	5	23,653,432	17,865,421
CURRENT ASSETS			
Other receivables	5	1,000	63,336
Cash and cash equivalents	6	36,010	7,682,316
		37,010	7,745,652
CURRENT LIABILITIES			
Other payables	7	123,122	71,789
Taxation		-	12,000
		123,122	83,789
NET CURRENT (LIABILITIES)/ASSETS		(86,112)	7,661,863
		45,970,742	47,925,907
Financed by:			
SHARE CAPITAL	9	40,000,000	40,000,000
RESERVES	10	5,970,742	7,925,907
SHAREHOLDERS' FUNDS		45,970,742	47,925,907

The notes set out on pages 40 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2003

	NOTE	2003 RM	2002 RM
Revenue	13	1,534,463	3,313,781
Administrative expenses		(242,006)	(80,086)
Other operating expenses		(39,031)	–
Profit before tax	14	1,253,426	3,233,695
Tax expense	16	(8,591)	(12,000)
Net profit for the year		1,244,835	3,221,695

The notes set out on pages 40 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2003

	Share Capital RM	Share Premium RM	(Accumulated Losses)/ Retained Profits RM	Total RM
At 1 November 2001	2	–	(15,806)	(15,804)
Issue of shares	39,999,998	6,192,165	–	46,192,163
Listing expenses written off	–	(1,472,147)	–	(1,472,147)
Net losses not recognised in the income statement	–	(1,472,147)	–	(1,472,147)
Net profit for the year	–	–	3,221,695	3,221,695
At 31 October 2002	40,000,000	4,720,018	3,205,889	47,925,907
Net profit for the year	–	–	1,244,835	1,244,835
2002 first and final dividend - 8% tax exempt	–	–	(3,200,000)	(3,200,000)
At 31 October 2003	40,000,000	4,720,018	1,250,724	45,970,742

The notes set out on pages 40 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2003

	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,253,426	3,233,695
Adjustment for:		
Interest income	(34,463)	(113,781)
Operating profit before working capital changes	1,218,963	3,119,914
Increase in other receivables	62,336	(63,336)
Increase in other payables	51,333	55,983
Cash generated from operating activities	1,332,632	3,112,561
Interest received	34,463	113,781
Tax paid	(20,591)	–
Net cash generated from operating activities	1,346,504	3,226,342
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(4,799)	(3)
Issue of shares (Note A)	–	23,793,543
Listing expenses paid	–	(1,472,147)
Advances to subsidiaries	(5,788,011)	(17,865,421)
Net cash (used in)/generated from investing activities	(5,792,810)	4,455,972
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(3,200,000)	–
Net cash used in financing activities	(3,200,000)	–
Net (decrease)/increase in cash and cash equivalents	(7,646,306)	7,682,314
Cash and cash equivalents at beginning of year	7,682,316	2
Cash and cash equivalents at end of year (Note B)	36,010	7,682,316

CASH FLOW STATEMENT cont'd
FOR THE YEAR ENDED 31 OCTOBER 2003

NOTES

	2003	2002
	RM	RM
A. Issue of shares		
Issue of shares, at premium	-	46,192,163
Less: Purchase of investments in a subsidiary satisfied by issue of shares	-	(22,398,620)
	<hr/>	<hr/>
	-	23,793,543
	<hr/>	<hr/>

B. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2003	2002
	RM	RM
Short term deposits with licensed banks	35,389	7,663,509
Cash and bank balances	621	18,807
	<hr/>	<hr/>
	36,010	7,682,316
	<hr/>	<hr/>

The notes set out on pages 40 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2003

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for:

A) the adoption of the following standards taking effect this financial year:

- i) MASB 22, Segmental Reporting;
- ii) MASB 23, Impairment of Assets;
- iii) MASB 24, Financial Instruments: Disclosure and Presentation;
- iv) MASB 25, Income Taxes; and
- v) MASB 27, Borrowing Costs.

B) the change in accounting policy on the treatment of negative goodwill (Note 1.3).

Apart from the inclusion of the new policies and extended disclosures where required by these new standards, the effect of the changes in the above accounting policies are disclosed in Note 24 to these financial statements.

1.1 Basis of Accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

1.2 Basis of Consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

1.3 Negative Goodwill

Negative goodwill represents the excess of the fair value of the identifiable assets and liabilities of the subsidiaries over the cost of acquisition.

With effect for 1 November 2002, the Group changed its accounting policy on the treatment of negative goodwill and recognised as income on a straight line basis over a period of 3 years.

The impact of this change is disclosed in Note 24 to the financial statements.

I.4 Property, Plant and Equipment

Freehold land and capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

Freehold land and capital work-in-progress are not amortised.

Long term leasehold land is amortised in equal instalments over the lease period of 56 years.

On other property, plant and equipment, depreciation is calculated to write off their cost on a straight line basis over the term of their estimated useful lives at the following principal annual rates:

	%
Buildings	2 - 10
Plant and machinery	10
Furniture, fittings and office equipment	10
Motor vehicles	20
Mould	10

I.5 Impairment

The carrying amount of the Group's assets, other than inventories and financial assets (other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

I.6 Investments

Long term investments in subsidiaries are stated at cost, less impairment loss where applicable.

I.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Inventories are taken up as assets of the Group when significant risks and rewards of ownership of the goods have been transferred to the Group.

Cost in the case of manufactured inventories includes direct materials, direct labour and attributable production overheads. Cost is determined on the first-in, first-out basis.

1.8 Trade and Other Receivables

Trade and other receivables and amount due from subsidiaries are stated at cost less allowance for doubtful debts.

1.9 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

1.10 Liabilities

Borrowings and other payables are stated at cost.

1.11 Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

1.12 Income Tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

1.13 Hire Purchase

The assets and obligations arising from hire purchase plans are recorded at the fair value of the assets at the beginning of the duration of the hire purchase. The amount of the assets are depreciated over their expected useful lives consistent with the depreciation rates the Group adopts for depreciable assets that are owned.

The difference between the total minimum hire purchase obligations over the duration of the hire purchase and the initial recorded liability which represents interest cost, is expensed off over the accounting periods covered by the duration of the borrowing using the "sum-of-digits" method.

1.14 Foreign Currency**i) Foreign currency transactions**

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

I.14 Foreign Currency (Cont'd)

ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in the equity.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2003 RM	2002 RM
USD	3.80	3.80
HKD	0.48	0.48
RMB	0.46	0.46

I.15 Revenue

i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

ii) Workmanship charges

Revenue from workmanship charges are recognised when invoiced and upon services being rendered.

iii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the assets.

iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

I.16 Finance Costs

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

2. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Long term leasehold land RM	Freehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Mould RM	Capital work-in- progress RM	Total RM
Cost									
At 1 November 2002	2,600,000	473,000	2,613,967	7,522,168	588,466	1,083,748	23,584	3,890,307	18,795,240
Additions	-	-	-	3,043,314	252,266	-	-	3,914,865	7,210,445
Reclassification	-	1,408,000	4,816,032	-	-	-	-	(6,224,032)	-
At 31 October 2003	2,600,000	1,881,000	7,429,999	10,565,482	840,732	1,083,748	23,584	1,581,140	26,005,685
Accumulated Depreciation and Accumulated Impairment Losses									
At 1 November 2002	232,143	-	366,439	4,610,725	357,465	563,368	12,844	-	6,142,984
Charge for the year	15,886	-	88,364	663,527	72,511	216,750	2,358	-	1,059,396
Impairment loss for the year	-	-	-	-	-	-	-	118,657	118,657
At 31 October 2003	248,029	-	454,803	5,274,252	429,976	780,118	15,202	-	7,202,380
Accumulated Depreciation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Loss	-	-	-	-	-	-	-	118,657	118,657
Net Book Value									
At 31 October 2003	2,351,971	1,881,000	6,975,196	5,291,230	410,756	303,630	8,382	1,462,483	18,684,648
At 31 October 2002	2,367,857	473,000	2,247,528	2,911,443	231,001	520,380	10,740	3,890,307	12,652,256
Depreciation Charge For The Year Ended 31 October 2002									
	30,951	-	37,895	377,716	32,665	99,801	1,376	-	580,404

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 OCTOBER 2003

2. PROPERTY, PLANT AND EQUIPMENT - GROUP *(Cont'd)*

The landed properties with net book value of RM4,015,602 were pledged to banks as security for banking facilities granted to a subsidiary in 2002.

Included in the net book value of property, plant and equipment in 2002 was an amount of RM38,603 representing assets acquired under hire purchase instalment plans.

During the year, the non-revival in respect of a suspended capital work-in-progress of a subsidiary has caused the Group to assess the recoverable amount of the property. Based on this assessment, the carrying amount of the property which amounted to RM355,971 was written down by RM118,657.

3. INVESTMENTS - COMPANY

	2003 RM	2002 RM
Subsidiaries:		
- Unquoted shares, at cost	22,403,422	22,398,623

Details of the subsidiaries are as follows:

Name of Company	Place of Incorporation	Percentage of Equity Held		Principal Activity
		2003	2002	
Yikon Jewellery Industry Sdn. Bhd. ("YJI")	Malaysia	100%	100%	Manufacturer and exporter of gold jewellery and ornaments
Yikoni Gold Sdn. Bhd. ("YG")	Malaysia	100%	100%	Trading of gold jewellery and ornaments
Yikon (HK) Ltd. ("YHK") *	Hong Kong	100%	100%	Jewellery distributor
Subsidiary of YHK				
Yikoni Gold (Shan Xi) Co. Ltd. ("YSX") *	Republic of China	100%	–	Trading of gold jewellery and ornaments

* Subsidiaries not audited by KPMG

YSX was incorporated in 6 November 2002. For the financial year ended 31 October 2003, YSX incurred a net loss of RM99,624.

The acquisition of YJI, YG and YHK were accounted for under the acquisition method of accounting during the financial year ended 31 October 2002. These acquisitions had the effect of increasing the consolidated results for the financial year 2002 by RM5,257,000 and the Group's net assets as at 31 October 2002 by RM7,673,000. The pre-acquisition profits of RM2,688,000 for the period from 1 November 2001 to 28 February 2002 in respect of these subsidiaries was not included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS cont'd

31 OCTOBER 2003

4. INVENTORIES - GROUP

	2003 RM	2002 RM
At cost		
Trading inventories	2,239,846	-
Manufactured inventories	124,382	135,490
	2,364,228	135,490

5. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade receivables	3,218,993	10,233,171	-	-
Less: Allowance for doubtful debts	(300,000)	-	-	-
	2,918,993	10,233,171	-	-
Other receivables				
- Other receivables, deposits and prepayments	38,849,369	33,082,842	1,000	63,336
Less: Allowance for doubtful debts	(300,000)	-	-	-
	38,549,369	33,082,842	1,000	63,336
	41,468,362	43,316,013	1,000	63,336
Amount due from subsidiaries	-	-	23,653,432	17,865,421

Included in other receivables, deposits and prepayment of the Group was an amount of RM36.5 million (2002 : RM32.3 million) representing deposits paid for consignment of gold totalling 1.2MT (2002 : 1.1MT) from the gold bullion traders and financial institutions.

As at balance sheet date, gold totalling approximately 0.9MT (2002 : 0.7MT) was in the custody of its customers during the course of its business, which is to be returned at a later date. The market value of the gold as at balance sheet date was approximately RM45 million (2002 : RM34 million).

The amount due from subsidiaries is unsecured, interest-free and is not expected to be repaid within the next twelve months.

6. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Short term deposits with licensed banks	1,850,000	7,663,509	35,389	7,663,509
Cash and bank balances	3,114,658	566,499	621	18,807
	4,964,658	8,230,008	36,010	7,682,316

7. OTHER PAYABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Other payables and accrued expenses	4,734,802	1,849,394	116,665	65,333
Amount due to a director	7,380	7,380	6,457	6,456
	4,742,182	1,856,774	123,122	71,789

The amount due to a director is unsecured, interest-free and has no fixed terms of repayment.

8. BORROWINGS - GROUP

	2003 RM	2002 RM
Current		
Secured		
Bankers' acceptances	-	6,000,000
Hire purchase	-	1,383
Unsecured		
Bankers' acceptances	10,491,000	-
	10,491,000	6,001,383

The secured bank borrowings were secured by fixed and floating charges over the assets of the subsidiary and guaranteed by the Company.

Interest is charged ranging from 0.75% to 1.00% (2002 : 1.00%) per annum above the banks' base lending rates.

Hire purchase is payable as follows:

	Payments RM	Interest RM	Principal RM
2003			
Less than 1 year	-	-	-
2002			
Less than 1 year	1,791	408	1,383

Interest for 2002 was charged at 6.75% per annum.

NOTES TO THE FINANCIAL STATEMENTS cont'd

31 OCTOBER 2003

9. SHARE CAPITAL

	2003	2002
	RM	RM
Ordinary shares of RM1 each		
Authorised:		
Balance at beginning of year	50,000,000	100,000
Increase during the year	-	49,900,000
Balance at end of year	50,000,000	50,000,000
Issued and fully paid:		
Balance at beginning of year	40,000,000	2
Issued as consideration for the acquisition of a subsidiary	-	22,398,620
Rights issue	-	11,601,378
Public issue	-	6,000,000
Balance at end of year	40,000,000	40,000,000

10. RESERVES

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
Non-distributable				
Share premium	4,720,018	4,720,018	4,720,018	4,720,018
Distributable				
Retained profits	4,002,102	5,263,314	1,250,724	3,205,889
	8,722,120	9,983,332	5,970,742	7,925,907

The movement of the reserves is shown in the Statement of Changes in Equity.

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank/distribute approximately RM53,000 and RM1,500,000 respectively from its retained profits if paid out as dividends.

NOTES TO THE FINANCIAL STATEMENTS cont'd

31 OCTOBER 2003

11. NEGATIVE GOODWILL - GROUP

	2003	2002
	RM	RM
At 1 November		
- As reported	4,994,568	5,615,948
- Effect of adopting MASB 25	-	(621,380)
- As restated	4,994,568	4,994,568
Recognised as income (Note 24)	(1,664,856)	-
At 31 October	3,329,712	4,994,568

12. DEFERRED TAX LIABILITIES - GROUP

	2003	2002
	RM	RM
At 1 November		
- As reported	1,220,380	417,000
- Effect of adopting MASB 25	-	621,380
- As restated	1,220,380	1,038,380
Recognised in the income statement (Note 16)	477,000	182,000
At 31 October	1,697,380	1,220,380

The recognised deferred tax liabilities are as follows:

	2003	2002
	RM	RM
Property, plant and equipment		
- Capital allowances	1,076,000	599,000
- Revaluation	621,380	621,380
	1,697,380	1,220,380

13. REVENUE

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
Interest income	34,463	113,781	34,463	113,781
Dividend income	-	-	1,500,000	3,200,000
Sale of gold	41,639,000	40,214,232	-	-
Sale of gold jewellery and ornaments	768,971	-	-	-
Workmanship charges	12,356,092	14,681,572	-	-
	54,798,526	55,009,585	1,534,463	3,313,781

NOTES TO THE FINANCIAL STATEMENTS cont'd

31 OCTOBER 2003

14. OPERATING PROFIT

This has been arrived at:

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
After charging:				
Auditors' remuneration				
- current year	26,500	27,352	10,000	10,000
- prior year	-	2,000	-	-
Directors of the Company				
- Fees	89,000	66,533	81,800	59,333
- Others	526,464	586,304	-	-
Other directors				
- Fees	55,000	12,000	-	-
- Others	86,674	-	-	-
Depreciation (Note 2)	1,059,396	580,404	-	-
Impairment loss	118,657	-	-	-
Rental - Machinery	36,300	40,500	-	-
- Building	174,729	-	-	-
Staff costs	3,434,228	2,848,401	-	-
Realised loss on foreign exchange	42,976	-	-	-
Pre-operating expenses	136,170	-	-	-
Allowance for doubtful debts	600,000	-	-	-
and crediting:				
Dividend income from a subsidiary	-	-	1,500,000	3,200,000
Interest income	601,711	282,257	34,463	113,781
Realised gain on foreign exchange	-	1,211	-	-
Gain on disposal of plant and equipment	-	45,054	-	-
Rental income	48,250	60,200	-	-
Recognition of negative goodwill	1,664,856	-	-	-

The number of employees of the Group and of the Company (including executive directors) at the end of the year was 255 (2002 : 266) and Nil (2002 : Nil) respectively.

15. FINANCE COSTS - GROUP

	2003 RM	2002 RM
Interest payable		
Bank overdrafts	1,630	35,312
Bankers' acceptances	653,679	308,067
Gold loan interests	776,141	88,734
Hire purchase	409	11,832
Trust receipts	2,147	8,131
	1,434,006	452,076

16. TAX EXPENSE

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
Current tax expense				
- Current year	222,000	1,740,500	-	12,000
- Prior year	138,903	11,864	8,591	-
	360,903	1,752,364	8,591	12,000
Deferred tax expense				
- Origination and reversal of temporary differences	476,000	172,000	-	-
- Prior year	1,000	1,000	-	-
	477,000	173,000	-	-
	837,903	1,925,364	8,591	12,000
Reconciliation of effective tax rate				
Profit before tax	2,776,691	7,204,484	1,253,426	3,233,695
Income tax using Malaysian tax rate	777,473	2,017,256	350,959	905,435
Non-deductible expenses	352,664	84,407	-	2,565
Tax exempt income	(481,119)	-	(434,959)	(896,000)
Tax incentives	(158,503)	(189,643)	-	-
Losses not allowable for set-off	207,485	480	84,000	-
	698,000	1,912,500	-	12,000
Under provision in prior year	139,903	12,864	8,591	-
Tax expense	837,903	1,925,364	8,591	12,000

17. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM1,938,788 (2002 : RM5,279,120) and on the weighted average number of ordinary shares outstanding during the year of 40,000,000 (2002 : 24,199,886) calculated as follows:

Weighted average number of ordinary shares

	2003	2002
Issued ordinary shares at beginning of year	40,000,000	2
Effect of shares issued for acquisition	-	14,932,413
Effect of rights issue	-	6,767,471
Effect of public issue	-	2,500,000
	40,000,000	24,199,886

18. DIVIDEND - COMPANY

A first and final 8% tax exempt dividend totalling RM3,200,000 in respect of the financial year ended 31 October 2002 was paid on 30 May 2003.

At the forthcoming Annual General Meeting, a first and final 3% tax exempt dividend totalling RM1,200,000 in respect of the financial year ended 31 October 2003 will be proposed for shareholders' approval. These financial statements do not reflect this first and final dividend which, when approved by shareholders, will be accounted for as an appropriation of the retained profits from shareholders' equity in the financial year ending 31 October 2004.

19. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group's activities are principally confined to the manufacture and sale of gold jewellery and ornaments.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Middle East RM	Other Asia Countries RM	Eliminations RM	Consolidated RM
2003				
Revenue from external customers				
by location of customers	53,635,402	1,163,124	-	54,798,526
Segment assets by location of assets	-	67,481,896	-	67,481,896
Capital expenditure by location of assets	-	7,210,445	-	7,210,445
2002				
Revenue from external customers				
by location of customers	53,774,805	1,234,780	-	55,009,585
Segment assets by location of assets	-	64,333,767	-	64,333,767
Capital expenditure by location of assets	-	3,088,570	-	3,088,570

20. SIGNIFICANT RELATED PARTY TRANSACTIONS - GROUP/COMPANY

20.1 Identity of related parties

- i) The Company has a controlling related party relationship with its subsidiaries as disclosed in the financial statements.
- ii) The Company also has a related party relationship with the company in which the directors are deemed to have substantial financial interests:
 - Profound Era Sdn. Bhd.
- iii) The Company also has a related party relationship with its directors and key management personnel and the close members of their families. The directors and key management personnel of the Group are:
 - Chin Kok On
 - Chin Poh On
 - Lew Woo Sang

20.2 Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

- i) Transactions with directors and key management personnel

There were no transactions with the directors and key management personnel other than the following:

- a) rental income amounting to RM30,000 paid by a director to a subsidiary.
- b) the remuneration package paid to Mr Chin Kok On, Mr Chin Poh On and Mr Lew Woo Sang in accordance with the terms and conditions of their appointments.

The directors of the Company are of the opinion that the above transactions were entered into in the ordinary course of business and the terms of which have been established on a negotiated basis.

21. CAPITAL COMMITMENT - GROUP/COMPANY

	2003	2002
	RM'000	RM'000
Contracted but not provided for		
- Factory building	-	1,689
- Plant and machinery	939	391
	<hr/>	<hr/>
Approved but not contracted for		
- Factory building	-	2,550
- Plant and machinery	901	1,684
	<hr/>	<hr/>

22. CONTINGENT LIABILITY, unsecured**COMPANY**

The Company has given corporate guarantees to certain financial institutions for banking facilities granted to its subsidiary for a limit up to RM64.5 million (2002 : RM42.5 million) of which RM34.9 million (2002 : RM6.0 million) was utilised at a balance sheet date.

23. FINANCIAL INSTRUMENTS**Financial risk management objectives and policies**

The Group and the Company's financial risk management policy seek to ensure that adequate financial resources are available for the development of the Group and the Company's businesses whilst managing its credit, interest rate and currency risks.

Credit risk

The Group and the Company do not have a formal credit policy but the exposure to credit risk is monitored on an ongoing basis.

Interest rate risk

The Group and the Company place excess funds with reputable bank to generate interest income. On the other hand, the Group and the Company use variable rates' bank borrowings to finance their operations.

Foreign exchange risk

The Group and the Company incur foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is US dollars.

The currency of US dollars does not fluctuate at present given the Government's "peg" of the Ringgit Malaysia against US dollars.

The Group and the Company are also exposed to foreign currency risk in respect of their investment in foreign subsidiaries. The Group does not hedge this exposure by having foreign currency borrowings in view of the insignificant amount of investment in the foreign subsidiary. However, the Board and management will keep this policy under review and will take necessary action to minimise the exposure of the risk.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

23. FINANCIAL INSTRUMENTS (Cont'd)

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the period in which they reprice or mature, whichever is earlier.

GROUP	Effective interest rate %	Total RM	Within 1 year RM	1 - 5 years RM
Financial assets				
Gold deposits placed with gold bullion traders	1.30	33,136,844	33,136,844	-
Short term deposit with a licensed bank	2.50	1,850,000	1,850,000	-
Financial liabilities				
Bankers' acceptances	3.50	10,491,000	10,491,000	-

Fair values

Recognised financial instruments

The carrying amounts approximate fair values in respect of cash and cash equivalents, trade and other receivables, sundry payables and short term borrowings due to the relatively short term nature of these financial instruments.

The fair value of amount due from subsidiaries has not been determined as the timing of the expected cash flows of this balance cannot be reasonably determined due principally to lack of fixed repayment terms entered by the parties involved and without incurring excessive cost.

Comparatives are not disclosed for the financial instruments, upon first application of MASB 24 Financial Instruments: Disclosure and Presentations.

24. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

In the current financial year:

- A) The Group and the Company adopted five new MASB Standards. The adoption of these new standards resulted in changes in accounting policies as follows:
- i) MASB 22, Segmental Reporting and MASB 24, Financial Instruments: Disclosure and Presentation, which have been adopted prospectively;
 - ii) MASB 23, Impairment of Assets which is applied prospectively. The restatement of comparative figures is not presented. The adoption of this standard has resulted to an impairment loss of RM118,657 to the income statement of a subsidiary;
 - iii) MASB 25, Income Taxes which has been adopted retrospectively. Comparative figures have been adjusted to reflect the change in this accounting policy; and
 - iv) MASB 27, Borrowing Costs which is applied retrospectively. Comparative figures have not been restated as the previous accounting policy was in line with the accounting standard.

The adoption of MASB 25 has resulted in the recognition in full of all taxable temporary differences. Previously, deferred tax liabilities were not provided if no liability was expected to arise in the foreseeable future and there were no indications the timing differences would reverse thereafter. Deferred tax assets are now recognised when it is probable that taxable profits will be available against which the deferred tax assets can be utilised (previously only recognised where there was a reasonable expectation of realisation in the near future).

Prior year adjustments

The change in accounting policy due to the adoption of MASB 25 has been accounted for by restated comparatives as disclosed in Note 25 to the financial statements.

- B) The Group changed its accounting policy on the treatment of negative goodwill and recognised as income on a straight line basis over a period of 3 years.

The impact of this change which was applied prospectively was the increase of the Group's profit before tax by RM1,664,856.

25. COMPARATIVE FIGURES - GROUP

The following comparatives have been restated to reflect the correction of a change in accounting policy as explained in Note 24.

	As restated RM	As previously stated RM
Balance sheet		
Negative goodwill	4,994,568	5,615,948
Deferred tax liabilities	1,220,380	599,000

26. SIGNIFICANT EVENTS DURING THE YEAR

- i) Incorporation of Yikoni Gold (Shan Xi) Co. Ltd., a wholly-owned subsidiary to Yikon (HK) Ltd. with a paid-up share capital of 8,264,550 shares of RMB1 per share at par, for cash on 20 August 2003.

For the financial year ended 31 October 2003, the subsidiary incurred a net loss of RM99,624.

- ii) At an Extraordinary General Meeting held on 10 October 2003, the shareholders of the Company approved the establishment of the Employees' Share Option Scheme.

27. EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 20 November 2003, a first offer of the Employees' Share Option Scheme amounting to 3,524,000 shares at RM1.21 per share was made to the Company's directors and employees.

LIST OF PROPERTIES

LANDED PROPERTIES

Details of the landed properties of the Group as at 31 October 2003 are as follows:-

Location	Description/ Existing Use	Land/Built Up Area (sq ft)	Age Of building (years)	Tenure	Net Book Value (RM'000)	Date of acquisition/ (Revaluation)
Plot 36, Bayan Lepas Industrial Estate, Phase 4, 11900 Bayan Lepas, Penang.	A single storey factory building with a single storey office/Annexed to a new 3 storey factory building	66,447/57,546	9/1	Leasehold for 60 years expiring on 31.10.2053	8,040	(20.10.2000)
No. 1C, Vermont Road, 11460 Penang	An extended 2 1/2 storey semi-detached house/ currently rented out	3,154 / 3,121	16	Freehold	704	(20.10.2000)
No. 122-4-1, 4th Floor, The Penang Gold and Jewellery Exchange Centre, Jalan Sungai, 10150 Penang.	A flatted factory unit (currently vacant)	1,500	7	Freehold	354	(20.10.2000)
No. 11A, Lorong Kekabu 1, 11960 Pulau Pinang.	Staff Hostel (currently vacant)	3,122 /1,748	1	Freehold	402	18-10-2001
No. 9, Lorong Kekabu 1, 11960 Pulau Pinang	Staff Hostel (currently vacant)	3,423/1,748	1	Freehold	418	18-10-2001
No. 11, Lorong Kekabu, 11960 Pulau Pinang.	Staff Hostel (currently vacant)	5,048/1,748	1	Freehold	508	18-10-2001
No. 2, Jalan Kekabu, 11960 Pulau Pinang.	Staff Hostel (currently vacant)	2,648/1,748	1	Freehold	376	18-10-2001
No. 1, Lorong Kekabu, 11960 Pulau Pinang.	Staff Hostel (currently vacant)	3,197/1,748	1	Freehold	406	18-10-2001

No. of Ordinary Shares Held	
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I/We,(Full name in block letters)
of(Address)
being a member / members of Yikon Corporation Bhd hereby appoint
.....(Full name in block letters)
of.....(Address)

or failing him the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us and on my/our behalf at the Fourth Annual General Meeting of the Company to be held at Dato Ali Esa Room, Pearl Island Country Club, 8, Persiaran Kelicap, 11900 Bayan Lepas, Penang on Thursday, 29 April 2004 at 10:30 a.m. and at any adjournment thereof.

No.	Ordinary Resolutions		For	Against
1.	To receive and adopt the Audited Financial Statements.	Resolution 1		
2.	To re-elect Mr Chin Poh On, who retires pursuant to Article 133 of the Company's Articles of Association.	Resolution 2		
3.	To re-elect Mr Lai Kwang Hooi @ Lai Bah Eng, who retires pursuant to Section 129 of the Companies Act, 1965.	Resolution 3		
4.	To approve a first and final tax exempt dividend of 3 sen per share.	Resolution 4		
5.	To approve Directors' fees.	Resolution 5		
6.	To re-appoint Messrs. KPMG.	Resolution 6		
7.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	Resolution 7		

(Please indicate with "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion)

Signed this.....day of April 2004.

.....
Signature of Shareholder(s)

Notes:

1. A Member may appoint two (2) proxies to attend on the same occasion. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Act shall not, apply to the Company. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
4. To be valid, the proxy form duly completed must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.

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Registered Office Address:

The Company Secretary
YIKON CORPORATION BHD (527272 - V)

Registered Office:
Suite 2-1, 2nd Floor,
Menara Penang Garden,
42A, Jalan Sultan Ahmad Shah,
10050 Penang, Malaysia.

Stamp

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