

annual report 2004



YIKON

CORPORATION BHD

(527272-V)

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at Kuang Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Wednesday, 30 March 2005 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 2004 and Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
- 2a. To re-elect Dato' Noor Ahmad Mokhtar Bin Haniff, 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 Directors' fees for the year ended 31 October 2004. **Ordinary Resolution 4**
4. To re-appoint Messrs. KPMG and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**
5. 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 Bursa Malaysia Securities 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 6

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

By Order of the Board

Lam Voon Kean
(MIA 4793)
Company Secretary

Penang
8 March 2005

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 6, if passed, will give authority to the Board of Directors to issue 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.

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. : 04-229 4390
Facsimile No. : 04-226 5860
E-mail : agriteum@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. : 04-228 2321
Facsimile No. : 04-227 2391

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
RHB Bank Berhad
EON Bank Berhad
Alliance Bank Malaysia Berhad

STOCK EXCHANGE LISTING

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

DATO' NOOR AHMAD MOKHTAR BIN HANIFF

Dato' Noor Ahmad Mokhtar Bin Haniff, aged 65, was appointed to the Board as the Chairman/ Independent Non-Executive Director on 2 March 2002. He was the General Manager of 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 organised by 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 42, 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. With his experience and 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.



YIKONI Gold outlet at Zhong Shan, China



YIKON Jewellery Industry Factory

CHIN POH ON

Chin Poh On, aged 40, 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 abreast with the latest developments in the manufacturing technology in relation to the gold jewellery industry.

His responsibilities include overseeing the production sections and manufacturing techniques 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.

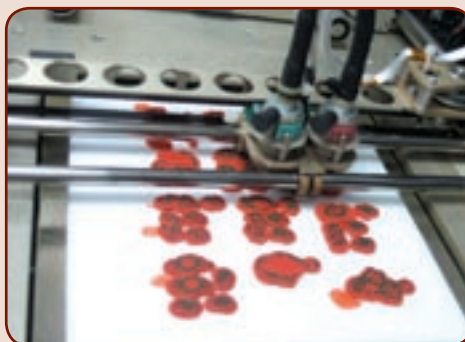
LAI KWANG HOOI @ LAI BAH ENG

Lai Kwang Hooi @ Lai Bah Eng, aged 72, 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 Australia 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 has been practising 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 Statement under Note 21.
4. None of the Directors has been convicted for any offences within the past 10 years other than for traffic offences, if any.



Investment in Manufacturing Technologies

directors' profiles



"On behalf of the Board of Directors of Yikon Corporation Bhd, it is my pleasure to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 October 2004."

– DATO' NOOR AHMAD MOKHTAR BIN HANIFF
Chairman

FINANCIAL PERFORMANCE

The Group achieved a turnover of RM44.40 million and profit before tax of RM0.50 million for the financial year ended 31 October 2004, a decrease of 18.9% and 81.8% respectively as compared to the preceding financial year. The shortfall was primarily due to the substantial drop in workmanship charges of 7.7% of goods for our traditional markets as compared to the preceding financial year, and pre-operation expenses and startup losses incurred by our subsidiary companies in China for opening an additional 5 retail outlets in various major cities there.

OPERATIONS REVIEW

During the financial year under review, the jewellery industry was severely affected by the sharp increase in gold price (averaging 13% higher than the preceding financial year) and the extreme volatility of the gold bullion trading market. The combined effects of these two unfavourable factors weakened demand for jewellery products. The political tension and terrorist threat in the Middle Eastern region have added further gloom to the already weak market sentiment. Due to poor demand in the domestic market, many smaller local manufacturers entered the Middle Eastern market which has shrank due to the above mentioned factors. To combat competition, the Group implemented several strategic measures during the financial year under review. These measures include broadening product range, shortening product development cycle and creating new designs and new finishing to cater to customers needs. The factory operations have also implemented cost reduction and productivity improvement programmes.

The retail outlets in China have increased to 7 as at the end of the financial year. One more outlet was subsequently opened and as at the date of this report, the number of outlets have increased to 8. These outlets have improved in performance as reflected by an increase of 167% in sales turnover as compared to the previous financial year. The newer outlets are performing relatively better due to experiences gained through establishing the previous retail outlets.

DIVIDENDS

The Board of Directors does not recommend any dividend for the financial year ended 31 October 2004.

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 will also ensure that the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements are adhered to by the Company.

PROSPECTS

Going forward and barring any unforeseen circumstances, the Board is fairly optimistic that the group will be able to make incremental improvement in the financial results in the next financial year. No major improvement is expected mainly due to the uncertainties of the political situation and terrorist threats in the Middle Eastern region.

The Group will continue its growth via the opening of more retail outlets in strategic locations in other major cities in China. We believe this will create the critical mass whereby we will be able to reap many benefits. We hope we will be able to have positive returns in the shortest gestation period as possible.

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 the future.

DATO' NOOR AHMAD MOKHTAR BIN HANIFF

Chairman

8 March 2005



YIKONI Gold outlet at Xin Jiang, China



The Management Team

chairman's statement



group structure

Corporate Governance Statement

The Board of Directors of Yikon Corporation Bhd is fully committed in ensuring that the Principles and Best Practices in Corporate Governance, as set out in the Malaysian Code on Corporate Governance, are applied and complied with across the Group, as a fundamental part of discharging its responsibilities 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 2004.

BOARD OF DIRECTORS

Composition and Balance

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

The Board 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 Chief Executive Director has overall responsibility for the group's business operation, organizational effectiveness and the implementation of Board policies and decision-making process of the Board. The Independent Non-Executive Directors fulfil their role by the exercise of independent judgement and objective participation in the proceedings and decision-making process of the Board.

The Board presently comprises of four (4) members, of whom two (2) are Executive Directors and two are Independent Non-Executive Directors. Given the nature and scope of the Group's operations, the Board is satisfied with the recommendation of the Nominating Committee at a meeting held on 27 December 2004 and agreed that the current size of the Board is adequate.

Board Meetings

The Board meets regularly on a quarterly basis, with additional meetings convened as necessary. During the financial year ended 31 October 2004, the Board held four (4) meetings to deliberate on various matters and to decide and advise on important issues.

Details of attendance record of Directors' at Board meetings are shown below.

Directors	30/12/03	29/03/04	25/06/04	28/09/04
Dato' Noor Ahmad Mokhtar Bin Haniff	✓	✓	✓	✓
Chin Kok On	✓	✓	✓	✓
Chin Poh On	✓	✓	✓	✓
Lai Kwang Hooi @ Lai Bah Eng	✓	✓	✓	✓

Supply of Information

All Directors are provided with an agenda and a set of Board papers to review prior to the Board meeting. Sufficient notice of all Board and Committee meetings is always given.

In discharging of their duties, Directors have unrestricted access to all information within the Group and utilized fully the advice and services of the Company Secretary as well as other professional advisors.

The Management of the Group is required to provide updates to the Board on the business matters relevant to the Group at the meeting to facilitate the Directors in making decision.

Board Committees

Three main committees were established by the Board 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

The Nominating Committee was set up on 16 September 2002. The 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 Nominating Committee assists the Board on the following functions:

1. Consider candidates and recommends to the Board candidates for Directorships.
2. Recommend candidates for Board committees to the Board.
3. Reviews the Board structure, size and composition and to assess the effectiveness of the Board.

The Nominating Committee will 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. The final decision on appointments will rest on the Board.

During the financial year ended 31 October 2004, the Committee held a meeting on 30 December 2003. All members were present.

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 the Annual General Meeting ("AGM"). The Articles further provide that the Directors shall retire from office at least once every three years and shall be eligible for re-election. At the last AGM held on 29 April 2004, Mr Chin Poh On retired and was re-elected to the Board.

Pursuant to Section 129(6) of the Companies Act 1965, Directors who are over the age of seventy (70) years shall retire at every AGM and may submit themselves for re-appointment to hold office until the next AGM. At the last AGM held on 29 April 2004, Mr Lai Kwang Hooi @ Lai Bah Eng retired in accordance with this section and was re-elected to the Board.

The Company Secretary ensured 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. 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 thirds of the Committee comprise of Non-Executive Directors.

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

During the financial year ended 31 October 2004, one meeting was held on 30 December 2003. All members were present.

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	34,000	60,384	590,384
Non-Executive Directors	60,000	-	-	-	-	60,000
Total	94,000	54,000	408,000	34,000	60,384	650,384

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

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM 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. In addition, they have also achieved the minimum CEP points as required under the Bursa Securities Listing Requirements. All the Directors had attended training programmes during the financial year under review. The programmes include corporate practices and governance for Company Directors, Updates on Latest Financial Instruments, investment strategies and international financial scandals, Risk Management and Principals & Best Practices for Independent Directors. The Company will see to it that the Directors continue to attend other relevant training programs to enhance their knowledge from time to time.

The Company maintains 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 recognizes the importance of regular and timely dissemination of material information and quarterly financial results to shareholders and investors of the Company.

Shareholders and investors are kept informed by the Company through press releases, annual report, announcements via Bursa Securities Link and other channels of communications. These will enable the shareholders, investors and members of the public to have updated information on the Group's performance and operations.

Annual General Meeting ("AGM")

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with shareholders and to inform shareholders and investors of current developments. Notice of AGM and the Annual Reports are sent out at least 21 days before the date of the meeting.

Shareholders are encouraged to enquire about issues and discuss matters with regards to the Group at the AGM. The Board members are in attendance to provide explanation to all shareholders queries.

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 the accounting standard in Malaysia and the provision 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 judgments and estimates.

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

State of Internal Control

The Internal Control Statement furnished on pages 19 and 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 2004, the Group has complied with all the Best Practices of Corporate Government 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. However, Dato' Noor Ahmad Mokhtar Bin Haniff, the Independent Non-Executive Chairman of the Company has subsequently been appointed to this position.

The Board does not have a formal schedule of matters reserved to it for decision. However, it has been the practice 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 22 February 2005.

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 2004. The Board of Directors at a meeting held on 27 December 2004 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 2004. 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	30/12/03	29/03/04	25/06/04	28/09/04
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, which highlighted the audit issues, recommendations and management's response. Discussed with management actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
- 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 Bursa Securities, 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 Senior Managers of the Company.
- Reviewed the related party transactions entered into by the Group.
- Reviewed and verified the allocation of options pursuant to the Employee Share Option Scheme.

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 the nomination 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 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 judgemental 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 external auditors, 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 situations 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 review and verify the allocation of shares to employees under the Employee Share Option Scheme.
11. To carry out such other responsibilities, functions or assignments as may be defined jointly by the Committee and the Board from time to time;
12. In compliance with Paragraph 15.17 of the Bursa Securities 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 Bursa Securities.

Membership

- a. The Committee shall be appointed by the Board of Directors from the Directors of the Company which fulfils the following requirements:
 - i. the committee must composed 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.
- 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 Bursa Securities 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 Company;
- 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. Share Buybacks, Options, Warrants or Convertible Securities

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

2. American Depository Receipt (ADR) Global Depository Receipt (GDR) Programme

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

3. 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.

4. Non-Audit Fees

During the financial year ended 31 October 2004, an amount of RM 7,400 was payable to the external auditors for non-audit services rendered.

5. 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.

6. Profit Guarantee

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

7. Material Contracts

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

8. Revaluation Policy on Landed Properties

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

Statement about the State of Internal Control

Pursuant to Paragraph 15.27(b) of Bursa Securities Listing Requirements, the Board of Directors of Yikon Corporation Bhd is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies (“Internal Control Guidance”) issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Malaysia Securities Berhad.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises the importance of a sound system of internal control and a structured risk management framework to good corporate governance. The Board affirms its overall responsibility for the Group’s systems of internal control and for reviewing the adequacy and integrity of those systems. Because of the limitations that are inherent in any system of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

RISK MANAGEMENT

The Board and management practice proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a level acceptable to the Board.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of internal audit function and has in place an adequately resourced internal audit unit. On 25 June 2004, the Group has outsourced its internal audit function to an independent professional accounting and consulting firm, Messrs. UHY Diong to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group’s systems of internal control.

The internal audit function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and weak controls to ensure that an adequate action plan has in place to improve the controls. For those areas with high risk and strong controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

Statement about the State of Internal Control (cont'd)

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- An established set of internal policies and procedures for operational, financial and human resource management, which is subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Regular visits to operating units by members of the Board and senior management.

Based on the internal auditors' report, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the period, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.24 of Bursa Securities Listing Requirements.

This statement is issued in accordance with a resolution of the Directors dated 22 February 2005.

SHARE CAPITAL AS AT 17 FEBRUARY 2005

Authorised	:	RM50,000,000
Issued and Fully paid-up	:	RM40,000,000
Class of Share	:	Ordinary Shares of RM1.00 each
Voting Right	:	One voting right for one ordinary share

ANALYSIS BY SIZE OF HOLDINGS AS AT 17 FEBRUARY 2005

Size of Holdings	No of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	2	0.09	100	0.00
100 - 1,000	1,494	71.11	1,486,500	3.71
1,001 - 10,000	467	22.23	1,982,600	4.96
10,001 - 100,000	109	5.19	3,379,200	8.45
100,001 - 1,999,999	25	1.19	11,171,600	27.93
2,000,000 - 40,000,000	4	0.19	21,980,000	54.95
TOTAL	2,101	100.00	40,000,000	100.00

DIRECTORS SHAREHOLDINGS AS AT 17 FEBRUARY 2005

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 17 FEBRUARY 2005

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 17 FEBRUARY 2005

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	Ong Yeow Fooi	1,293,000	3.23
6	Ng Cheong Wah	1,010,000	2.52
7	Lembaga Tabung Angkatan Tentera	1,000,000	2.50
8	Ng Sai Hwa	862,000	2.16
9	Maju Nominees (Tempatan) Sdn. Bhd. Pledged Securities Accounts For Wan Mohd Ismail Bin Wan Hussain	683,000	1.71
10	Mohd Haniff Bin Abd Aziz	538,300	1.35
11	Perbadanan Nasional Berhad	488,600	1.22
12	Lew Woo Sang @ Liew Woo Sang	480,000	1.20
13	Daniel Choong Yew Chee	474,500	1.19
14	Marion Chan @ Chan Choi Har	466,000	1.16
15	Cheah Tian Ping @ Cheah Tiang Kheng	400,000	1.00
16	Affin-ACF Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Ong Yeow Fooi	400,000	1.00
17	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Phnuah Farn Farn	400,000	1.00
18	Lim Chun Thang	395,000	0.99
19	Citicorp Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Wan Mohd Ismail Bin Wan Hussain	280,000	0.70
20	Loo Chee Hin	270,000	0.68
21	Teh Kay Yeow	253,900	0.63
22	Khoo Kay Seng Terry	253,000	0.63
23	Ng Geok Hua	200,000	0.50
24	Perbadanan Nasional Berhad	197,800	0.49
25	Citicorp Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Phnuah Farn Farn	184,700	0.46
26	HSBC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Koh Low @ Koh Kim Toon	171,000	0.43
27	Affin-ACF Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Wong Lai Kuen	164,400	0.41
28	Citicorp Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan King Tai @ Tan Khoon Hai	158,900	0.40
29	Affin-ACF Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tan King Tai @ Tan Khoon Hai	147,500	0.37
30	Chon Moi	100,000	0.25
	Total:	33,251,600	83.13

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Directors' report

for the year ended 31 October 2004

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 2004.

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/(loss) for the year	703,194	(218,358)

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 3% tax exempt dividend totalling RM1,200,000 in respect of the financial year ended 31 October 2003 on 28 May 2004.

The Directors do not recommend any dividend to be paid for the financial year under review.

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 RM1 each					
	Direct Interest			Deemed Interest		
	Balance at 1.11.2003	Allotment	Bought/ (Sold)	Balance at 31.10.2004	Balance at 1.11.2003	Balance at 31.10.2004
Chin Kok On	3,160,000	–	–	3,160,000	15,660,000	15,660,000
Chin Poh On	3,160,000	–	–	3,160,000	15,660,000	15,660,000
Dato' Noor Ahmad Mokhtar Bin Haniff	10,000	–	–	10,000	–	–
Lai Kwang Hooi @ Lai Bah Eng	10,000	–	–	10,000	–	–

DIRECTORS' INTEREST IN SHARES (cont'd)

Name of Directors	Number of options for ordinary shares of RM1 each			Balance at 31.10.2004
	Balance at 1.11.2003	Granted	(Exercised)	
Chin Kok On	–	400,000	–	400,000
Chin Poh On	–	400,000	–	400,000

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) by reason of a contract made by the Company or a related corporation 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:

- i. rental income of RM22,500 paid by a Director to a subsidiary before the disposal of a property by that subsidiary to the Director at RM750,000; and
- ii. rental expense of RM35,000 paid by a subsidiary to a company in which certain Directors have substantial financial interest.

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 apart from the issue of options pursuant to the Employees' Share Option Scheme ("ESOS").

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 apart from the issue of options pursuant to ESOS.

At an Extraordinary General Meeting held on 10 October 2003, the Company's shareholders approved the establishment of an ESOS of not more than 10% of the issued share capital of the Company, to eligible employees of the Group.

The options granted to take up unissued ordinary shares of RM1 each and the option price are as follows:

Date of offer	Option price RM	Number of options over ordinary shares of RM1 each			Balance at 31.10.2004
		Balance at 1.11.2003	Granted and accepted	Lapsed due to resignation/ termination (Exercised)	
20.11.2003	1.21	–	3,328,000	(778,000)	2,550,000

OPTIONS GRANTED OVER UNISSUED SHARES (cont'd)

The Company applied to the Companies Commission of Malaysia for the exemption of Section 169(11) of the Companies Act, 1965. Approval has been granted from the authority to exclude the disclosure of details of the employees to whom the option has been granted, other than the details of the employees who have been granted 60,000 or more ordinary shares. The details are as follows:

Name	Number of options over ordinary shares of RM1 each				Balance at 31.10.2004
	Balance at 1.11.2003	Granted	(Exercised)	Lapsed due to resignation	
Chin Kok On	–	400,000	–	–	400,000
Chin Poh On	–	400,000	–	–	400,000
Lew Woo Sang	–	250,000	–	–	250,000
Kong Kai Yuen	–	120,000	–	–	120,000
Lee Chong Keat	–	60,000	–	–	60,000
Othman Bin Desa	–	60,000	–	–	60,000

The external auditors have verified the allocation of options granted during the financial year.

The salient features of the ESOS are as follows:

- i. The total number of shares to be offered under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of ESOS;
- ii. The ESOS shall continue to be in force for a period of five (5) years commencing from 11 November 2003 ("Option period");
- iii. The option is personal to the grantee and is not assignable, transferable, disposable or changeable except for certain conditions provided for in the Bye-Laws;
- iv. Eligible persons are employees and executive Directors of the Group who have been confirmed on the date of offer and falls within any other criteria that the ESOS Committee may from time to time determine at its discretion;
- v. Each offer shall be in multiple of 100 options and accepted in multiples of 100 shares;
- vi. The option price shall be the higher of the following :
 - a. a discount of not more than 10% on the weighted average market price of the shares as quoted and shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five (5) Market Days preceding the date of the offer; and
 - b. the par value of the shares.
- vii. The options granted do not confer any dividend or other distribution declared to the shareholders as at a date which precedes the date of exercise of the option and will be subject to all the provisions of the Articles of Association of the Company; and
- viii. In the event of any alteration in the capital structure of the Company during the Option period, whether by way of capitalisation of profits or reserves, rights issues, reduction of capital, subdivision, consolidation of shares or otherwise howsoever, taking places, such corresponding alterations (if any) shall be made in the number of shares relating to the unexercised Options and Option price.

SIGNIFICANT EVENT DURING THE YEAR

On 6 February 2004, a subsidiary, Yikon (HK) Ltd, incorporated a wholly-owned subsidiary, Yikoni Gold (Shen Zhen) Co. Ltd. and subscribed for all of its paid-up share capital of 8,200,000 shares of RMB1 per share at par, for cash.

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, or
- 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, the results of the operations of the Group and of the Company for the financial year ended 31 October 2004 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
Penang,
22 February 2005

CHIN POH ON

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 30 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 2004 and the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

CHIN KOK ON

Penang,
22 February 2005

CHIN POH ON

Statutory declaration pursuant to

Section 169(16) of the Companies Act, 1965

I, **Chin Kok On**, 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 30 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 22 February 2005)

CHIN KOK ON

BEFORE ME:

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

Report of the auditors to the members of

Yikon Corporation Bhd (Company No. 527272 - V)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 30 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 2004 and the results of their operations 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 their 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.

Without qualifying our opinion, as disclosed in Note 5 to the financial statements, no provision has been made for gold held in the custody of customers weighing approximately 0.113MT with an estimated market value of RM5,876,000 which has been long outstanding for more than the normal lending period given, of which the Directors are of the opinion that they are recoverable based on the past dealing experiences with these customers.

KPMG

Firm Number: AF 0758
Chartered Accountants

Ng Swee Weng

Partner
Approval Number: 1414/03/06 (J/PH)

Penang,
22 February 2005

Consolidated Balance Sheet

at 31 October 2004

	Note	2004 RM	2003 RM
Property, plant and equipment	2	20,224,582	18,684,648
Current assets			
Inventories	4	8,819,138	2,364,228
Trade and other receivables	5	41,337,991	43,268,362
Tax recoverable		2,102,248	1,500,498
Cash and cash equivalents	6	5,467,871	4,964,658
		57,727,248	52,097,746
Current liabilities			
Trade and other payables	7	13,463,488	6,542,182
Borrowings	8	13,272,000	10,491,000
		26,735,488	17,033,182
Net current assets		30,991,760	35,064,564
		51,216,342	53,749,212
Financed by:			
Capital and reserves			
Share capital	9	40,000,000	40,000,000
Reserves	10	8,187,106	8,722,120
Shareholders' funds		48,187,106	48,722,120
Negative goodwill	11	1,664,856	3,329,712
Long term and deferred liabilities			
Deferred tax liabilities	12	1,364,380	1,697,380
		51,216,342	53,749,212

The financial statements were approved and authorised for issue by the Board of Directors on 22 February 2005.

The notes set out on pages 38 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 2004

	Note	2004 RM	2003 RM
Revenue	13	44,429,159	54,798,526
Cost of goods sold		(39,674,814)	(48,189,766)
Gross profit		4,754,345	6,608,760
Administrative expenses		(5,447,492)	(3,786,696)
Other operating expenses		(155,230)	(896,048)
Other operating income		2,573,786	2,284,681
Operating profit	14	1,725,409	4,210,697
Finance costs	16	(1,221,372)	(1,434,006)
Profit before tax		504,037	2,776,691
Tax expense	17	199,157	(837,903)
Net profit for the year		703,194	1,938,788
Basic earnings per ordinary share (sen)	18	1.758	4.847
Diluted earnings per ordinary share (sen)	18	1.757	4.847
Gross dividend per ordinary share (sen)	19	-	3.00

The notes set out on pages 38 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Statement of Changes In Equity

for the year ended 31 October 2004

	Share Capital	Share Premium	Exchange Fluctuation Reserve	Retained Profits	Total
	RM	RM	RM	RM	RM
At 1 November 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
Translation of the opening net investment in foreign subsidiaries at year end's exchange rate #	–	–	(38,208)	–	(38,208)
Net profit for the year	–	–	–	703,194	703,194
2003 first and final dividend - 3% tax exempt	–	–	–	(1,200,000)	(1,200,000)
At 31 October 2004	40,000,000	4,720,018	(38,208)	3,505,296	48,187,106

represents net loss not recognised in the consolidated income statement.

The notes set out on pages 38 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 2004

	2004	2003
	RM	RM
Cash flows from operating activities		
Profit before tax	504,037	2,776,691
Adjustments for:		
Depreciation	1,643,658	1,059,396
Gain on disposal of property, plant and equipment	(52,483)	–
Interest expense	1,221,372	1,434,006
Interest income	(489,318)	(601,711)
Impairment loss	118,657	118,657
Recognition of negative goodwill	(1,664,856)	(1,664,856)
Operating profit before working capital changes	1,281,067	3,122,183
(Increase)/Decrease in:		
Inventories	(6,454,911)	(2,228,738)
Trade and other receivables	1,921,767	1,847,651
Increase in trade and other payables	6,912,132	2,885,408
Cash generated from operations	3,660,055	5,626,504
Interest received	489,318	601,711
Interest paid	(1,221,372)	(1,434,006)
Tax paid	(735,593)	(2,138,731)
Net cash generated from operating activities	2,192,408	2,655,478
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	750,000	–
Purchase of property, plant and equipment	(3,999,841)	(7,210,445)
Net cash used in investing activities	(3,249,841)	(7,210,445)
Cash flows from financing activities		
Bankers' acceptances, net	2,781,000	4,491,000
Repayment of hire purchase	–	(1,383)
Dividend paid	(1,189,214)	(3,200,000)
Net cash generated from financing activities	1,591,786	1,289,617
Exchange differences on translation of the financial statements of foreign operations	(20,965)	–
Net increase/(decrease) in cash and cash equivalents	513,388	(3,265,350)
Cash and cash equivalents at beginning of year	4,964,658	8,230,008
Foreign exchange differences on opening balance	(10,175)	–
Cash and cash equivalents at end of year	5,467,871	4,964,658

NOTE

Cash and cash equivalents

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

	2004	2003
	RM	RM
Short term deposits with licensed banks	2,200,000	1,850,000
Cash and bank balances	3,267,871	3,114,658
	5,467,871	4,964,658

The notes set out on pages 38 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

Balance Sheet

at 31 October 2004

	Note	2004	2003
		RM	RM
Investments in subsidiaries	3	22,403,422	22,403,422
Amount due from subsidiaries	5	22,211,621	23,653,432
Current assets			
Other receivables	5	1,000	1,000
Tax recoverable		12,000	–
Cash and cash equivalents	6	42,280	36,010
		55,280	37,010
Current liabilities			
Other payables	7	117,939	123,122
		117,939	123,122
Net current liabilities		(62,659)	(86,112)
		44,552,384	45,970,742
Financed by:			
Capital and reserves			
Share capital	9	40,000,000	40,000,000
Reserves	10	4,552,384	5,970,742
Shareholders' funds		44,552,384	45,970,742

The notes set out on pages 38 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 2004

	Note	2004 RM	2003 RM
Revenue	13	675	1,534,463
Administrative expenses		(219,033)	(242,006)
Other operating expenses		–	(39,031)
(Loss)/Profit before tax	14	(218,358)	1,253,426
Tax expense	17	–	(8,591)
Net (loss)/profit for the year		(218,358)	1,244,835

The notes set out on pages 38 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 2004

	Share Capital RM	Share Premium RM	Retained Profits/ (Accumulated Loss) RM	Total RM
At 1 November 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
Net loss for the year	-	-	(218,358)	(218,358)
2003 first and final dividend - 3% tax exempt	-	-	(1,200,000)	(1,200,000)
At 31 October 2004	40,000,000	4,720,018	(167,634)	44,552,384

The notes set out on pages 38 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 2004

	2004	2003
	RM	RM
Cash flows from operating activities		
(Loss)/Profit before tax	(218,358)	1,253,426
Adjustment for:		
Interest income	(675)	(34,463)
Operating (loss)/profit before working capital changes	(219,033)	1,218,963
Increase in other receivables	–	62,336
(Decrease)/Increase in other payables	(15,969)	51,333
Cash (used in)/generated from operations	(235,002)	1,332,632
Interest received	675	34,463
Tax paid	(12,000)	(20,591)
Net cash (used in)/generated from operating activities	(246,327)	1,346,504
Cash flows from investing activities		
Purchase of investments	–	(4,799)
Repayments by/(Advances to) subsidiaries	1,441,811	(5,788,011)
Net cash generated from/(used in) investing activities	1,441,811	(5,792,810)
Cash flows from financing activities		
Dividend paid	(1,189,214)	(3,200,000)
Net cash used in financing activities	(1,189,214)	(3,200,000)
Net increase/(decrease) in cash and cash equivalents	6,270	(7,646,306)
Cash and cash equivalents at beginning of year	36,010	7,682,316
Cash and cash equivalents at end of year	42,280	36,010

NOTES

Cash and cash equivalents

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

	2004	2003
	RM	RM
Short term deposits with licensed banks	–	35,389
Cash and bank balances	42,280	621
	42,280	36,010

The notes set out on pages 38 to 57 form an integral part of, and should be read in conjunction with, these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous years except for the adoption of MASB 29, Employee Benefits.

Apart from the new policy and extended disclosures where required by this new standard, there is no material effect on these financial statements.

a. 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.

b. 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 of 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.

c. 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.

Negative goodwill is recognised as income on a straight line basis over a period of 3 years from 1 November 2002.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d. 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.

Short term leasehold land is amortised in equal instalments over the lease period of 50 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

e. Impairment

The carrying amount of 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.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it 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.

f. Investments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g. 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.

h. Trade and other receivables

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

i. 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, if any.

j. Liabilities

Borrowings and trade and other payables are stated at cost.

k. 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.

l. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

m. 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.

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:

	2004	2003
	RM	RM
USD	3.80	3.80
HKD	0.49	0.48
RMB	0.46	0.46

n. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o. Finance costs

All interest and other costs incurred in connection with borrowings are expensed as incurred.

p. Employee benefits

i. Short term employee benefits

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

ii. Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

iii. Equity and equity-related compensation benefits

The share option programme allows Group employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

2. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Short 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 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
Additions	-	-	1,071,738	1,690,756	978,781	258,566	-	-	3,999,841
Disposal	-	(473,000)	(308,267)	-	-	-	-	-	(781,267)
Reclassification	-	-	1,225,168	-	-	-	-	(1,225,168)	-
Exchange difference	-	-	-	-	(79)	-	-	-	(79)
At 31 October 2004	2,600,000	1,408,000	9,418,638	12,256,238	1,819,434	1,342,314	23,584	355,972	29,224,180
Depreciation									
At 1 November 2003	-	-	-	-	-	-	-	-	-
- Accumulated depreciation	248,029	-	454,803	5,274,252	429,976	780,118	15,202	-	7,202,380
- Accumulated impairment loss	-	-	-	-	-	-	-	118,657	118,657
Charge for the year	248,029	-	454,803	5,274,252	429,976	780,118	15,202	118,657	7,321,037
Impairment loss for the year	51,999	-	376,608	820,017	287,616	105,058	2,360	-	1,643,658
Disposal	-	-	-	-	-	-	-	118,657	118,657
Exchange difference	-	-	(83,750)	-	-	-	-	-	(83,750)
At 31 October 2004	-	-	-	-	(4)	-	-	-	(4)
- Accumulated depreciation	300,028	-	747,661	6,094,269	717,588	885,176	17,562	-	8,762,284
- Accumulated impairment losses	-	-	-	-	-	-	-	237,314	237,314
	300,028	-	747,661	6,094,269	717,588	885,176	17,562	237,314	8,999,598
Net book value									
At 31 October 2004	2,299,972	1,408,000	8,670,977	6,161,969	1,101,846	457,138	6,022	118,658	20,224,582
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
Charge For The Year									
Ended 31 October 2003	15,886	-	88,364	663,527	72,511	216,750	2,358	-	1,059,396
- Depreciation	-	-	-	-	-	-	-	118,657	118,657
- Impairment loss	-	-	-	-	-	-	-	-	-

Notes to the Financial Statements (cont'd)

31 October 2004

3. Investments in subsidiaries - Company

	2004	2003
	RM	RM
- Unquoted shares, at cost	22,403,422	22,403,422

Details of the subsidiaries are as follows:

Name of Company	Place of Incorporation	Percentage of Equity Held		Principal Activity
		2004	2003	
		%	%	
Yikon Jewellery Industry Sdn. Bhd.	Malaysia	100	100	Manufacture and export of gold jewellery and ornaments
Yikoni Gold Sdn. Bhd.	Malaysia	100	100	Trading of gold jewellery and ornaments
Yikon (HK) Ltd. ("YHK") *	Hong Kong	100	100	Investment holding, distributing and trading of gold jewellery and ornaments
Subsidiaries of YHK				
Yikoni Gold (Shan Xi) Co. Ltd. *	Republic of China	100	100	Trading of gold jewellery and ornaments
Yikoni Gold (Shen Zhen) Co. Ltd. ("YSZ") *	Republic of China	100	–	Trading of gold jewellery and ornaments

* Subsidiaries not audited by KPMG

YSZ was incorporated in February 2004. For the financial year ended 31 October 2004, YSZ incurred a net loss of RM535,303.

For the financial year ended 31 October 2004, YSX has incurred a loss before tax of RM189,000. The auditors' report of YSX has been rendered an emphasis of matter on its going concern.

Notwithstanding the above, the financial statements of YSX has been prepared on the going concern basis which is dependant on the achievability of future profitable operation and on the continued financial support of the creditors and holding company.

4. INVENTORIES - GROUP

	2004	2003
	RM	RM
At cost		
Trading inventories	8,746,349	2,239,846
Manufactured inventories	72,789	124,382
	8,819,138	2,364,228

5. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Trade receivables	7,181,857	5,018,993	-	-
Less : Allowance for doubtful debts	(300,000)	(300,000)	-	-
	6,881,857	4,718,993	-	-
Other receivables				
- Other receivables, deposits and prepayments	34,756,134	38,849,369	1,000	1,000
Less : Allowance for doubtful debts	(300,000)	(300,000)	-	-
	34,456,134	38,549,369	1,000	1,000
	41,337,991	43,268,362	1,000	1,000
Amount due from subsidiaries	-	-	22,211,621	23,653,432

Included in other receivables, deposits and prepayment of the Group was an amount of RM27.4 million (2003: RM36.5 million) representing deposits paid for consignment of gold totalling 1.051MT (2003: 1.216MT) from the gold bullion traders and financial institutions. Gold consigned from these gold bullion traders is charged at interest ranging from 0.8% to 1.7% (2003: 0.8% to 1.7%).

As at balance sheet date, gold totalling approximately 0.872MT (2003: 0.954MT) 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 (2003: RM45 million) of which a total of approximately 0.113MT with an estimated market value of RM5,876,000 has been long outstanding for more than the normal lending period given, of which no provision has been made and the Directors are of the opinion that they are recoverable.

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

Notes to the Financial Statements (cont'd)

31 October 2004

6. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Short term deposits with licensed banks	2,200,000	1,850,000	–	35,389
Cash and bank balances	3,267,871	3,114,658	42,280	621
	5,467,871	4,964,658	42,280	36,010

7. TRADE AND OTHER PAYABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables	4,413,707	–	–	–
Other payables and accrued expenses	9,042,401	6,534,802	111,482	116,665
Amount due to a Director	7,380	7,380	6,457	6,457
	13,463,488	6,542,182	117,939	123,122

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

8. BORROWINGS - GROUP

	2004 RM	2003 RM
Current		
Unsecured		
Bankers' acceptances	13,272,000	10,491,000

Interest is charged ranging from 2.82% to 3.64% (2003 : 2.90% to 3.96%).

9. SHARE CAPITAL

	2004	2003
	RM	RM
Ordinary shares of RM1 each		
Authorised	50,000,000	50,000,000
Issued and fully paid	40,000,000	40,000,000

10. RESERVES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Non-distributable				
Share premium	4,720,018	4,720,018	4,720,018	4,720,018
Exchange fluctuation reserve	(38,208)	-	-	-
Distributable				
Retained profits/ (Accumulated loss)	3,505,296	4,002,102	(167,634)	1,250,724
	8,187,106	8,722,120	4,552,384	5,970,742

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 RM49,000 and RM300,000 respectively from its retained profits if paid out as dividends.

11. NEGATIVE GOODWILL - GROUP

	2004	2003
	RM	RM
At 1 November	3,329,712	4,994,568
Recognised in the income statement (Note 14)	(1,664,856)	(1,664,856)
At 31 October	1,664,856	3,329,712

Notes to the Financial Statements (cont'd)

31 October 2004

12. DEFERRED TAX LIABILITIES - GROUP

	2004	2003
	RM	RM
At 1 November	1,697,380	1,220,380
Recognised in the income statement (Note 17)	(333,000)	477,000
At 31 October	1,364,380	1,697,380

The recognised deferred tax liabilities are as follows:

	2004	2003
	RM	RM
Property, plant and equipment		
- Capital allowances	1,081,968	1,076,000
- Revaluation	621,380	621,380
Unabsorbed capital allowances	(150,833)	-
Provisions	(188,135)	-
	1,364,380	1,697,380

13. REVENUE

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Interest income	675	34,463	675	34,463
Dividend income	-	-	-	1,500,000
Sale of gold	30,961,368	41,639,000	-	-
Sale of gold jewellery and ornaments	2,070,083	768,971	-	-
Workmanship charges	11,397,033	12,356,092	-	-
	44,429,159	54,798,526	675	1,534,463

14. OPERATING PROFIT

This has been arrived at:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
After charging:				
Auditors' remuneration	39,770	26,500	10,000	10,000
Directors of the Company				
- Fees	94,000	89,000	86,800	81,800
- Others	556,384	526,464	-	-
Other Directors				
- Fees	55,000	55,000	-	-
- Others	160,954	86,674	-	-
Depreciation (Note 2)	1,643,658	1,059,396	-	-
Impairment loss	118,657	118,657	-	-
Rental - machinery	38,510	36,300	-	-
- building	292,939	174,729	-	-
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
Interest income	489,318	601,711	675	34,463
Gain on foreign exchange - realised	185,681	-	-	-
- unrealised	149,907	-	-	-
Gain on disposal of property, plant and equipment	52,483	-	-	-
Rental income	22,500	48,250	-	-
Recognition of negative goodwill	1,664,856	1,664,856	-	-

Notes to the Financial Statements (cont'd)

31 October 2004

15. EMPLOYEE INFORMATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Staff costs	4,087,218	3,434,228	–	–

The number of employees of the Group and of the Company (including executive Directors) at the end of the year was 317 (2003 : 255) and Nil (2003 : Nil) respectively.

Staff costs of the Group include contributions to the Employees' Provident Fund and other defined contribution plans of RM326,462 (2003 : RM328,533).

Share option plan

The Group offers vested share options over ordinary shares to full time employees and executive Directors of the Group with more than one year's service. Movements in the number of share options held by employees are as follows:

	Group / Company	
	2004	2003
Outstanding at 1 November	–	–
Granted and accepted	3,328,000	–
Lapsed due to resignation/termination	(778,000)	–
Outstanding at 31 October	2,550,000	–

Details of share options granted during the year:

	2004	2003
Expiry date	10.11.2008	–
Exercise price per ordinary share (RM)	1.21	–
Aggregate proceeds if shares are issued (RM)	3,085,500	–

16. FINANCE COSTS - GROUP

	2004 RM	2003 RM
Bank overdrafts	1,670	1,630
Bankers' acceptances	346,485	653,679
Gold loan interest	766,250	776,141
Hire purchase	–	409
Standby letter of credit	106,967	2,147
	1,221,372	1,434,006

17. TAX EXPENSE

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Current tax expense				
- Current	97,308	222,000	-	-
- Prior year	36,535	138,903	-	8,591
	133,843	360,903	-	8,591
Deferred tax expense				
- Origination and reversal of temporary differences	18,000	476,000	-	-
- Prior year	(351,000)	1,000	-	-
	(333,000)	477,000	-	-
	(199,157)	837,903	-	8,591

Reconciliation of effective tax expense

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit/(Loss) before tax	504,037	2,776,691	(218,358)	1,253,426
Income tax using Malaysian tax rate	141,130	777,473	(61,140)	350,959
Non-deductible expenses	19,609	352,664	-	-
Tax exempt income	(466,160)	(481,119)	-	(434,959)
Tax incentives	(38,774)	(158,503)	-	-
Losses not allowable for set-off	459,503	207,485	61,140	84,000
	115,308	698,000	-	-
(Over)/Under provision in prior year	(314,465)	139,903	-	8,591
Tax expense	(199,157)	837,903	-	8,591

18. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM703,194 (2003: RM1,938,788) and on the weighted average number of ordinary shares outstanding during the year of 40,000,000 (2003: 40,000,000).

18. EARNINGS PER ORDINARY SHARE - GROUP (cont'd)**Diluted earnings per ordinary share**

The calculation of diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM703,194 (2003: RM1,938,788) and on the weighted average number of ordinary shares outstanding during the year of 40,020,902 (2003: 40,000,000) calculated as follows:

	2004	2003
Weighted average number of ordinary shares as above	40,000,000	40,000,000
Effect of share options	20,902	–
Weighted average number of ordinary shares (Diluted)	40,020,902	40,000,000

19. DIVIDEND - COMPANY

The first and final 3% tax exempt dividend totalling RM1,200,000 proposed in the last financial year 2003 was approved by the members in the last Annual General Meeting and accordingly, the amount has been appropriated from the retained profits in this financial year.

20. 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 based 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.

20. SEGMENTAL INFORMATION (cont'd)

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	Malaysia RM	Consolidated RM
2004				
Revenue from external customers				
by location of customers	26,356,416	18,056,405	16,338	44,429,159
Segment assets by location of assets	–	17,020,510	58,829,072	75,849,582
Capital expenditure by location of assets	–	932,800	3,067,041	3,999,841
2003				
Revenue from external customers				
by location of customers	53,635,402	1,163,124	–	54,798,526
Segment assets by location of assets	–	7,007,029	62,274,867	69,281,896
Capital expenditure by location of assets	–	73,411	7,137,034	7,210,445

21. SIGNIFICANT RELATED PARTY TRANSACTIONS - GROUP/COMPANY

21.1 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

21. SIGNIFICANT RELATED PARTY TRANSACTIONS - GROUP/COMPANY (cont'd)

21.2 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 of RM22,500 paid by a Director to a subsidiary before the disposal of a property by that subsidiary to the Director at RM750,000.
- b. rental expense of RM35,000 paid by a subsidiary to a company in which certain Directors have substantial financial interest.
- c. 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.

22. CAPITAL COMMITMENT - GROUP/COMPANY

	2004	2003
	RM'000	RM'000
Property, plant and equipment		
Contracted but not provided for	430	939
Approved but not contracted for	-	901

23. CONTINGENT LIABILITY, UNSECURED

Company

i. Corporate guarantees

The Company has given corporate guarantees to certain financial institutions for banking facilities granted to its subsidiary for a limit up to RM67.7 million (2003 : RM64.5 million) of which RM46.1 million (2003 : RM34.9 million) was utilised at balance sheet date.

ii. Continuing financial support

The Company has undertaken to provide continuing financial support to a subsidiary to enable it to meet its financial obligations as and when they fall due.

24. 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. 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 and the Company monitor and maintain 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.

24. 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
2004				
Financial assets				
Gold deposits placed with gold bullion traders	2.58	26,691,064	26,691,064	-
Short term deposit with a licensed bank	2.50	2,200,000	2,200,000	-
Cash at bank	1.00	1,789,223	1,789,223	-
Financial liabilities				
Bankers' acceptances	3.64	13,272,000	13,272,000	-
2003				
Financial assets				
Gold deposits placed with gold bullion traders	1.79	33,136,844	33,136,844	-
Short term deposit with a licensed bank	2.50	1,850,000	1,850,000	-
Cash at bank	1.00	41,426	41,426	-
Financial liabilities				
Bankers' acceptances	3.50	10,491,000	10,491,000	-
Company				
2003				
Financial assets				
Short term deposit with a licensed bank	2.50	35,389	35,389	-

24. FINANCIAL INSTRUMENTS (cont'd)

Fair values

Recognised financial instruments

The carrying amounts approximate fair values in respect of cash and cash equivalents, trade and other receivables, trade and other 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.

List of 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 annexed to a new 3 storey factory building / Office & Factory	66,447 / 57,546	10 / 2	Leasehold for 60 years expiring on 31.10.2053	9,937	(20.10.2000)
No. 122-4-1, 4th Floor, The Penang Gold and Jewellery Exchange Centre, Jalan Sungai, 10150 Penang.	A flatted factory unit/ Vacant	1,500	8	Freehold	346	(20.10.2000)
No. 11A, Lorong Kekabu 1, 11960 Pulau Pinang.	Double Storey Semi-Detached House / Staff Hostel	3,122 / 1,748	2	Freehold	399	18-10-2001
No. 9, Lorong Kekabu 1, 11960 Pulau Pinang	Double Storey Semi-Detached House / Vacant	3,423 / 1,748	2	Freehold	415	18-10-2001
No. 11, Lorong Kekabu, 11960 Pulau Pinang.	Double Storey Semi-Detached House / Rented	5,048 / 1,748	2	Freehold	505	18-10-2001
No. 2, Jalan Kekabu, 11960 Pulau Pinang.	Double Storey Semi-Detached House / Staff Hostel	2,648 / 1,748	2	Freehold	373	18-10-2001
No. 1, Lorong Kekabu, 11960 Pulau Pinang.	Double Storey Semi-Detached House / Staff Hostel	3,197 / 1,748	2	Freehold	403	18-10-2001

PROXY FORM

No. of Ordinary Shares Held

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 Fifth Annual General Meeting of the Company to be held at Kuang Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Wednesday, 30 March 2005 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 Dato' Noor Ahmad Mokhtar Bin Haniff, 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 Directors' fees.	-Resolution 4		
5.	To re-appoint Messrs. KPMG.	-Resolution 5		
6.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	-Resolution 6		

(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 March 2005.

.....
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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STAMP
HERE

TO

THE COMPANY SECRETARY

YIKON CORPORATION BHD. (527272-V)

SUITE 2-1, 2ND FLOOR, MENARA PENANG GARDEN

42A, JALAN SULTAN AHMAD SHAH

10050 PENANG, MALAYSIA.



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Plot 36, Bayan Lepas Industrial Estate, Phase 4, 11900 Penang, Malaysia.

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