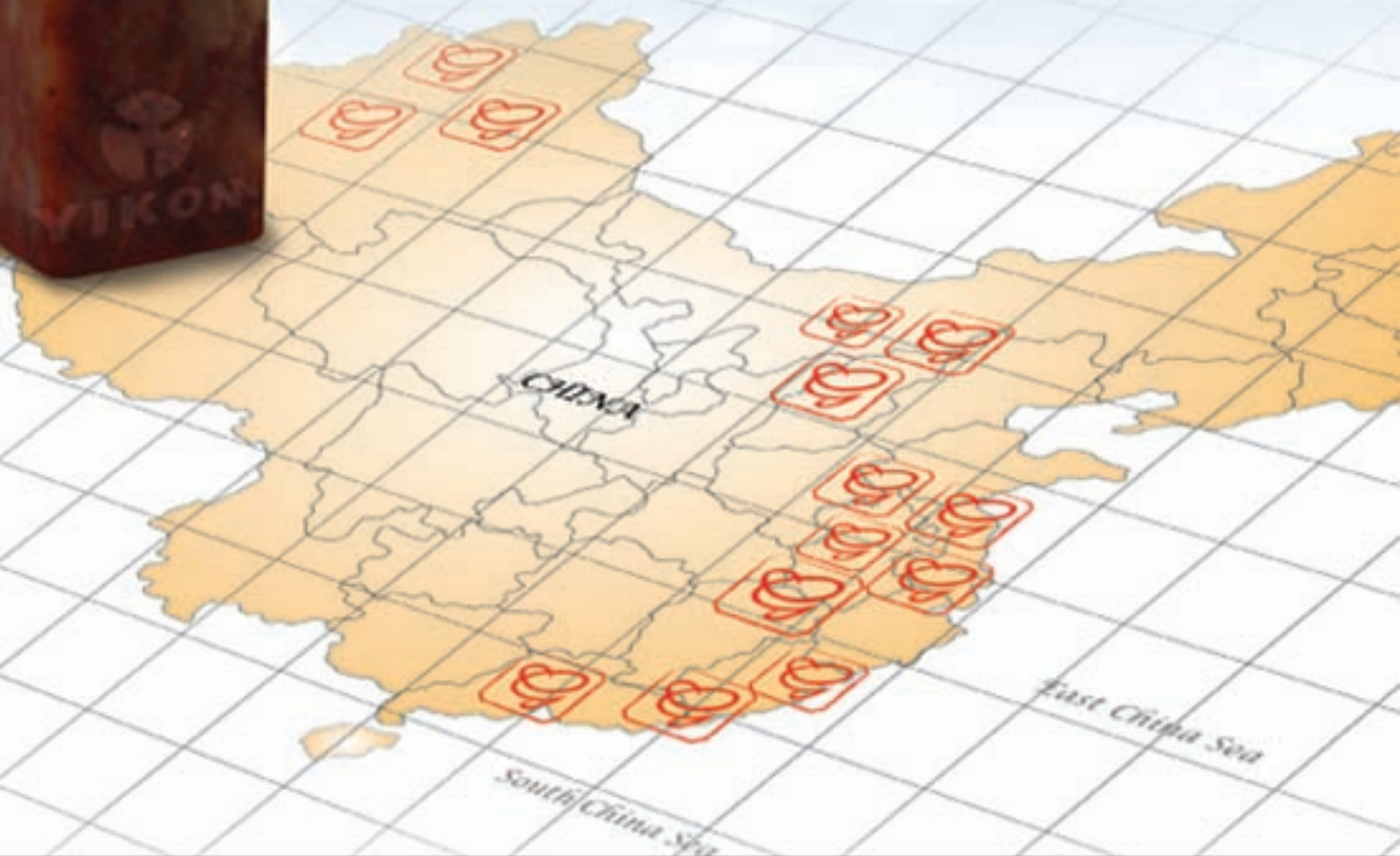




YIKON
CORPORATION BHD
(527272-V)

Expanding beyond our shores, increasing our global presence.



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at Kuang Room, Lobby Level, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Monday, 26 March 2007 at 11:30 a.m. for the following purposes:-

AGENDA

- | | | |
|-----|---|------------------------------|
| 1. | To receive and adopt the Audited Financial Statements for the year ended 31 October 2006 and Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| 2a. | To re-elect Mr. Chin Poh On, who retires pursuant to Article 133 of the Company's Articles of Association. | Ordinary Resolution 2 |
| 2b. | To re-elect the following persons who retire pursuant to Article 138 of the Company's Articles of Association:- | |
| | i. Encik Haniff Bin Dato' Mahmood | Ordinary Resolution 3 |
| | ii. Mr. Daniel Choong Yew Chee | Ordinary Resolution 4 |
| 2c. | To re-elect Mr. Lai Kwang Hooi @ Lai Bah Eng, who retires pursuant to Section 129 of the Companies Act, 1965. | Ordinary Resolution 5 |
| 3. | To approve Directors' fees for the year ended 31 October 2006. | Ordinary Resolution 6 |
| 4. | To re-appoint Messrs. KPMG and to authorise the Directors to fix their remuneration. | Ordinary Resolution 7 |
| 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 8



Notice of Annual General Meeting (cont'd)

6. As Special Business

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

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

“THAT the amendments to the Articles of Association of the Company contained in Appendix I be and are hereby approved.”

**Special
Resolution 1**

7. 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, 27 February 2007

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.
5. The details of the Directors standing for re-election as in Agenda 2 are as more particularly disclosed in Pages 9 and 10 of the Annual Report of the Company.

Explanatory Notes on Special Business:

1. The proposed Resolution 8, 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.
2. The Special Resolution 1, if passed, will amend the Articles of Association of the Company to be in compliance with the recent amendments to Chapter 7 of the Listing Requirements of Bursa Malaysia Securities Berhad.



Special Resolution 1

Proposed Amendments to the Articles of Association of the Company

"Appendix I"

THAT the Articles of Association of the Company be amended in the following manner:-

1a. Existing Article 2(1) (f), (j), (l) and (o)

	Words	Meanings
(f)	'Central Depository'	Malaysian Central Depository Sdn. Bhd. (165570-W)
(j)	'Depositor'	A holder of a Securities Account
(l)	'Exchange'	Kuala Lumpur Stock Exchange
(o)	'Listing Requirements'	The Listing Requirements of Kuala Lumpur Stock Exchange and any modification or amendment thereof that may be made from time to time

b. The existing Article 2(1) (f), (j), (l) and (o) be amended to read as follows:-

	Words	Meanings
(f)	'Central Depository'	Bursa Malaysia Depository Sdn. Bhd. (165570-W)
(j)	'Depositor'	A holder of a Securities Account established by the Central Depository
(l)	'Exchange'	Bursa Malaysia Securities Berhad
(o)	'Listing Requirements'	The Listing Requirements of Bursa Malaysia Securities Berhad and any modification or amendment thereof that may be made from time to time

2a. Existing Article 14(4)

"the total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time;"

b. The existing Article 14(4) be deleted in its entirety.



Special Resolution 1 (cont'd)

Proposed Amendments to the Articles of Association of the Company

3a. Existing Article 24

"Subject to the Act and these Articles, any preference shares may be issued on terms that they are, or at the option of the Company are liable to be redeemed on such terms and in such manner as may be provided for by these Articles. The total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time."

b. The last sentence of the existing Article 24 be deleted and henceforth Article 24 is to be read as follows:-

"Subject to the Act and these Articles, any preference shares may be issued on terms that they are, or at the option of the Company are liable to be redeemed on such terms and in such manner as may be provided for by these Articles."

4a. Existing Article 26(2)

"Preference shareholders must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up."

b. The existing Article 26(2) be deleted in its entirety.

5a. Existing Article 45

"The Company may at the Directors' discretion require the Central Depository to suspend the registration of transfer at such times and for such periods as the Directors may from time to time determine, not exceeding in the whole thirty (30) days in any calendar year. At least twelve (12) Market Days' notice of such closure shall be given to the Exchange stating the period and the purpose of such closure. In this respect, the Company shall give notice in accordance with the Rules to the Central Depository to enable the Central Depository to prepare the appropriate Records of Depositors."

b. The present Article 45 be amended by replacing the word "twelve (12)" with "ten (10)" to read as follows:-

"The Company may at the Directors' discretion require the Central Depository to suspend the registration of transfer at such times and for such periods as the Directors may from time to time determine, not exceeding in the whole thirty (30) days in any calendar year. At least ten (10) Market Days' notice of such closure shall be given to the Exchange stating the period and the purpose of such closure. In this respect, the Company shall give notice in accordance with the Rules to the Central Depository to enable the Central Depository to prepare the appropriate Records of Depositors."

Special Resolution 1 (cont'd)

Proposed Amendments to the Articles of Association of the Company

6a. Existing Article 50

"The Register of Members may be closed at such time and for such period as the Directors may from time to time determine PROVIDED ALWAYS that they shall not be closed for more than thirty (30) days in any year. Any notice of intention to fix a books closing date and the reason therefor shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange. Such notice shall state the books closing date, which shall be at least twelve (12) clear market days after the date of notification to the Exchange, and the address of the share registry at which documents will be accepted for registration. In relation to such closure, the Company shall give written notice, in accordance with the Rules to prepare the appropriate Record of Depositors."

- b. *The present Article 50 be amended by replacing the words "twelve (12) clear market days" with "ten (10) Market Days" to read as follows:-*

"The Register of Members may be closed at such time and for such period as the Directors may from time to time determine PROVIDED ALWAYS that they shall not be closed for more than thirty (30) days in any year. Any notice of intention to fix a books closing date and the reason therefore shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange. Such notice shall state the books closing date, which shall be at least ten (10) Market Days after the date of notification to the Exchange, and the address of the share registry at which documents will be accepted for registration. In relation to such closure, the Company shall give written notice, in accordance with the Rules to prepare the appropriate Record of Depositors."

7a. Existing Article 80(3)

"The Company shall also request the Central Depository in accordance with the Rules of the Central Depository, to issue a Record of Depositors, as at a date not less than three (3) market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors")."

- b. *The existing Article 80(3) be amended to read as follows:-*

"The Company shall also request the Central Depository in accordance with the Rules of the Central Depository, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than three (3) Market Days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors")."



Special Resolution 1 (cont'd)

Proposed Amendments to the Articles of Association of the Company

8a. *Existing Article 114*

“All the Directors shall be natural persons.”

b. *The existing Article 114 be deleted in its entirety.*

9a. *Existing Article 142(1)*

“becomes bankrupt or enters into any arrangement or composition with his creditors generally;”

b. *The existing Article 142(1) be amended to read as follows:-*

“becomes of unsound mind or bankrupt during his term of office;”

10a. *Existing Article 142(3)*

“becomes of unsound mind or lunatic in Malaysia or elsewhere or an order is made by any court or other competent authority claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a committee or other person (by whatever name called) to exercise powers with respect to his property and/or affairs;”

b. *The existing Article 142(3) be deleted in its entirety.*

11a. *Existing Article 142(7)*

“is absent from more than fifty percent (50%) of the total Board of Directors’ Meeting held during a financial year.”

b. *The existing Article 142(7) be deleted in its entirety.*

Corporate Information

BOARD OF DIRECTORS

Dato' Noor Ahmad Mokhtar Bin Haniff
(Chairman / Independent Non-Executive Director)
Haniff Bin Dato' Mahmood
(Vice Chairman / Independent Non-Executive Director)
Chin Kok On
(Managing Director)
Chin Poh On
(Executive Director)
Daniel Choong Yew Chee
(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

EMPLOYEES' SHARE OPTION SCHEME (ESOS) COMMITTEE

Dato' Noor Ahmad Mokhtar Bin Haniff
Chairman
Chin Kok On
Member
Lew Woo Sang
Member
Chin Poh On
Member (Alternate to Chin Kok On)
Othman Bin Desa
Member (Alternate to Lew Woo Sang)

REGISTERED OFFICE

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

SHARE REGISTRAR

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

COMPANY SECRETARY

Lam Voon Kean (MIA 4793)

AUDITORS

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

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd
RHB Bank Berhad
EON Bank Berhad
CIMB Bank Berhad
AmBank Berhad

STOCK EXCHANGE LISTING

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



Directors' Profiles

DATO' NOOR AHMAD MOKHTAR BIN HANIFF

Dato' Noor Ahmad Mokhtar Bin Haniff, aged 67, 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 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 service, he gained wide experience whilst holding various positions and sat on numerous councils dealing with economic planning, investment, tourism, education and environment conservation matters in the state of Penang.

Currently he holds directorships in several public companies, namely, Yikon Corporation Bhd (YCB), Globetronics Technologies Bhd, Eurospan Holdings Berhad and Karensoft Technology Berhad.

Dato' Mokhtar attended all Board Meetings held during the financial year ended 31 October 2006.

HANIFF BIN DATO' MAHMOOD

Haniff Bin Dato' Mahmood, aged 45, was appointed to the Board as the Vice Chairman/Independent Non-Executive Director on 8 May 2006.

En. Haniff completed his secondary school education in La Salle Secondary School, Petaling Jaya, Selangor in 1978 before he embarked on his career in business. He has gained wide experience in the various industries namely in tourism & travel, telecommunications, infrastructure works, aqua-farming and recreational sports. In 1997, En. Haniff, who is a member of BUMITRA (Association of Bumiputra Travel Agents) was involved in the development of Bumiputra's involvement in the travel industry. In year 2003, En. Haniff was involved in the aqua-farming sector whereby he brought together the Malaysian Government and a local bio-tech company to successfully improve the yield of an aquaculture project in the Northern region of the country.

In the area of recreational sports, En. Haniff introduced the game of paintball to Malaysians and Malaysia to the world at large as the paintball hub of Asia. In year 2003, En Haniff was instrumental in launching the Paintball Asia League Series (PALS). This League has been internationally recognised as a major league of the Asia region. Apart from these, En. Haniff was also involved in organizing other major international events such as the Nation Cup 2004 and the Asia Pacific Paintball Championship 2005. The success of the mentioned events led Malaysia to be the host of the World Cup Asia 2006 and the endorsement received from the Ministry of Tourism has made World Cup Asia as one of the top 50 events for the Visit Malaysia Year 2007.

Currently, En. Haniff heads a telecommunication company and is also a director of several private limited companies.

En. Haniff attended two out of the total three Board Meetings held during the financial year ended 31 October 2006 since his date of appointment.

CHIN KOK ON

Chin Kok On, aged 44, is the founder and Managing Director of the Company and was appointed to the Board on 2 March 2002. He has over 20 years of vast experience in the gold jewellery business. Coupled with his entrepreneur skills, he has steered the Group from a small-scale goldsmith to become one of the leading gold jewellery manufacturers and exporters in Malaysia. He is responsible for the overall sales and marketing as well as strategic planning of the Group. He also sits on the Board of several private limited companies.

Mr. Chin attended all the Board Meetings held during the financial year ended 31 October 2006.



Directors' Profiles (cont'd)

CHIN POH ON

Chin Poh On, aged 43, is the Executive Director of the Company and was appointed to the Board on 2 March 2002. He has more than 20 years of extensive experience and knowledge in the gold jewellery business. He participates in trade exhibitions to broaden his knowledge and to keep himself abreast with the latest development in the manufacturing technology in relation to the gold jewellery industry.

His responsibilities include overseeing the production sections and manufacturing 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.

Mr. Chin attended all the Board Meetings held during the financial year ended 31 October 2006.

DANIEL CHOONG YEW CHEE

Daniel Choong Yew Chee, aged 38, was appointed to the Board as an Executive Director on 8 May 2006. He graduated from the University of Newcastle with a Masters in Business Administration.

Mr. Daniel Choong has more than 10 years of wide experience in diamonds, precious stones trading and precious metal industry. He started his business career by running his family business involved in the extraction and marketing of limestone under license granted to Paramount Limestone Private Limited. Subsequently he expanded the family business into one of the leading gold jewellery and ornaments manufacturers and traders in Malaysia.

Currently, Mr. Daniel Choong sits on the Board of several private limited companies.

Mr. Daniel Choong attended two out of the total three Board Meetings held during the financial year ended 31 October 2006 since his date of appointment.

LAI KWANG HOOI @ LAI BAH ENG

Lai Kwang Hooi @ Lai Bah Eng, aged 74, 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 and a Member of the Malaysian Institute of Accountants in 1973.

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

Mr. Lai attended all the Board Meetings held during the financial year ended 31 October 2006.

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 20.
4. None of the Directors has been convicted for any offences within the past 10 years other than for traffic offences if any.



Chairman's Statement

On behalf of the Board of Directors of Yikon Corporation Bhd, it is my pleasure to present the Annual Report and Audited Accounts of the Group for the financial year ended 31 October 2006.

Financial Performance

The Group achieved a turnover of RM229 million and a profit before tax of RM0.449 million for the financial year ended 31 October 2006, an increase of 197% and a reduction of 35% respectively as compared to the preceding financial year. The increase in turnover is due mainly to the higher sales of gold and the increase in gold price during the period. Expansion in China also contributed to the increase in revenue. Business remains competitive especially in the Middle East market. The overall operations in both the manufacturing and retail in China have improved as compared to the preceding year. The higher profit before tax in the previous year, as compared to the current year, is due to the negative goodwill enjoyed by the Group which has been fully recognised.

Operations Review

Demand for gold jewellery remained low throughout the financial year, an extension of last year's sluggish demand. Gold price continued to rise during the financial year under review, up from a 17 year high of USD 475.50 per ounce in October 2005, touching a high of about USD 730 per ounce. The volatility of gold price continues to be a concern for many consumers and investors alike. The political uncertainty in the Middle East remains a major factor to the recovery of business sentiments there. The high oil price is also a major factor that contributed to the increase in gold price.

The contracts to manufacture gold wafers that were secured by the company did not progress as planned. The wafer supply was stopped due to the internal problems faced by the customers. We hope that these problems would be resolved as soon as possible so that the business can continue as planned. Nevertheless, part of the completed orders contributed to the profits of the Group for the first two financial quarters.

The retail outlets in China have increased further from 10 in the previous financial year to 14 as at the date of this report. Three of the outlets with performance which were below expectations were relocated. The Group continues to focus on expansion in 3 strategic provinces in China, namely, Xin Jiang, Shan Xi and Jiang Su.

Corporate Social Responsibility

The Company realises the importance of its social responsibility and started its humble contributions during the financial year. The Company organised a blood donation campaign in its factory in Bayan Lepas, Penang in August 2006. Further to that the Company together with its employees contributed 800 cartons of mineral water for the flood victims in Johor. This contribution was timely as it was sent to Johor just before the occurrence of the second round of floods in January 2007.



Chairman's Statement (cont'd)

Dividends

The Board of Directors does not recommend any dividend for the financial year ended 31 October 2006.

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 the requirements of the Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements are complied with by the Company.

Prospects

The Middle East market is expected to pick up slightly as compared to the previous year. This will, however, depend highly on the stability of the oil prices, gold prices and the political situation worldwide. The Group will continue to build its presence in the China Jewellery Retail sector. Barring any unforeseen circumstances, the Board of Directors expects the Group to perform slightly better than the previous financial year.

Appreciation

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

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

DATO' NOOR AHMAD MOKHTAR BIN HANIFF

Chairman

10 February 2007



Group Structure



YIKON JEWELLERY INDUSTRY SDN BHD

Manufacture and export of gold jewellery and ornaments.

100%

YIKONI GOLD SDN BHD

Manufacture and trading of gold jewellery and ornaments.

100%

YIKONI DIAMOND SDN BHD

Trading of gold jewellery and ornaments.

100%

YIKON (HK) LTD

Investment holdings, distributing and trading of gold jewellery and ornaments.

100%

YIKONI GOLD (SHEN ZHEN) CO LTD

Trading of gold jewellery and ornaments.

100%



Corporate Governance Statement

The Board of Directors of Yikon Corporation Bhd recognises the importance of maintaining good corporate governance as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value. The Board is thus fully committed in adherence towards the Principles and Best Practices in Corporate Governance, as set out in the Malaysian Code on Corporate Governance. The Group has adopted the key principles and practices that we deemed fit for our Group which operates in the nation as well as in the People's Republic of China.

The following statement sets out 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 2006.

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 Directors and the Managing Director who is the Chief Executive Officer. The Chief Executive Officer is responsible 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 contribute by the exercise of independent judgment and objective participation in the proceedings and decision-making process of the Board.

During the reporting financial year, the expansion of the operations as well as increase in the price of gold had posed new challenges to the Group. As a result, two additional directors, one Executive and one Non-Executive were appointed to the Board to meet the needs of the current prevailing business trend.

The Board presently comprises six (6) members, of whom three (3) are Executive Directors and the remaining are independent Non-Executive Directors. This composition makes up more than 1/3 of the Board memberships are independent and complied the directors' independence requirements set out under paragraph 15.02 of the Listing Requirements. The presence of adequate independent element provides fair and independent views to the Board. Given the nature and scope of the Group's operations, the Board is satisfied with the recommendation from the Nominating Committee and agreed that the current size of the Board is adequate at it's meeting held on 8 May 2006.

Board Meetings

The Board meets regularly on a quarterly basis, with additional meetings convened as required between the scheduled meetings. During the financial year ended 31 October 2006, the Board held seven (7) meetings to deliberate on various matters and to decide and advise on important issues.

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

Directors	28.12.05	21.02.06	29.03.06	08.05.06	26.06.06	31.07.06	27.09.06
Dato' Noor Ahmad Mokhtar Bin Haniff	√	√	√	√	√	√	√
Haniff Bin Dato' Mahmood	NA	NA	NA	NA	√	√	-
Chin Kok On	√	√	√	√	√	√	√
Chin Poh On	√	√	√	√	√	√	√
Daniel Choong Yew Chee	NA	NA	NA	NA	√	√	-
Lai Kwang Hooi @ Lai Bah Eng	√	√	√	√	√	√	√

Corporate Governance Statement (cont'd)

Supply of Information

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

In discharging of their duties, the 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 table updates to the Board in regards to business matters relevant to the Group at the meeting as well as other occasions. Verbal explanations and briefings are also provided by the management to enhance understanding of the matters. This is also to facilitate informed decision making by the Board.

Board Committees

Three main committees namely the Nominating, Remuneration and Audit Committees were empowered by the Board with approved terms of reference to put forward recommendations and report to the Board. Final decision making has been always the responsibility of the Board.

Nominating Committee

The Nominating Committee was set up on 16 September 2002 with the main objective of ensuring the process of nominating and appointing of Board members is fair and transparent. The Committee comprises of two Independent Non-Executive Directors. Mr. Lai Kwang Hooi @ Lai Bah Eng is the Chairman of the Committee and Dato' Noor Ahmad Mokhtar Bin Haniff is a member. 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 shall hold at least one meeting per year in carrying out an annual review of the above. The final decision on appointments rests on the Board.

During the year, the Nominating Committee has evaluated and recommended two new appointees to the Board who were subsequently appointed as additional members to the Board. The appointment process was transparent and consistent with the Articles of Association of the Company. The Company secretary has ensured that the appointment was properly made and all legal and regulatory obligations were accordingly met.

During the financial year ended 31 October 2006, two meeting was held on 28 December 2005 and 8 May 2006 respectively whereby all committee 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. The Articles further provide that all the Directors shall retire from office at least once every three years and shall be eligible for re-election. At the last Annual General Meeting held on 29 March 2006, Mr. Chin Kok 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 annual general meeting and may submit themselves for re-appointment to hold office until the next annual general meeting. At the last Annual General Meeting held on 29 March 2006, Mr. Lai Kwang Hooi @ Lai Bah Eng retired in accordance with this section and was re-elected to the Board.

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

Corporate Governance Statement (cont'd)

Remuneration Committee

The Remuneration Committee was formed on 16 September 2002. The Committee comprises Dato' Noor Ahmad Mokhtar Bin Haniff who is the Chairman, Mr. Lai Kwang Hooi @ Lai Bah Eng and Mr. Chin Kok On. Two third of the Committee are Non-Executive Directors.

The Remuneration Committee recommends, to the Board for approval the remuneration package of Directors. Individual performance, the Group profitability and responsibilities of the Directors as well as prevailing market rates in the market are taken into consideration in determining the remuneration package for executive and non-executives directors. This is to ensure that rewards commensurate with their contribution to the growth of the Group.

The Remuneration Committee shall hold at least one meeting per year. During the financial year ended 31 October 2006, two meetings were held on 28 December 2005 and 8 May 2006 respectively. All members were present.

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

Category	Fees	Allowance	Salaries	Bonuses	EPF	Total
Executive Directors	42,000	65,548	802,355	34,000	109,104	1,053,007
Non-Executive Directors	86,000	15,000	-	-	-	101,000
Total	128,000	80,548	802,355	34,000	109,104	1,154,007

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

Range of Remuneration RM	Number of Directors	
	Executive	Non-Executive
50,000 and below	-	2
50,001 – 100,000	-	1
100,001 – 150,000	-	-
150,001 – 200,000	1	-
200,001 – 250,000	-	-
250,001 – 300,000	-	-
300,001 – 350,000	-	-
350,001 – 400,000	-	-
400,001 – 450,000	1	-
450,001 – 500,000	1	-

Employees' Share Option Scheme Committee (ESOS)

The ESOS Committee was appointed by the Board on 3 November 2003 with the principal objective to administer the ESOS in accordance with the By-Laws. The Committee comprises Dato' Noor Ahmad Mokhtar Bin Haniff who is the Chairman, Mr. Chin Kok On, Mr. Lew Woo Sang, Mr. Chin Poh On (alternate to Mr. Chin Kok On) and Mr. Othman Bin Desa (alternate to Mr. Lew Woo Sang).

The ESOS Committee is empowered to administer the Scheme in such manner as it shall in its discretion deem fit subject to the provisions of the By-Laws.

Corporate Governance Statement (cont'd)

Three batches of options have been granted to take up unissued ordinary shares of RM1 each of the Company and the details are as follows:

Date of offer	Option price (RM)	Number of options
20.11.2003	1.21	3,328,000
07.06.2005	1.66	966,800
22.09.2005	2.51	870,400

Directors' Training

As of the date of this statement, all the Directors have duly complied with the Listing Requirements in relation to the Mandatory Accreditation Programme. Subsequent to the repeal of the Continuing Education Programme in 2005 and the inception of the new requirement that the Board identifies and determines the training needs of its members, the Directors will continue to undergo other relevant training programs to enhance their knowledge where relevant. Apart from that, frequent visits to the various operational sites have equipped the Directors with a thorough understanding of the Group's operations.

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

As such, the Company through press releases, annual report, announcements via Bursa LINK and other channel of communications promptly delivers announcements on important events and financial performance of the Company to the shareholders and investors.

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. During the meeting, the Chairman of the Board addresses the questions from the shareholders on the Group's operations in the reporting financial year as well as its prospects for the next financial year. It has been the Company's practice to send notice of AGM and the Annual Reports to its shareholders at least 21 days before the date of the meeting.

Corporate Governance Statement (cont'd)

ACCOUNTABILITY AND AUDIT

Financial Reporting

With assistance of Audit Committee in reviewing the annual financial statements and quarterly financial results, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

Directors' Responsibility Statement

The Board has the responsibility to ensure that the financial statements gives a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and the results and cash flows of the Company and Group for the financial year. In preparing the financial statements, the Directors have ensured that accounting standards in Malaysia and the 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 Board recognises the importance of its role in maintaining a sound system of internal control whereby shareholders' investment and the Company's assets can be safeguarded.

The Internal Control Statement furnished on pages 23-24 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 a formal 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 is responsive to the auditors' enquiries and their recommendations in order to ensure compliance with the approved accounting standards in preparing the Company's financial statements.

Corporate Social Responsibility

The Board recognises the importance of safety, health and environment as well as community responsibilities in conducting its business operations.

During the year, the Company has worked with the General Hospital of Penang State in carrying out a blood donation campaign in the factory. The campaign was successful with the good support from the employees. In additions, the Company and its staff have contributed some daily necessities to the victims suffering in the flood happen in the South of Malaysia.

In the year ahead, the Board will continue to participate and encourage its employees to involve in other charity activities.

Compliance Statement

The Group has complied with all the Best Practices of Corporate Governance set out in Part 2 of the Code on a continuing basis except for the following:-

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 10 February 2007.

Audit Committee Report

MEMBERS

The Committee consists of three (3) members of which two (2) 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. The composition of the Committee remains the same throughout the financial year ended 31 October 2006. A meeting was held on 27 December 2006 whereby the terms of office and performance of the members of the Audit Committee has been reviewed and the Board 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

Five (5) meetings were convened by the Audit Committee during the financial year ended 31 October 2006. 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 upon invitation.

The attendance at the meetings is tabled as below:

Directors	28.12.05	21.02.06	29.03.06	26.06.06	27.09.06
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 and the audit report.
- Reviewed the Internal Audit programmes and plans for the financial year and the annual assessment of the Internal Auditor'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 status of Management-agreed action plan implementation for the previous internal audit findings.
- Reviewed the annual financial statements of the Group and the Company with the external auditors, prior to submission to the Board for their consideration and approval.
- Reviewed the Company's compliance, in particular, the quarterly and year end financial statements with the Listing Requirements of the 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 the allocation of shares under the ESOS.

Audit Committee Report (cont'd)

TERMS OF REFERENCE

Functions of the Audit Committee

1. To consider the appointment of external auditors, the audit fee and any question of resignation or dismissal including recommending and nominating of person or persons as external auditors;
2. To discuss with the external auditors when necessary on the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved;
3. To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing on:-
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgmental areas
4. To prepare the Audit Committee Report at the end of each financial year;
5. To discuss problems and reservations arising from the interim and final 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 situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
8. To review the Internal Auditor's programmes and plans for the financial year and the annual assessment of the Internal Auditor's performance;
9. To review the Internal Audit reports, which highlighted the audit issues, recommendations and management response and ensure that material findings are adequately addressed by management;
10. To carry out such other responsibilities, functions or assignments as may be defined jointly by the Committee and the Board from time to time;
11. In compliance with Paragraph 15.17 of the 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 the Bursa Securities; and
12. To verify the allocation of options pursuant to the ESOS of the Company in compliance with the criteria stipulated in the By-Laws.

Membership

- a. The Committee shall be appointed by the Board of Directors amongst 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.



Audit Committee Report (cont'd)

TERMS OF REFERENCE (cont'd)

Membership (cont'd)

- b. The members of the Committee shall elect a Chairman from among themselves who is an independent director.
- c. No alternate director should be appointed as a member of the Committee.
- d. In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of the 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

During the financial year, there were no Warrants or Convertible Securities issued by the Company. However, 1,318,800 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's ESOS.

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 2006, an amount of RM 7,520 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.



Internal Control Statement

Pursuant to Paragraph 15.27(b) of the Listing Requirements of Bursa Securities, the Board of Directors of Yikon Corporation Bhd is pleased to provide the following statement on the state of internal control of the Group. This statement takes into consideration the recommendations of the “Statement on Internal Control: Guidance for Directors of Public Listed Companies (“Internal Control Guidance””, a publication of the Task Force on internal control.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises the importance of a sound system of internal control and a structured risk management framework on good corporate governance. The Board affirms its overall responsibility for the Group’s system of internal control and for reviewing the adequacy and integrity of these systems. Because of the limitations that are inherent in any system of internal control, these 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 continues to maintain a sound system of internal control to ensure reasonable assessment and management of risk through internal operating procedures, company guidelines and policies as well as compliance with applicable laws and regulations. This system has been in place throughout the financial year under review.

RISK MANAGEMENT

The Board and Management are mindful of measures required to identify risks residing in any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment. Adequate risk management processes are in place within the operation in Malaysia as well as in the People’s Republic of China. In view of the changing business environment, the management continues to improve the measures which are deployed on appropriate risk response strategies and controls. This is to ensure risk is properly monitored and managed to an acceptable level.

INTERNAL AUDIT FUNCTION

The Board is fully aware of the importance of the internal audit function and has outsourced this function to an independent professional accounting and consulting firm, which provides much of the assurance the Board requires regarding the effectiveness as well as the adequacy and integrity of the Group’s systems of internal control.

During the financial year under review, periodic internal audits were carried out by the internal auditor based on an audit plan presented to and approved by the Audit Committee. The internal audit focused on the review of existing controls in key operations to ensure the adequacy and integrity of the controls. Internal audit findings, with recommendations for improvement and Management’s comments were incorporated in the audit reports and circulated to members of the Audit Committee who considered the implementation of action plans to address control deficiencies noted.

In addition, follow up on the implementation of recommendation of the preceding audit findings was carried out to update the Audit Committee on status of Management-agreed action plan implementation.

Internal Control Statement (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 a well-defined scope 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 reviews and improvement;
- Regular and comprehensive information is provided to Management, covering financial and operational performance and key business indicators, for effective monitoring and decision making; and
- Regular visits to operating units are made by members of the Board and Senior Management.
- Regular management meetings chaired by the Executive Director are conducted to review the financial performance, credit control, business development and deliberate on operational issues.

Weakness in Internal Controls that Result in Material Losses

Based on findings in the internal auditors' report for the financial year ended 31 October 2006, the Board is of the opinion that the general system of internal control is adequate and appeared to be working satisfactorily. A number of minor internal control weaknesses were identified during the year, all of which have been, or are being, addressed by Management. However, none of the weaknesses in the internal control system 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 is issued in accordance with a resolution of the Directors dated 10 February 2007.



Analysis of Shareholdings

As at 25 January 2007

DIRECTORS' SHAREHOLDINGS - AS AT 25 JANUARY 2007

No.	Name	Direct interest		Deemed interest	
		No. of Shares	%	No. of Shares	%
1.	Dato' Noor Ahmad Mokhtar Bin Haniff	-	-	-	-
2.	Haniff Bin Dato' Mahmood	-	-	-	-
3.	Chin Kok On*	3,800,000	8.96	3,263,000	7.70
4.	Daniel Choong Yew Chee	898,000	2.12	326,000	0.77
5.	Chin Poh On*	3,800,000	8.96	3,263,000	7.70
6.	Lai Kwang Hooi @ Lai Bah Eng	1,000	0.00	-	-

By virtue of their interests of more than 15% in 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 160,000 shares in the Company pursuant to Yikon Corporation Bhd. Employees' Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS - AS AT 25 JANUARY 2007

No.	Name	Direct interest		Deemed interest	
		No. of Shares	%	No. of Shares	%
1.	Profound Era Sdn. Bhd.	3,263,000	7.70	-	-
2.	Chin Kok On	3,800,000	8.96	3,263,000	7.70
3.	Chin Poh On	3,800,000	8.96	3,263,000	7.70
4.	Rosline Ang @ Ang Poh Hiok	3,907,500	9.22	2,027,100	4.78

YIKON CORPORATION BHD.

AUTHORISED SHARE CAPITAL	: RM50,000,000
ISSUED AND FULLY PAID-UP CAPITAL	: RM42,400,800
CLASS OF SHARE	: Ordinary shares of RM1 each fully paid
VOTING RIGHT	: On a show of hands one vote for every shareholder On a poll one vote for every ordinary share held

DISTRIBUTION OF SHAREHOLDINGS - AS AT 25 JANUARY 2007

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	2	0.22	100	0.00
100 - 1,000	566	60.73	285,400	0.67
1,001 - 10,000	202	21.67	781,200	1.84
10,001 - 100,000	94	10.09	3,041,700	7.18
100,001 - 2,120,039	65	6.97	27,429,400	64.69
2,120,040 - 42,400,800	3	0.32	10,863,000	25.62
TOTAL	932	100.00	42,400,800	100.00

Analysis of Shareholdings (cont'd)

As at 25 January 2007

THIRTY LARGEST SHAREHOLDERS

No	Name	No. of Shares	% of Issued Share Capital
1.	Chin Poh On	3,800,000	8.96
2.	Chin Kok On	3,800,000	8.96
3.	Profound Era Sdn. Bhd.	3,263,000	7.70
4.	Daniel M Holdings Sdn. Bhd.	2,027,100	4.78
5.	Paramsothy A/L A Sivapakiam	2,019,700	4.76
6.	Chandrasekar A/L Velusamy	2,004,100	4.73
7.	Rosline Ang @ Ang Poh Hiok	1,657,400	3.91
8.	AmSec Nominees (Tempatan) Sdn. Bhd. AmMerchant Bank Bhd for Rosline Ang @ Ang Poh Hiok (9970-1101)	1,200,000	2.83
9.	Khoo Ban Sean Benny	1,156,400	2.73
10.	Chon Moi	1,146,000	2.70
11.	RC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Rosline Ang @ Ang Poh Hiok (T)	1,000,100	2.36
12.	Krishnan A/L Ramasamy	962,000	2.27
13.	Top-Gold Resources Sdn. Bhd.	960,000	2.26
14.	RC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Yan Huat (T)	663,100	1.56
15.	RC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Eng Yan Chun @ Ng Yan Chan (T)	639,800	1.51
16.	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khoo Ban Sean Benny	500,000	1.18
17.	Khoo Kay Seng Terry	497,700	1.17
18.	Jeffrey Loh Boon Hong	454,300	1.07
19.	HDM Nominees (Asing) Sdn. Bhd. UOB Kay Hian Pte. Ltd. for Seah Swee Hock	419,000	0.99
20.	RC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Daniel Choong Yew Chee (M)	394,800	0.93
21.	Wan Mohd Ismail Bin Wan Hussain	358,000	0.84
22.	Loh Wee Keong	354,300	0.84
23.	Jeanne Maznah Merican	330,000	0.78
24.	Lim Choon Huat	305,000	0.72
25.	Tan Sek Yin	300,000	0.71
26.	Azizah Binti Ali	300,000	0.71
27.	AmSec Nominees (Tempatan) Sdn. Bhd. AmMerchant Bank Bhd for G-Vest Corporation Sdn. Bhd.(9977-1101)	300,000	0.71
28.	Ng Lam Shen	278,300	0.66
29.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG London	272,400	0.64
30.	Chang Meng Chien	251,200	0.59
	TOTAL:	31,613,700	74.56

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Directors' Report

for the year ended 31 October 2006

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 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

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

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

RESULTS

	Group RM	Company RM
Net profit for the year	205,855	125,418

RESERVES AND PROVISIONS

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

DIVIDEND

No dividend was paid since the end of the previous financial year and the Directors do not recommend any dividend to be paid for the 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	
Haniff Bin Dato' Mahmood	(Appointed on 8.5.2006)
Daniel Choong Yew Chee	(Appointed on 8.5.2006)

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 Director	Ordinary shares of RM1 each			Balance at 31.10.2006
	Balance at 1.11.2005 / *	Direct interest		
		Bought	(Sold)	
Chin Kok On	3,560,000	240,000	–	3,800,000
Chin Poh On	3,560,000	240,000	–	3,800,000
Lai Kwang Hooi @ Lai Bah Eng	5,000	–	(4,000)	1,000
Daniel Choong Yew Chee	*898,000	–	–	898,000
Deemed interest				
Name of Director	Balance at 1.11.2005	Bought	(Sold)	Balance at 31.10.2006
Chin Kok On	10,660,000	–	(7,397,000)	3,263,000
Chin Poh On	10,660,000	–	(7,397,000)	3,263,000
Daniel Choong Yew Chee	*326,000	–	–	326,000

Directors' Report (cont'd)

for the year ended 31 October 2006

DIRECTORS' INTEREST IN SHARES (CONT'D)

Name of Director	Number of options for ordinary shares of RM1 each			Balance at 31.10.2006
	Balance at 1.11.2005	Granted	(Exercised)	
Chin Kok On	400,000	–	(240,000)	160,000
Chin Poh On	400,000	–	(240,000)	160,000

*At date of appointment

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 expense of RM67,452 paid by a subsidiary to a company in which certain Directors have substantial financial interests; and
- ii. rental expense of RM4,872 paid by a subsidiary to a Director.

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 issuance of options pursuant to the Employees' Share Option Scheme ("ESOS") of the Company.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM40,975,500 to RM42,294,300 through the issuance of 1,318,800 new ordinary shares of RM1.00 each as follows :

	Option price RM	No. of ordinary shares of RM1.00 each issued
Exercise of options under ESOS	1.21	842,800
	1.66	231,300
	2.51	244,700

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issuance of options pursuant to the ESOS of the Company.

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.

Directors' Report (cont'd)

for the year ended 31 October 2006

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

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 31.10.2006
		Balance at 1.11.2005	Granted and accepted	Lapsed due to resignation/ termination	(Exercised)	
20.11.2003	1.21	1,743,400	–	(188,200)	(842,800)	712,400
07.06.2006	1.66	695,700	–	(54,800)	(231,300)	409,600
22.09.2006	2.51	870,400	–	(43,800)	(244,700)	581,900

There were no ESOS 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 the ESOS;
- ii. The ESOS shall continue to be in force for a period of five (5) years commencing 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 By-Laws;
- iv. Eligible persons are employees and Executive Directors of the Group who have been confirmed on the date of offer and fall 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 Bursa Malaysia Securities Berhad for the five (5) Market Days preceding the date of the offer; and
 - b. the par value of the shares.



Directors' Report (cont'd)

for the year ended 31 October 2006

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

- 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 place, such corresponding alterations (if any) shall be made in the number of shares relating to the unexercised Options and Option price.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 October 2006 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.

Directors' Report (cont'd)

for the year ended 31 October 2006

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

Chin Poh On

Penang,
Date: 12 February 2007



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 35 to 61 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 2006 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

Chin Poh On

Penang,
Date: 12 February 2007

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 35 to 61 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 at Georgetown in the State of Penang on 12 February 2007.

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 35 to 61. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statements presentation. 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 2006 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.

KPMG

Firm Number : AF 0758
Chartered Accountants

Lee Kean Teong

Partner
Approval Number : 1857/02/08 (J)

Penang,
Date: 12 February 2007



Consolidated Balance Sheet

at 31 October 2006

	Note	2006 RM	2005 RM
Property, plant and equipment	2	19,415,828	20,216,715
Current assets			
Inventories	4	26,699,268	10,723,093
Trade and other receivables	5	41,302,834	58,537,204
Tax recoverable		935,223	485,179
Cash and cash equivalents	6	24,116,542	4,088,635
		93,053,867	73,834,111
Current liabilities			
Trade and other payables	7	59,025,514	41,096,140
Borrowings	8	–	1,300,000
Provision for taxation		–	3,400
		59,025,514	42,399,540
Net current assets		34,028,353	31,434,571
		53,444,181	51,651,286
Financed by :			
Capital and reserves			
Share capital	9	42,294,300	40,975,500
Reserves	10	9,466,334	9,062,131
Shareholders' funds		51,760,634	50,037,631
Negative goodwill	11	–	–
Long term and deferred liabilities			
Deferred tax liabilities	12	1,683,547	1,613,655
		53,444,181	51,651,286

The financial statements were approved and authorised for issue by the Board of Directors on 10 February 2007

The notes set out on pages 44 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Income Statement

for the year ended 31 October 2006

	Note	2006 RM	2005 RM
Revenue	13	229,209,355	77,010,696
Cost of goods sold		(221,539,776)	(71,289,683)
Gross profit		7,669,579	5,721,013
Administrative expenses		(7,059,260)	(6,002,369)
Other operating expenses		(26,298)	(118,658)
Other operating income		740,332	2,185,691
Operating profit	14	1,324,353	1,785,677
Finance costs	16	(875,019)	(1,090,107)
Profit before tax		449,334	695,570
Tax expense	17	(243,479)	(369,364)
Net profit for the year		205,855	326,206
Basic earnings per ordinary share (sen)	18	0.491	0.806
Diluted earnings per ordinary share (sen)	18	0.481	0.791

The notes set out on pages 44 to 61 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 2006

	← Non-distributable →			Distributable	
	Share capital	Share premium	Exchange fluctuation reserve	Retained profits	Total
	RM	RM	RM	RM	RM
At 1 November 2004	40,000,000	4,720,018	(38,208)	3,505,296	48,187,106
Translation of the opening net investment in foreign subsidiaries at year end's exchange rate #	–	–	248,159	–	248,159
Issue of share capital (Note 9) – exercise of ESOS	975,500	300,660	–	–	1,276,160
Net profit for the year	–	–	–	326,206	326,206
At 31 October 2005	40,975,500	5,020,678	209,951	3,831,502	50,037,631
Translation of the opening net investment in foreign subsidiaries at year end's exchange rate #	–	–	(500,795)	–	(500,795)
Issue of share capital (Note 9) – exercise of ESOS	1,318,800	699,143	–	–	2,017,943
Net profit for the year	–	–	–	205,855	205,855
At 31 October 2006	42,294,300	5,719,821	(290,844)	4,037,357	51,760,634

represents net gain/(loss) not recognised in the consolidated income statement.

The notes set out on pages 44 to 61 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 2006

	2006 RM	2005 RM
Cash flows from operating activities		
Profit before tax	449,334	695,570
Adjustments for :		
Depreciation	1,977,969	1,864,374
Loss on disposal of property, plant and equipment	–	14,550
Interest expense	875,019	1,090,107
Interest income	(850,960)	(472,930)
Impairment loss	–	118,658
Recognition of negative goodwill	–	(1,664,856)
Plant and equipment written off	67,199	–
Gain on liquidation of a subsidiary	(35,310)	–
Operating profit before working capital changes	2,483,251	1,645,473
(Increase)/Decrease in :		
Inventories	(16,102,803)	(1,786,348)
Trade and other receivables	17,031,470	(17,076,437)
Increase in trade and other payables	17,979,605	27,540,201
Cash generated from operations	21,391,523	10,322,889
Interest received	850,960	472,930
Interest paid	(875,019)	(1,090,107)
Tax (paid)/refunded	(627,031)	1,500,380
Net cash generated from operating activities	20,740,433	11,206,092
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	–	32,968
Purchase of property, plant and equipment	(1,259,798)	(2,015,833)
Net outflow on liquidation of a subsidiary (Note A)	(7,218)	–
Net cash used in investing activities	(1,267,016)	(1,982,865)
Cash flows from financing activities		
Bankers' acceptances, net	(1,300,000)	(11,972,000)
Proceeds from issuance of shares	2,017,943	1,276,160
Net cash generated from/(used in) financing activities	717,943	(10,695,840)
Net increase/(decrease) in cash and cash equivalents	20,191,360	(1,472,613)
Cash and cash equivalents at beginning of year	4,088,635	5,467,871
Effect of exchange rates on cash and cash equivalents	(163,453)	93,377
Cash and cash equivalents at end of year (Note B)	24,116,542	4,088,635

Consolidated Cash Flow Statement (Cont'd)

for the year ended 31 October 2006

Note :

A. Analysis of liquidation of a subsidiary

	2006
	RM
Cash and bank balance/Net asset	7,218
Exchange fluctuation reserve realised	(42,528)
Gain on liquidation	35,310
	<hr/>
Consideration received	-
	<hr/>
Cash and cash equivalents disposed of	(7,218)
	<hr/>
Net outflow	(7,218)

B. Cash and cash equivalents

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

	2006	2005
	RM	RM
Short term deposits with a licensed bank	16,100,000	500,000
Short term investments in cash fund with financial institutions	4,578,296	-
Cash and bank balances	3,438,246	3,588,635
	<hr/>	<hr/>
	24,116,542	4,088,635

The notes set out on pages 44 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

Balance Sheet

for the year ended 31 October 2006

	Note	2006 RM	2005 RM
Investments in subsidiaries	3	22,403,424	22,403,422
Amount due from subsidiaries	5	24,059,526	24,699,302
Current assets			
Other receivables	5	1,000	1,000
Tax recoverable		69,000	18,000
Cash and cash equivalents	6	2,836,282	46,611
		2,906,282	65,611
Current liabilities			
Other payables	7	167,276	109,740
		167,276	109,740
Net current assets/(liabilities)		2,739,006	(44,129)
		49,201,956	47,058,595
Financed by :			
Capital and reserves			
Share capital	9	42,294,300	40,975,500
Reserves	10	6,907,656	6,083,095
Shareholders' funds		49,201,956	47,058,595

The notes set out on pages 44 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

Income Statement

for the year ended 31 October 2006

	Note	2006 RM	2005 RM
Revenue	13	505,929	2,000,784
Administrative expenses		(298,548)	(210,894)
Other operating income		37	161
Operating profit	14	207,418	1,790,051
Tax expense	17	(82,000)	(560,000)
Net profit for the year		125,418	1,230,051

The notes set out on pages 44 to 61 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 2006

	Share capital	Non- distributable Share premium	Distributable (Accumulated loss)/ Retained profits	Total
	RM	RM	RM	RM
At 1 November 2004	40,000,000	4,720,018	(167,634)	44,552,384
Issue of share capital (Note 9) – exercise of ESOS	975,500	300,660	–	1,276,160
Net profit for the year	–	–	1,230,051	1,230,051
At 31 October 2005	40,975,500	5,020,678	1,062,417	47,058,595
Issue of share capital (Note 9) – exercise of ESOS	1,318,800	699,143	–	2,017,943
Net profit for the year	–	–	125,418	125,418
At 31 October 2006	42,294,300	5,719,821	1,187,835	49,201,956

The notes set out on pages 44 to 61 form an integral part of, and should be read in conjunction with, these financial statements.



Cash Flow Statement

for the year ended 31 October 2006

	2006	2005
	RM	RM
Cash flows from operating activities		
Profit before tax	207,418	1,790,051
Adjustment for interest income	(5,929)	(784)
Operating profit before working capital changes	201,489	1,789,267
Decrease in other payables	57,536	(8,199)
Cash generated from operations	259,025	1,781,068
Interest received	5,929	784
Tax paid	(133,000)	(566,000)
Net cash generated from operating activities	131,954	1,215,852
Cash flows from investing activities		
Investment in a subsidiary	(2)	–
Repayments from/(Advances to) subsidiaries	639,776	(2,487,681)
Net cash generated from/(used in) investing activities	639,774	(2,487,681)
Cash flows from financing activities		
Proceeds from issuance of shares	2,017,943	1,276,160
Net cash generated from financing activities	2,017,943	1,276,160
Net increase in cash and cash equivalents	2,789,671	4,331
Cash and cash equivalents at beginning of year	46,611	42,280
Cash and cash equivalents at end of year	2,836,282	46,611

Note :

Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise cash and bank balances as disclosed in the balance sheet.

The notes set out on pages 44 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the 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.

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.

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.

Notes to the Financial Statements (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d. Property, plant and equipment (cont'd)

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 – 33.33
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.

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.

Notes to the Financial Statements (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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. Where forward exchange contracts have been arranged in respect of assets and liabilities, the contracted rates of exchange are used. 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 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 :

	2006	2005
	RM	RM
USD	3.69	3.76
HKD	0.47	0.49
RMB	0.46	0.47

Notes to the Financial Statements (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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. Interest income

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

iii. Dividend income

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

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's eligible employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

q. Derivative financial instruments

The Group uses derivative financial instruments including forward foreign exchange contracts, to hedge its exposure to foreign exchange risk arising from operational, financing and investment activities.

Derivative financial instruments (used for hedging purposes) are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

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 2005	2,600,000	1,408,000	9,637,841	12,837,070	2,088,257	2,175,714	23,584	355,972	31,126,438
Additions	-	-	2,300	434,760	713,688	109,050	-	-	1,259,798
Write-offs	-	-	-	(116,380)	(16,993)	-	-	-	(133,373)
Exchange differences	-	-	-	-	(22,745)	(1,123)	-	-	(23,868)
At 31 October 2006	2,600,000	1,408,000	9,640,141	13,155,450	2,762,207	2,283,641	23,584	355,972	32,228,995
Depreciation									
At 1 November 2005									
- Accumulated depreciation	352,028	-	1,132,042	6,956,487	1,044,917	1,048,357	19,920	-	10,553,751
- Accumulated impairment losses	-	-	-	-	-	-	-	355,972	355,972
	352,028	-	1,132,042	6,956,487	1,044,917	1,048,357	19,920	355,972	10,909,723
Charge for the year	52,000	-	395,357	867,167	362,674	298,413	2,358	-	1,977,969
Write-offs	-	-	-	(60,130)	(6,044)	-	-	-	(66,174)
Exchange differences	-	-	-	-	(8,199)	(152)	-	-	(8,351)
At 31 October 2006									
- Accumulated depreciation	404,028	-	1,527,399	7,763,524	1,393,348	1,346,618	22,278	-	12,457,195
- Accumulated impairment losses	-	-	-	-	-	-	-	355,972	355,972
	404,028	-	1,527,399	7,763,524	1,393,348	1,346,618	22,278	355,972	12,813,167
Net book value									
At 31 October 2006	2,195,972	1,408,000	8,112,742	5,391,926	1,368,859	937,023	1,306	-	19,415,828

Notes to the Financial Statements (cont'd)

2. PROPERTY, PLANT AND EQUIPMENT – GROUP (CONT'D)

	Short term leasehold land		Freehold land		Buildings		Plant and machinery		Furniture, fittings and office equipment		Motor vehicles		Mould		Capital work-in-progress		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost																		
At 1 November 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									
Additions	-	-	224,903	580,832	330,270	879,828	-	-	2,015,833									
Disposals	-	-	-	-	(70,141)	(47,871)	-	-	(118,012)									
Write-offs	-	-	(5,700)	-	-	-	-	-	(5,700)									
Exchange differences	-	-	-	-	8,694	1,443	-	-	10,137									
At 31 October 2005	2,600,000	1,408,000	9,637,841	12,837,070	2,088,257	2,175,714	23,584	355,972	31,126,438									
Depreciation																		
At 1 November 2004	300,028	-	747,661	6,094,269	717,588	885,176	17,562	-	8,762,284									
- Accumulated depreciation	-	-	-	-	-	-	-	-	237,314									
- Accumulated impairment losses	300,028	-	747,661	6,094,269	717,588	885,176	17,562	237,314	8,999,598									
Charge for the year	52,000	-	390,081	862,218	346,730	210,987	2,358	-	1,864,374									
Impairment loss for the year	-	-	-	-	-	-	-	-	118,658									
Disposals	-	-	-	-	(22,623)	(47,871)	-	-	(70,494)									
Write-offs	-	-	(5,700)	-	-	-	-	-	(5,700)									
Exchange differences	-	-	-	-	3,222	65	-	-	3,287									
At 31 October 2005	352,028	-	1,132,042	6,956,487	1,044,917	1,048,357	19,920	-	10,553,751									
- Accumulated depreciation	-	-	-	-	-	-	-	-	355,972									
- Accumulated impairment losses	352,028	-	1,132,042	6,956,487	1,044,917	1,048,357	19,920	355,972	10,909,723									
Net book value																		
At 31 October 2005	2,247,972	1,408,000	8,505,799	5,880,583	1,043,340	1,127,357	3,664	-	20,216,715									

Notes to the Financial Statements (cont'd)

3. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2006	2005
	RM	RM
– Unquoted shares, at cost	22,403,424	22,403,422

Details of the subsidiaries are as follows :

Name of company	Place of incorporation	Percentage of equity held		Principal activity
		2006 %	2005 %	
Yikon Jewellery Industry Sdn. Bhd.	Malaysia	100	100	Manufacture and export of gold jewellery and ornaments
Yikoni Gold Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of gold jewellery and ornaments
Yikon (HK) Ltd. (“YHK”) *	Hong Kong	100	100	Investment holding, distributing and trading of gold jewellery and ornaments
Yikoni Diamond Sdn. Bhd. (“YD”)	Malaysia	100	–	Trading of gold jewellery and ornaments
Subsidiaries of YHK				
Yikoni Gold (Shan Xi) Co. Ltd. (“YSX”) *	People’s Republic of China	–	100	Liquidated during the year
Yikoni Gold (Shen Zhen) Co. Ltd. (“YSZ”) *	People’s Republic of China	100	100	Trading of gold jewellery and ornaments

* Subsidiaries not audited by KPMG

4. INVENTORIES – GROUP

	2006	2005
	RM	RM
Raw materials	8,675,480	1,023,382
Manufactured inventories	4,226,720	187,329
Trading inventories	13,797,068	9,512,382
	26,699,268	10,723,093



Notes to the Financial Statements (cont'd)

5. TRADE AND OTHER RECEIVABLES

5.1 Trade and other receivables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables	26,875,475	25,168,252	-	-
Less : Allowance for doubtful debts	(478,439)	(300,000)	-	-
	26,397,036	24,868,252	-	-
Other receivables				
- Other receivables, deposits and prepayments	15,205,798	33,968,952	1,000	1,000
Less : Allowance for doubtful debts	(300,000)	(300,000)	-	-
	14,905,798	33,668,952	1,000	1,000
	41,302,834	58,537,204	1,000	1,000

5.2 Amount due from subsidiaries

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Amount due from subsidiaries	-	-	24,059,526	24,699,302

Included in other receivables, deposits and prepayments of the Group is an amount of RM6.8 million (2005 : RM27.5 million) representing deposits paid for consignment of gold totalling 0.341MT (2005 : 0.846MT) from gold bullion traders and financial institutions. Of this amount, RM6.5 million (2005 : RM27.1 million) is in respect of deposits which bears interest ranging from 2.5% to 4.75% (2005 : 2.5% to 3.0%) per annum.

As at balance sheet date, gold totalling approximately 0.299MT (2005 : 0.412MT) was in the custody of customers during the course of business, pending return at a later date. The market value of the gold as at balance sheet date was approximately RM21.4 million (2005 : RM24 million).

The normal credit period extended for credit sales vary from customer to customer and ranges from 30 days to 90 days.

The amount due from subsidiaries, which comprises long term advance, is non-trade in nature, unsecured, interest-free and is not receivable within the next twelve months.

Notes to the Financial Statements (cont'd)

6. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Short term investments in cash fund with financial institutions	4,578,296	–	2,823,693	–
Short term deposits with a licensed bank	16,100,000	500,000	–	–
Cash and bank balances	3,438,246	3,588,635	12,589	46,611
	24,116,542	4,088,635	2,836,282	46,611

Short term investments in cash fund with financial institutions are interest-bearing ranging from 3.23% to 3.52% (2005 : Nil) per annum.

7. TRADE AND OTHER PAYABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	36,385,778	23,249,281	–	–
Other payables and accrued expenses	7,264,595	6,259,253	167,276	109,740
Deposits from customers	15,375,141	11,587,606	–	–
	59,025,514	41,096,140	167,276	109,740

Trade payables include an amount of RM27,110,025 (2005 : RM21,761,102) in respect of gold bullion which bears interest ranging from 1.0% to 2.5% per annum.

8. BORROWINGS – GROUP

	2006 RM	2005 RM
Current		
Unsecured		
Bankers' acceptances	–	1,300,000

The borrowings was subjected to interest at rates ranging from 3.55% to 3.92% per annum for financial year ended 2005.

Notes to the Financial Statements (cont'd)

9. SHARE CAPITAL – GROUP AND COMPANY

	2006 RM	2005 RM
Ordinary shares of RM1 each		
Authorised	50,000,000	50,000,000
Issued and fully paid :		
Balance at 1 November	40,975,500	40,000,000
Exercise of ESOS	1,318,800	975,500
Balance at 31 October	42,294,300	40,975,500

The movements during the year in the number of options over the shares of the Company are disclosed in Note 15.

10. RESERVES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-distributable				
Share premium	5,719,821	5,020,678	5,719,821	5,020,678
Exchange fluctuation reserve	(290,844)	209,951	–	–
Distributable				
Retained profits	4,037,357	3,831,502	1,187,835	1,062,417
	9,466,334	9,062,131	6,907,656	6,083,095

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 its entire retained profits if paid out as dividends.

Notes to the Financial Statements (cont'd)

11. NEGATIVE GOODWILL – GROUP

	2006 RM	2005 RM
At 1 November	–	1,664,856
Recognised in the income statement (Note 14)	–	(1,664,856)
At 31 October	–	–

12. DEFERRED TAX LIABILITIES – GROUP

	2006 RM	2005 RM
At 1 November	1,613,655	1,364,380
Recognised in the income statement (Note 17)	69,892	249,275
At 31 October	1,683,547	1,613,655

The recognised deferred tax liabilities are as follows :

	2006 RM	2005 RM
Property, plant and equipment		
– Capital allowances	1,249,202	1,155,571
– Revaluation	621,380	621,380
Unabsorbed capital allowances	(7,167)	–
Provisions	(179,868)	(163,296)
	1,683,547	1,613,655

13. REVENUE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest income	247,876	784	5,929	784
Dividend income	–	–	500,000	2,000,000
Sale of gold jewellery and ornaments	228,961,479	77,009,912	–	–
	229,209,355	77,010,696	505,929	2,000,784

Notes to the Financial Statements (cont'd)

14. OPERATING PROFIT

This has been arrived at :

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
After charging :				
Auditors' remuneration				
– current year	51,687	42,820	12,000	12,600
– prior year	–	8,600	–	–
Directors of the Company				
– Fees	128,000	110,000	120,800	102,800
– Others	1,026,007	548,544	15,000	–
Other Directors				
– Fees	26,342	19,000	–	–
– Others	562,725	164,105	–	–
Depreciation (Note 2)	1,977,969	1,864,374	–	–
Impairment loss	–	118,658	–	–
Rental				
– machinery	46,500	46,800	–	–
– building	151,555	212,707	–	–
Allowance for doubtful debts	178,439	–	–	–
Loss on foreign exchange				
– realised	119,656	141,365	–	–
– unrealised	–	9,669	4,211	12,250
Loss on disposal of plant and equipment	–	14,550	–	–
Plant and machinery written off	67,199	–	–	–
and crediting :				
Dividend income from a subsidiary	–	–	500,000	2,000,000
Interest income	850,960	472,930	5,929	784
Gain on foreign exchange				
– realised	21,973	–	–	–
– unrealised	132,781	–	–	–
Gain on liquidation of a subsidiary	35,510	–	–	–
Rental income	49,400	19,720	–	–
Recognition of negative goodwill (Note 11)	–	1,664,856	–	–

Notes to the Financial Statements (cont'd)

15. EMPLOYEE INFORMATION

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Staff costs	5,474,247	5,467,609	–	–

The number of employees of the Group and of the Company (including Executive Directors) at the end of the year was 304 (2005 : 325) and Nil (2005 : Nil) respectively.

Staff costs of the Group include contributions to the Employees' Provident Fund and other defined contribution plans of RM494,243 (2005 : RM395,447).

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	
	2006	2005
Outstanding at 1 November	3,309,500	2,550,000
Granted and accepted	–	1,837,200
Lapsed due to resignation/termination	(286,800)	(102,200)
Exercised	(1,318,800)	(975,500)
Outstanding at 31 October	1,703,900	3,309,500

Details of share options granted during the year :

	2006	2005
Expiry date	–	10.11.2008
Exercise price per ordinary share (RM)	–	1.21 – 2.51
Aggregate issue proceeds (RM)	–	1,276,160
Fair value at date of issue (RM)	–	2,430,196

16. FINANCE COSTS – GROUP

	2006 RM	2005 RM
Bank overdrafts	–	1,762
Bankers' acceptances	51,923	145,568
Gold loan interest	631,977	747,920
Standby letters of credit	191,097	194,007
Others	22	850
	875,019	1,090,107

Notes to the Financial Statements (cont'd)

17. TAX EXPENSE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current tax expense				
– Current	176,000	119,643	82,000	560,000
– Prior year	(2,413)	446	–	–
	173,587	120,089	82,000	560,000
Deferred tax expense				
– Origination and reversal of temporary differences	59,610	142,970	–	–
– Prior year	10,282	106,305	–	–
	69,892	249,275	–	–
	243,479	369,364	82,000	560,000

Reconciliation of effective tax expense

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before tax	449,334	695,570	207,418	1,790,051
Income tax using Malaysian tax rate	73,712	185,231	58,077	501,214
Effect of different tax rate in foreign jurisdictions	155,438	–	–	–
Non-taxable income	(331,353)	–	–	–
Non-deductible expenses	278,788	136,411	–	–
Tax exempt income	–	(466,160)	–	–
Tax incentives	(175,314)	(78,913)	–	–
Deferred tax assets not recognised	39,937	–	–	–
Losses not allowable for set-off	166,740	486,044	23,923	58,786
Other items	27,662	–	–	–
	235,610	262,613	82,000	560,000
Under provision in prior year	7,869	106,751	–	–
Tax expense	243,479	369,364	82,000	560,000

Notes to the Financial Statements (cont'd)

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 RM205,855 (2005 : RM326,206) and on the weighted average number of ordinary shares outstanding during the year of 41,887,692 (2005 : 40,495,243).

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM205,855 (2005 : RM326,206) and on the weighted average number of ordinary shares outstanding during the year of 42,811,922 (2005 : 41,222,527) calculated as follows :

	2006	2005
Weighted average number of ordinary shares as above	41,887,692	40,495,243
Effect of share options	924,230	727,284
Weighted average number of ordinary shares (Diluted)	42,811,922	41,222,527

19. SEGMENTAL INFORMATION

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

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 Asian Countries RM	Malaysia RM	Consolidated RM
2006				
Revenue from external customers	146,989,020	10,708,810	71,511,525	229,209,355
by location of customers				
Segment assets by location of assets	–	23,579,586	87,954,886	111,534,472
Capital expenditure by location of assets	–	392,833	866,965	1,259,798
2005				
Revenue from external customers by location of customers	39,332,160	14,322,944	23,355,592	77,010,696
Segment assets by location of assets	–	18,352,406	75,213,239	93,565,645
Capital expenditure by location of assets	–	279,629	1,736,204	2,015,833



Notes to the Financial Statements (cont'd)

20. SIGNIFICANT RELATED PARTY TRANSACTIONS – GROUP/COMPANY

20.1 Identity of related parties

- i. The Company has a controlling related party relationship with its subsidiaries as disclosed in the financial statements.
- ii. The Company has a related party relationship with the following 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
 - Daniel Choong Yew Chee
 - Lew Woo Sang
 - Kong Kai Yuen

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

- i. Transactions with Directors and key management personnel

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

- a. rental expense of RM67,452 paid by a subsidiary to a company in which certain Directors have substantial financial interests.
- b. rental expenses of RM4872 paid by a subsidiary to a Director.
- c. the remuneration package paid to Mr. Chin Kok On, Mr. Chin Poh On, Mr. Daniel Choong Yew Chee, Mr. Lew Woo Sang and Mr. Kong Kai Yuen 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.

20.3 Non-trade balances with subsidiaries at balance sheet date are disclosed in Note 5 to the financial statements.

21. CAPITAL COMMITMENT – GROUP

	2006 RM'000	2005 RM'000
Property, plant and equipment Contracted but not provided for	–	39

22. CONTINGENT LIABILITY, UNSECURED

Company

- i. Corporate guarantees

The Company has issued corporate guarantees to certain financial institutions for banking facilities granted to one of its subsidiaries for a limit of RM62.7 million (2005 : RM67.7 million). As at balance sheet date, RM30.29 million (2005 : RM29.1 million) was utilised.

- ii. Continuing financial support

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their financial obligations as and when they fall due.

Notes to the Financial Statements (cont'd)

23. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

Credit risk

The Group and the Company have a formal credit policy and the exposure to credit risk is monitored on an ongoing basis.

Interest rate risk

The Group and the Company place excess funds with reputable licensed banks to generate interest income and utilise bank borrowings with variable rates 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 mainly US dollars. The Group hedges its foreign currency exposure by booking forward its sales and purchases. The deferred/unrecognised loss associated with anticipated future transactions is RM Nil (2005 : RM38,000) and the expected timing of recognising the expense is over the next 3 months. Where necessary, the forward exchange contracts are rolled over at maturity at market rates.

The Company is also exposed to foreign currency risk in respect of its investments in foreign subsidiaries. However, the Board and management keep this policy under review and take the necessary actions to minimise the exposure of the risk on an ongoing basis.

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.

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.

	Effective interest rate per annum %	Total RM	Within 1 year RM	1 – 5 years RM
Group				
2006				
Financial assets				
Deposits placed with gold bullion traders	3.32	6,509,205	6,509,205	–
Short term deposits with a licensed bank	3.04	16,100,000	16,100,000	–
Short term investments with financial institutions	3.30	4,578,296	4,578,296	–
Financial liability				
Trade payables	2.19	27,110,025	27,110,025	–



Notes to the Financial Statements (cont'd)

23. FINANCIAL INSTRUMENTS (CONT'D)

	Effective interest rate per annum %	Total RM	Within 1 year RM	1 – 5 years RM
2005				
Financial assets				
Deposits placed with gold bullion traders	2.58	27,147,775	27,147,775	–
Short term deposits with a licensed bank	2.50	500,000	500,000	–
Cash at bank	1.70	46,611	46,611	–
Financial liabilities				
Bankers' acceptances	3.60	1,300,000	1,300,000	–
Trade payables	1.61	21,761,102	21,761,102	–
Company				
2006				
Financial assets				
Short term investments with financial institutions	3.23	2,823,693	2,823,693	–
2005				
Financial asset				
Cash at bank	1.70	46,611	46,611	–

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 principally due to lack of fixed repayment terms entered by the parties involved and without incurring excessive cost.

Unrecognised financial instruments

The valuation of financial instruments not recognised in the balance sheet reflects their current market rates at the balance sheet date.

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 October are :

	← 2006 →		← 2005 →	
	Contracted amount RM'000	Fair value RM'000	Contracted amount RM'000	Fair value RM'000
Group				
Forward foreign exchange contracts	–	–	1,965	2,003

Company

It is not practicable to estimate the fair value of the contingent liabilities reliably as disclosed in Note 22(i) due to the uncertainties of timing, costs and eventual outcome.

List of Properties

Details of the landed properties of the Group as at 31 October 2006 are as follow:-

Location	Description/ Existing Use	Land / Built Up Area (sq ft)	Age of Building (years)	Tenure	Net Book Value (RM'000)	Date of Acquisition / (Revaluation)
Plot 36, Bayan Lepas Industrial Estate, Phase 4, 11900 Bayan Lepas, Penang.	A single storey factory building with a single storey office / Annexed to a new 3 storey factory building	66,447 / 57,546	12 / 4	Leasehold for 60 years expiring on 31.10.2053	9,279	(20.10.2000)
No. 122-4-1, 4th Floor, The Penang Gold and Jewellery Exchange Centre, Jalan Sungai, 10150 Penang.	A flatted factory unit/ Currently Vacant	1,500	10	Freehold	330	(20.10.2000)
No. 11A, Lorong Kekabu 1, 11960 Pulau Pinang.	Double Storey Semi Detached House/ Staff Hostel	3,122 / 1,748	4	Freehold	401	18.10.2001
No. 9, Lorong Kekabu 1, 11960 Pulau Pinang.	Double Storey Semi Detached House/ Staff Hostel	3,423 / 1,748	4	Freehold	417	18.10.2001
No. 11, Lorong Kekabu, 11960 Pulau Pinang.	Double Storey Semi Detached House/ Currently rented out	5,048 / 1,748	4	Freehold	509	18.10.2001
No. 2, Jalan Kekabu, 11960 Pulau Pinang.	Double Storey Semi Detached House/ Staff Hostel	2,648 / 1,748	4	Freehold	374	18.10.2001
No. 1, Lorong Kekabu, 11960 Pulau Pinang.	Double Storey Semi Detached House/ Staff Hostel	3,197 / 1,748	4	Freehold	405	18.10.2001

Proxy Form

YIKON CORPORATION BHD. (527272-V)
(Incorporated in Malaysia)

PROXY

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 Seventh Annual General Meeting of the Company to be held at Kuang Room, Lobby Level, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Monday, 26 March 2007 at 11:30 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To receive and adopt the Audited Financial Statements.	-Resolution 1		
2a.	To re-elect Mr. Chin Poh On, who retires pursuant to Article 133 of the Company's Articles of Association.	-Resolution 2		
2b.	To re-elect the following persons who retire pursuant to Article 138 of the Company's Articles of Association:- i. Encik Haniff Bin Dato' Mahmood ii. Mr. Daniel Choong Yew Chee	-Resolution 3 -Resolution 4		
2c.	To re-elect Mr. Lai Kwang Hooi @ Lai Bah Eng, who retires pursuant to Section 129 of the Companies Act, 1965.	-Resolution 5		
3.	To approve Directors' fees.	-Resolution 6		
4.	To re-appoint Messrs. KPMG.	-Resolution 7		
5.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	-Resolution 8		
	SPECIAL RESOLUTION			
6.	Proposed Amendments to the Articles of Association of the Company.	-Resolution 1		

(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)

No. of Ordinary Shares Held

Signed this.....day of March 2007.

.....
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.

fold here



Plot 36, Bayan Lepas Industrial Estate, Phase 4, 11900 Penang, Malaysia.
Tel: 604 - 642 9888 (Hunting Line)
Fax: 604 - 642 9988
Website: www.yikon.com.my
E-mail: info@yikon.com.my

