

**DeGem Berhad** (Company No : 415726 - T)

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2010**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 31.03.2010 RM'000	CORRESPONDING QUARTER ENDED 31.03.2009 RM'000	CURRENT YEAR TO DATE ENDED 31.03.2010 RM'000	CORRESPONDING YEAR TO DATE ENDED 31.03.2009 RM'000
Revenue	38,701	46,351	38,701	46,351
Cost of sales	(23,044)	(31,245)	(23,044)	(31,245)
<b>Gross Profit</b>	<b>15,657</b>	<b>15,106</b>	<b>15,657</b>	<b>15,106</b>
Other Income	485	978	485	978
Administrative expenses	(5,192)	(4,893)	(5,192)	(4,893)
Selling and marketing expenses	(5,296)	(5,152)	(5,296)	(5,152)
Other expenses	(802)	(588)	(802)	(588)
Finance costs	(356)	(390)	(356)	(390)
<b>Profit before taxation</b>	<b>4,496</b>	<b>5,061</b>	<b>4,496</b>	<b>5,061</b>
Taxation	(1,359)	(1,586)	(1,359)	(1,586)
<b>Profit for the period</b>	<b>3,137</b>	<b>3,475</b>	<b>3,137</b>	<b>3,475</b>
<b>Profit attributable to:</b>				
Equity holders of the Company	3,055	3,391	3,055	3,391
Minority interests	82	84	82	84
<b>Profit for the period</b>	<b>3,137</b>	<b>3,475</b>	<b>3,137</b>	<b>3,475</b>
Earnings per share attributable to equity holders of the Company (Note B13)	2.28	2.53	2.28	2.53

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

**DeGem Berhad** (Company No : 415726 - T)

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2010**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 31.03.2010 RM'000	CORRESPONDING QUARTER ENDED 31.03.2009 RM'000	CURRENT YEAR TO DATE ENDED 31.03.2010 RM'000	CORRESPONDING YEAR TO DATE ENDED 31.03.2009 RM'000
<b>Profit for the period</b>	3,137	3,475	3,137	3,475
<i>Other comprehensive income for the period, net of tax</i>				
Foreign currency translation differences for foreign operations	(927)	(28)	(927)	(28)
<b>Total comprehensive income for the period</b>	<b>2,210</b>	<b>3,447</b>	<b>2,210</b>	<b>3,447</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	2316	3,556	2316	3,556
Minority interests	(106)	(109)	(106)	(109)
<b>Total comprehensive income for the period</b>	<b>2,210</b>	<b>3,447</b>	<b>2,210</b>	<b>3,447</b>

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2010**

	<b>As at 31.03.2010 RM'000 (Unaudited)</b>	<b>As at 31.12.2009 RM'000 (Audited) As restated</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, Plant and Equipment	26,537	26,617
Investment Properties	1,421	1,430
Goodwill	7,888	7,888
Deferred tax assets	2,033	2,073
	<u>37,879</u>	<u>38,008</u>
<b>Current assets</b>		
Inventories	139,922	138,740
Trade Receivables	8,932	7,811
Other Receivables, Deposits & Prepayment	4,026	3,756
Tax Recoverable	1,227	733
Cash and Bank Balances	22,118	25,503
	<u>176,225</u>	<u>176,543</u>
<b>TOTAL ASSETS</b>	<b><u>214,104</u></b>	<b><u>214,551</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the company</b>		
Share Capital	67,000	67,000
Share Premium	10,436	10,436
Other Reserves	(548)	191
Treasury Shares	(1,076)	(403)
Retained Earnings	70,579	67,524
	<u>146,391</u>	<u>144,748</u>
<b>Minority interest</b>	<u>4,388</u>	<u>4,494</u>
<b>Total equity</b>	<b><u>150,779</u></b>	<b><u>149,242</u></b>
<b>Non-current liabilities</b>		
Hire Purchase Creditors	464	487
Long Term Borrowings	20,731	21,096
Deferred Taxation	86	16
	<u>21,281</u>	<u>21,599</u>
<b>Current liabilities</b>		
Trade Payables	18,706	17,353
Other Payables & Accruals	11,814	12,904
Short Term Borrowings	10,266	12,039
Hire Purchase Creditors	238	221
Provision for Taxation	1,020	1,193
	<u>42,044</u>	<u>43,710</u>
<b>Total liabilities</b>	<b><u>63,325</u></b>	<b><u>65,309</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>214,104</u></b>	<b><u>214,551</u></b>
Net Assets Per Share (sen)	113	111

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

**DeGem Berhad** (Company No : 415726 - T)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR-TO-DATE ENDED 31 MARCH 2010**

	Share Capital RM'000	Share Premium RM'000	Other Reserve RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total RM'000	Minority Interest RM'000	Total RM'000
<b>At 1 January 2009</b>	<b>67,000</b>	<b>10,436</b>	<b>182</b>	<b>-</b>	<b>54,666</b>	<b>132,284</b>	<b>1,526</b>	<b>133,810</b>
Total comprehensive income for the period	-	-	165	-	3,391	3,556	(109)	3,447
Increased of investment in a subsidiary company	-	-	-	-	-	-	483	483
<b>At 31 March 2009</b>	<b>67,000</b>	<b>10,436</b>	<b>347</b>	<b>-</b>	<b>58,057</b>	<b>135,840</b>	<b>1,900</b>	<b>137,740</b>
<b>At 1 January 2010</b>	<b>67,000</b>	<b>10,436</b>	<b>191</b>	<b>(403)</b>	<b>67,524</b>	<b>144,748</b>	<b>4,494</b>	<b>149,242</b>
Total comprehensive income for the period	-	-	(739)	-	3,055	2,316	(106)	2,210
Shares repurchased	-	-	-	(673)	-	(673)	-	(673)
<b>At 31 March 2010</b>	<b>67,000</b>	<b>10,436</b>	<b>(548)</b>	<b>(1,076)</b>	<b>70,579</b>	<b>146,391</b>	<b>4,388</b>	<b>150,779</b>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

**DeGem Berhad (Company No : 415726 - T)****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR-TO-DATE ENDED 31 MARCH 2010***These figures have not been audited*

	<b>31.03.10</b>	<b>31.03.09</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	4,496	5,061
Adjustments for:		
Amortisation of investment properties	10	10
Depreciation of property, plant & equipment	525	449
Interest expense	389	986
Provision for slow moving inventory written back	402	977
Property, plant and equipment written off	3	24
Gain on disposal of property, plant and equipment	(25)	(46)
Unrealised foreign exchange loss	330	175
Loss on deemed dilution of a subsidiary company	-	13
	<hr/>	<hr/>
Operating profit before working capital changes	6,130	7,649
Inventories	(1,585)	6,323
Debtors	(1,391)	(521)
Creditors	(67)	(12,546)
Amount due from holding company	<hr/>	<hr/>
	-	-
Cash generated from operations	3,087	905
Interest paid	(389)	(986)
Income tax paid	(1,915)	(1,812)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	783	(1,893)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(447)	(375)
Disposal of property, plant and equipment	60	46
	<hr/>	<hr/>
Net cash used in investing activities	(387)	(329)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Drawdown from borrowings	-	328
Repayment of hire purchase creditors	(57)	(61)
Repayment of borrowings	(3,000)	(433)
Share repurchased	(673)	-
Proceeds from issue of shares to MI	-	471
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(3,730)	305
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(3,334)	(1,917)
Effects of foreign exchange rate changes	(913)	(28)
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<hr/>	<hr/>
	23,983	20,915
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<hr/>	<hr/>
	<b>19,736</b>	<b>18,970</b>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	22,118	18,970
Bank Overdraft	(2,382)	-
	<hr/>	<hr/>
	<b>19,736</b>	<b>18,970</b>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

## A. NOTES TO THE INTERIM FINANCIAL REPORT

### A1. Accounting Policies and Methods of Computation

The interim financial report has been prepared in accordance with Financial Reporting Standard (“FRS”) 134: “Interim Financial Reporting” and Chapter 9, Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements, and should be read in conjunction with the annual audited financial statements for the year ended 31 December 2009.

Except as disclosed below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current year compared with the audited financial statements of the Group for the year ended 31 December 2009.

For the current financial year, the Group has adopted the following revised Financial Reporting Standards (“FRS”) issued by the Malaysian Accounting Standards Board (“MASB”), which are relevant to its operations:-

- FRS 8, Operating Segments
- FRS 7, Financial Instruments: Disclosures
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
- Amendments to FRS 7, Financial Instruments: Disclosures
- Amendments to FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 132, Financial Instruments: Presentation
  - Puttable Financial Instruments and Obligations Arising on Liquidation
  - Separation of Compound Instruments
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
  - Reclassification of Financial Assets
  - Collective Assessment of Impairment for Banking Institutions
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment

The adoption of the abovementioned FRS, Amendments to FRS and Interpretations will have no material impact on the financial statements of the Group except for the following:

(i) FRS 101: Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the financial statements presented will consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

The foreign currency gain or losses arising translation of foreign operations that were recognised directly in equity in the preceding year/corresponding period are presented as components in other comprehensive income in the statement of comprehensive income. The statement of comprehensive income for preceding year/corresponding period is presented separately and allocation is made to show the amount attributable to owners of the parent and to non-controlling interests.

The total comprehensive income is presented as a one-line item in the statement of changes in equity and the comparative information has been re-presented in order to conform with the revised standard. This standard only affects the presentation aspects and will not have any impact on the earnings per share.

**Quarterly Report On Consolidated Results  
For the Year-To-Date Ended 31 March 2010**

(ii) FRS 8, Operating Segments

FRS 8 replaces FRS 114<sup>2004</sup>, Segment Reporting and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. The comparative information has been re-presented in order to conform with the revised standard.

(iii) Improvements to FRSs (2009)

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes which will become effective for the Group and the Company's financial statements for the year ending 31 December 2009. Amendment that has material impact is:

FRS 117, Leases

The amendments clarify the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

This change in accounting policy resulted in the reclassification of lease of land amounting to RM1,703,719 as at 31 December 2009 from prepaid lease payments to property, plant and equipment.

**A2. Audit Report**

The audit report of the preceding annual financial statements of the Group and the Company were reported without any qualification.

**A3. Seasonality or Cyclicity of Operations**

Festive seasons do have an effect on the operations of the Group.

**A4. Unusual Items**

There were no unusual and extraordinary items for the current interim period and financial period to date.

**A5. Changes in Estimates**

There were no material changes in the estimates used for the preparation of interim financial report.

**A6. Issuance, Cancellation or Repayments of Debt and Equity Securities.**

Save as disclose below, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current financial period-to-date:-

During the current quarter, the Company repurchased 664,800 of its issued ordinary shares from the open market at an average price of RM1.01 per share. The total consideration paid for the repurchase including transaction costs was RM673,239 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

**Quarterly Report On Consolidated Results  
For the Year-To-Date Ended 31 March 2010**

**A7. Dividend**

No dividend was paid during the quarter under review.

**A8 Segmental Information****Business Segment****Results for First Quarter Ended 31 March 2010**

	<b>Segment revenue</b>		<b>Segment profit before tax RM '000</b>
	<b>External RM '000</b>	<b>Intersegment RM '000</b>	
Retail	34,375	5,012	3,294
Manufacturing	106	7,472	1,235
Others	4,220	1,026	(33)
<b>Total</b>	<b>38,701</b>	<b>13,509</b>	<b>4,496</b>
Consolidation adjustments:			
Intersegment transactions	-	(13,509)	-
<b>Consolidated Total</b>	<b>38,701</b>	<b>-</b>	<b>4,496.00</b>

**Business Segment****Results for First Quarter Ended 31 March 2009**

	<b>Segment revenue</b>		<b>Segment profit before tax RM '000</b>
	<b>External RM '000</b>	<b>Intersegment RM '000</b>	
Retail	40,171	4,550	4,252
Manufacturing	73	6,152	497
Others	6,107	1,015	312
<b>Total</b>	<b>46,351</b>	<b>11,717</b>	<b>5,061</b>
Consolidation adjustments:			
Intersegment transactions	-	(11,717)	-
<b>Consolidated Total</b>	<b>46,351</b>	<b>-</b>	<b>5,061</b>

**A9. Valuations of Property, Plant & Equipment**

The Group did not carry out any valuations on its property, plant & equipment.

#### A10. Material Events Subsequent To The Financial Period

- (a) On 30 April 2010, a wholly-owned company of DeGem Berhad, Jewelmart International Sdn. Bhd. ("JISB"), acquired a new subsidiary, DeGem Prestige Pte. Ltd. ("DPPL") in Singapore. for a total cash consideration of SGD2.00 only. The purchase price of SGD1.00 per share was arrived at based on the par value of the shares in DPPL. The issued and paid-up share capital of DPPL is SGD2.00 divided into 2 ordinary shares of SGD1.00 each held wholly by JISB. DPPL has not commenced operation since the date of incorporation. The intended principal activity of DPPL is trading of diamond and jewellery.
- (b) In addition, JISB has, on the same date, disposed of 800,000 ordinary shares of HK\$1.00 each representing 10% of the equity interest in the capital of its 80% owned subsidiary, Grandmax Corporation Limited ("GCL") for a cash consideration of HK\$1,035,040.00 only ("Disposal"). The Consideration of HK\$ 1,035,040.00, which would be satisfied in cash, was arrived at on a "willing buyer-willing seller" basis after taking into account the audited net assets of GCL as at 31 December 2009 of HK\$ 10,350,437.00. DeGem is expected to suffer a loss of HK\$102,518.00 from the Disposal. The proceeds from the Disposal would be used towards the working capital of the Group.

The Disposal has now rendered GCL from a 80% to a 70.0% owned subsidiary company of DeGem. The Disposal will instill greater sense of commitment from the minority shareholders to actively participate and contribute to the future growth of GCL.

#### A11. Changes in the Composition of the Company

There were no changes in the composition of the Company during the quarter under review.

#### A12. Contingent Liabilities

There were no contingent liabilities as at the date of this quarterly report.

**B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
BERHAD LISTING REQUIREMENTS**

**B1. Review of Performance**

For the financial period ended 31 March 2010, the Group registered a revenue of RM38.7 million compared to RM46.4 million in the preceding period, a decrease of 17.0%. Net profit was RM3.1 million as compared to RM3.5 million in the preceding period. The lower profit is due to the lower revenue in the current period.

**B2. Material Changes in Current Quarter Results compared to Immediate Preceding Quarter**

In the first quarter of year 2010, the Group registered a revenue of RM38.7 million and net profit of RM3.1 million versus a revenue of RM46.9 million and net profit of RM3.7 million recorded in the immediate preceding quarter. The lower revenue and profit is in line with the cyclical trend of the Group.

**B3. Prospects For the Current Financial Year 2010**

The outlook for the Group's operations remain challenging but positive for the current year. Barring any unforeseen circumstances, the Group is expected to achieve a satisfactory set of results for the remaining year.

**B4. Profit Forecast and Profit Guarantee**

The Group has not provided any profit forecast or profit guarantee in a public document.

**B5. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.10 RM'000	Preceding Year Quarter 31.03.09 RM'000	Current Year To date 31.03.10 RM'000	Preceding Year Corresponding 31.03.09 RM'000
Income Taxation				
- Current period	1,270	1,236	1,270	1,236
- Under/(Over)provision in prior period	19	350	19	350
Deferred Taxation				
- Current period	-	-	-	-
- Prior period	70	-	70	-
	<u>1,359</u>	<u>1,586</u>	<u>1,359</u>	<u>1,586</u>

**B6. Sale of Unquoted Investments and/or Properties**

There were no sale of unquoted investments and properties for the current quarter under review.

**B7. Quoted Securities**

- a. There were no purchases or disposals of quoted securities for the current quarter and financial period to date.
- b. There were no investments in quoted securities for the current quarter and financial period to date.

**B8. Status of Corporate Proposals Announced**

There were no corporate proposals announced.

**Quarterly Report On Consolidated Results  
For the Year-To-Date Ended 31 March 2010**

**B9. Borrowings and Debt Securities**

The Group's borrowings (all denominated in Malaysian currency) as at 31 March 2010 are as follows:-

	Secured RM'000
<i>Short Term Borrowings</i>	
Hire purchase creditors	238
Bank Overdraft	2,382
Term loans	7,884
	<u>10,504</u>
<i>Long Term Borrowings</i>	
Hire purchase creditors	464
Term loans	20,731
	<u>21,195</u>
Total	<u>31,699</u>

**B10. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk as at the date of this quarterly report and the financial year to date.

**B11. Material Litigation**

There was no material litigation as at the date of this quarterly report and the financial year to date.

**B12. Dividend**

During the quarter under review, no dividend was declared.

**B13. Earnings Per Share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the financial period.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	Current Year Quarter 31.03.10 RM'000	Preceding Year Quarter 31.03.09 RM'000	Current Year To date 31.03.10 RM'000	Preceding Year Corresponding 31.03.09 RM'000
Profit attributable to equity holders of the company	3,055	3,391	3,055	3,391
Adjusted weighted average number of ordinary shares in issue	133,837	134,000	133,837	134,000
Basic earnings per share (sen)	2.28	2.53	2.28	2.53

**BY ORDER OF THE BOARD**

**CHOW CHOOI YOONG**

Company Secretary  
MAICSA 0772574

Dated: 18 May 2010