

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

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2010**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 30.06.2010 RM'000	CORRESPONDING QUARTER ENDED 30.06.2009 RM'000	CURRENT YEAR TO DATE ENDED 30.06.2010 RM'000	CORRESPONDING YEAR TO DATE ENDED 30.06.2009 RM'000
Revenue	42,675	52,012	81,376	98,363
Cost of sales	(27,728)	(35,991)	(50,772)	(67,236)
<b>Gross Profit</b>	<b>14,947</b>	<b>16,021</b>	<b>30,604</b>	<b>31,127</b>
Other Income	1,232	541	1,717	1,519
Administrative expenses	(5,064)	(5,043)	(10,256)	(10,415)
Selling and marketing expenses	(5,968)	(4,766)	(11,264)	(9,439)
Other expenses	(624)	(852)	(1,426)	(1,440)
Finance costs	(374)	(298)	(730)	(688)
<b>Profit before taxation</b>	<b>4,149</b>	<b>5,603</b>	<b>8,645</b>	<b>10,664</b>
Taxation	(1,146)	(1,652)	(2,505)	(3,238)
<b>Profit for the period</b>	<b>3,003</b>	<b>3,951</b>	<b>6,140</b>	<b>7,426</b>
<b>Profit attributable to:</b>				
Equity holders of the Company	2,879	3,989	5,934	7,380
Minority interests	124	(38)	206	46
<b>Profit for the period</b>	<b>3,003</b>	<b>3,951</b>	<b>6,140</b>	<b>7,426</b>
Earnings per share attributable to equity holders of the Company (Note B13)	2.17	2.98	4.45	5.51

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

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2010**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 30.06.2010 RM'000	CORRESPONDING QUARTER ENDED 30.06.2009 RM'000	CURRENT YEAR TO DATE ENDED 30.06.2010 RM'000	CORRESPONDING YEAR TO DATE ENDED 30.06.2009 RM'000
<b>Profit for the period</b>	3,003	3,951	6,140	7,426
<i>Other comprehensive income for the period, net of tax</i>				
Foreign currency translation differences for foreign operations	238	(81)	(689)	(109)
<b>Total comprehensive income for the period</b>	<b>3,241</b>	<b>3,870</b>	<b>5,451</b>	<b>7,317</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	2,781	3,818	5,097	7,374
Minority interests	460	52	354	(57)
<b>Total comprehensive income for the period</b>	<b>3,241</b>	<b>3,870</b>	<b>5,451</b>	<b>7,317</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)

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2010**

	<b>As at 30.06.2010 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	27,013	26,617
Investment Properties	1,247	1,430
Goodwill	7,888	7,888
Deferred tax assets	2,038	2,073
	<u>38,186</u>	<u>38,008</u>
<b>Current assets</b>		
Inventories	145,880	138,740
Short Term Investment	638	-
Trade Receivables	8,150	7,811
Other Receivables, Deposits & Prepayment	5,171	3,756
Tax Recoverable	427	733
Cash and Bank Balances	18,258	25,503
	<u>178,524</u>	<u>176,543</u>
<b>TOTAL ASSETS</b>	<b><u>216,710</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	(646)	191
Treasury Shares	(1,566)	(403)
Retained Earnings	73,458	67,524
	<u>148,682</u>	<u>144,748</u>
<b>Minority interest</b>	<u>4,958</u>	<u>4,494</u>
<b>Total equity</b>	<b><u>153,640</u></b>	<b><u>149,242</u></b>
<b>Non-current liabilities</b>		
Hire Purchase Creditors	449	487
Long Term Borrowings	20,374	21,096
Deferred Taxation	86	16
	<u>20,909</u>	<u>21,599</u>
<b>Current liabilities</b>		
Trade Payables	19,926	17,353
Other Payables & Accruals	12,305	12,904
Short Term Borrowings	9,618	12,039
Hire Purchase Creditors	193	221
Provision for Taxation	119	1,193
	<u>42,161</u>	<u>43,710</u>
<b>Total liabilities</b>	<b><u>63,070</u></b>	<b><u>65,309</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>216,710</u></b>	<b><u>214,551</u></b>
Net Assets Per Share (sen)	115	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)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR-TO-DATE ENDED 30 JUNE 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	-	-	(6)	-	7,380	7,374	(57)	7,317
Increased of investment in a subsidiary company	-	-	-	-	-	-	483	483
<b>At 30 June 2009</b>	<b>67,000</b>	<b>10,436</b>	<b>176</b>	<b>-</b>	<b>62,046</b>	<b>139,658</b>	<b>1,952</b>	<b>141,610</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	-	-	(837)	-	5,934	5,097	354	5,451
Shares repurchased	-	-	-	(1,163)	-	(1,163)	-	(1,163)
Increased of investment in a subsidiary company	-	-	-	-	-	-	110	110
<b>At 30 June 2010</b>	<b>67,000</b>	<b>10,436</b>	<b>(646)</b>	<b>(1,566)</b>	<b>73,458</b>	<b>148,682</b>	<b>4,958</b>	<b>153,640</b>

(The Condensed Consolidated Statements 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 30 JUNE 2010***These figures have not been audited*

	<b>30.06.10</b>	<b>30.06.09</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	8,645	10,664
Adjustments for:		
Amortisation of investment properties	18	19
Depreciation of property, plant & equipment	1,039	1,214
Interest expense	389	986
Provision for slow moving inventory	537	195
Property, plant and equipment written off	92	27
Gain on disposal of property, plant and equipment	(54)	(50)
Unrealised foreign exchange loss	328	242
Loss on disposal of a subsidiary company	109	-
Loss on deemed dilution of a subsidiary company	-	13
<b>Operating profit before working capital changes</b>	<u>11,103</u>	<u>13,310</u>
Inventories	(7,677)	6,611
Debtors	(1,753)	83
Creditors	1,644	(11,515)
Amount due from holding company	-	(222)
<b>Cash generated from operations</b>	<u>3,317</u>	<u>8,267</u>
Interest paid	(389)	(986)
Income tax paid	(3,167)	(2,817)
Income tax refund	-	61
<b>Net cash (used in)/generated from operating activities</b>	<u>(239)</u>	<u>4,525</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(1,339)	(1,085)
Acquisition of short term investment	(638)	-
Disposal of property, plant and equipment	62	49
<b>Net cash used in investing activities</b>	<u>(1,915)</u>	<u>(1,036)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Drawdown from borrowings	-	327
Repayment of hire purchase creditors	(116)	(109)
Repayment of borrowings	(5,536)	(931)
Proceeds from hire purchase creditors	-	300
Share repurchased	(1,163)	-
Proceeds from issue of shares to MI	-	471
<b>Net cash (used in)/generated from financing activities</b>	<u>(6,815)</u>	<u>58</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(8,969)	3,547
Effects of foreign exchange rate changes	(668)	(109)
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<u>23,983</u>	<u>20,915</u>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u><b>14,346</b></u>	<u><b>24,353</b></u>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	18,258	24,353
Bank overdraft	(3,912)	-
	<u><b>14,346</b></u>	<u><b>24,353</b></u>

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

**Quarterly Report On Consolidated Results  
For The Year-To-Date Ended 30 June 2010**

**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 30 June 2010**

**(ii) FRS 8, Operating Segments**

FRS 8 replaces FRS 114<sub>2004</sub>, 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.

**Quarterly Report On Consolidated Results  
For The Year-To-Date Ended 30 June 2010**

**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 478,200 of its issued ordinary shares from the open market at an average price of RM1.02 per share. The total consideration paid for the repurchase including transaction costs was RM490,127 and this was financed by internally generated funds. As at 30 June 2010, a total of 1,593,700 shares repurchased were held at a total cost of RM1,566,063. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965. None of the treasury shares held were resold or cancelled during the quarter under review and up to the date of this report.

**A7. Dividend**

No dividend was paid during the quarter under review.

**A8 Segmental Information**

**Business Segment**

**Results for 6 Months Ended 30 June 2010**

	Segment revenue		Segment profit before tax RM '000
	External RM '000	Intersegment RM '000	
Retail	70,614	9,674	6,416
Manufacturing	217	15,833	2,085
Others	10,544	5,540	144
Total	81,376	31,046	8,645
Consolidation adjustments:			
Intersegment transactions	-	(31,046)	-
<b>Consolidated Total</b>	<b>81,376</b>	<b>-</b>	<b>8,645</b>

**Business Segment**

**Results for 6 Months Ended 30 June 2009**

	Segment revenue		Segment profit before tax RM '000
	External RM '000	Intersegment RM '000	
Retail	87,689	8,817	8,589
Manufacturing	137	13,018	1,084
Others	10,537	2,007	991
Total	98,363	23,842	10,664
Consolidation adjustments:			
Intersegment transactions	-	(23,842)	-
<b>Consolidated Total</b>	<b>98,363</b>	<b>-</b>	<b>10,664</b>



**Quarterly Report On Consolidated Results  
For The Year-To-Date Ended 30 June 2010**

**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**

There were no subsequent material events as at the date of this quarterly report.

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

- (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 suffered a loss of HK\$109,346.00 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.

**A12. Contingent Liabilities**

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

**Quarterly Report On Consolidated Results  
For The Year-To-Date Ended 30 June 2010**

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

**B1. Review of Performance**

For the financial period ended 30 June 2010, the Group registered a revenue of RM81.4 million compared to RM98.4 million in the preceding period, a decrease of 17.3%. Net profit was RM6.1 million as compared to RM7.4 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 second quarter of year 2010, the Group registered a revenue of RM42.7 million and profit before tax of RM4.1 million versus a revenue of RM38.7 million and profit before tax of RM4.5 million recorded in the immediate preceding quarter. The higher revenue in the current quarter is a result of promotions held during the period.

**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 30.06.10 RM'000	Preceding Year Quarter 30.06.09 RM'000	Current Year To date 30.06.10 RM'000	Preceding Year Corresponding 30.06.09 RM'000
Income Taxation				
- Current period	1,119	1,652	2,389	3,238
- Under/(Over)provision in prior period	12	-	31	-
Deferred Taxation				
- Current period	-	-	-	-
- Prior period	15	-	85	-
	<u>1,146</u>	<u>1,652</u>	<u>2,505</u>	<u>3,238</u>

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

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

**Quarterly Report On Consolidated Results  
For The Year-To-Date Ended 30 June 2010**

**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.

**B9. Borrowings and Debt Securities**

The Group's borrowings (all denominated in Malaysian currency) as at 30 June 2010 are as follows:-

	<b>Secured RM'000</b>
<i>Short Term Borrowings</i>	
Hire purchase creditors	193
Bank overdraft	3,912
Term loans	5,513
	<hr/> 9,618
<i>Long Term Borrowings</i>	
Hire purchase creditors	449
Term loans	20,374
	<hr/> 30,441
Total	<hr/> <hr/> 30,441

**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**

A first and final tax dividend of 4% less tax of 25% for the financial year ended 31 December 2009 was proposed for the shareholders' approval at the Thirteenth Annual General Meeting held on 17 June 2010. The dividend will be payable on 1 September 2010.

**Quarterly Report On Consolidated Results  
For The Year-To-Date Ended 30 June 2010**

**B13. Earnings Per Share**

Basic earnings per share is calculated by dividing the profit attributable to shareholders 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 30.06.10 <b>RM'000</b>	Preceding Year Quarter 30.06.09 <b>RM'000</b>	Current Year To date 30.06.10 <b>RM'000</b>	Preceding Year Corresponding 30.06.09 <b>RM'000</b>
Profit attributable to shareholders	2,879	3,989	5,934	7,380
Adjusted weighted average number of ordinary shares in issue	132,789	134,000	133,464	134,000
Basic earnings per share (sen)	2.17	2.98	4.45	5.51

**BY ORDER OF THE BOARD**

**CHOW CHOOI YOONG**

Company Secretary

MAICSA 0772574

Dated: 17 August 2010