

DeGem Berhad (Company No : 415726 - T)

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 30.09.2010 RM'000	CORRESPONDING QUARTER ENDED 30.09.2009 RM'000	CURRENT YEAR TO DATE ENDED 30.09.2010 RM'000	CORRESPONDING YEAR TO DATE ENDED 30.09.2009 RM'000
Revenue	44,131	44,082	125,507	142,445
Cost of sales	(27,423)	(27,867)	(78,195)	(95,103)
Gross Profit	16,708	16,215	47,312	47,342
Other Income	825	390	2,542	1,909
Administrative expenses	(5,952)	(4,695)	(16,208)	(15,110)
Selling and marketing expenses	(6,149)	(5,799)	(17,413)	(15,238)
Other expenses	(552)	(586)	(1,978)	(2,026)
Finance costs	(342)	(304)	(1,072)	(992)
Profit before taxation	4,538	5,221	13,183	15,885
Taxation	(1,675)	(1,209)	(4,180)	(4,447)
Profit for the period	2,863	4,012	9,003	11,438
Profit attributable to:				
Equity holders of the Company	2,903	3,850	8,837	11,230
Minority interests	(40)	162	166	208
Profit for the period	2,863	4,012	9,003	11,438
Earnings per share attributable to equity holders of the Company (Note B13)	2.20	2.87	6.64	8.38

(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 SEPTEMBER 2010**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 30.09.2010 RM'000	CORRESPONDING QUARTER ENDED 30.09.2009 RM'000	CURRENT YEAR TO DATE ENDED 30.09.2010 RM'000	CORRESPONDING YEAR TO DATE ENDED 30.09.2009 RM'000
Profit for the period	2,863	4,012	9,003	11,438
<i>Other comprehensive income for the period, net of tax</i>				
Foreign currency translation differences for foreign operations	(60)	(14)	(749)	(123)
Total comprehensive income for the period	2,803	3,998	8,254	11,315
Total comprehensive income attributable to:				
Equity holders of the Company	2,766	3,975	7,863	11,349
Minority interests	37	23	391	(34)
Total comprehensive income for the period	2,803	3,998	8,254	11,315

(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 30 SEPTEMBER 2010**

	As at 30.09.2010 RM'000 (Unaudited)	As at 31.12.2009 RM'000 (Audited) As restated
ASSETS		
Non-current assets		
Property, Plant and Equipment	26,300	26,617
Investment Properties	1,238	1,430
Goodwill	7,888	7,888
Deferred tax assets	2,016	2,073
	<u>37,442</u>	<u>38,008</u>
Current assets		
Inventories	148,949	138,740
Short Term Investment	638	-
Trade Receivables	7,595	7,811
Other Receivables, Deposits & Prepayment	5,517	3,756
Tax Recoverable	1,037	733
Cash and Bank Balances	16,321	25,503
	<u>180,057</u>	<u>176,543</u>
TOTAL ASSETS	<u>217,499</u>	<u>214,551</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share Capital	67,000	67,000
Share Premium	10,436	10,436
Other Reserves	(783)	191
Treasury Shares	(1,807)	(403)
Retained Earnings	74,377	67,524
	<u>149,223</u>	<u>144,748</u>
Minority interest	<u>4,995</u>	<u>4,494</u>
Total equity	<u>154,218</u>	<u>149,242</u>
Non-current liabilities		
Hire Purchase Creditors	434	487
Long Term Borrowings	19,890	21,096
Deferred Taxation	86	16
	<u>20,410</u>	<u>21,599</u>
Current liabilities		
Trade Payables	23,926	17,353
Other Payables & Accruals	11,899	12,904
Short Term Borrowings	6,457	12,039
Hire Purchase Creditors	149	221
Provision for Taxation	440	1,193
	<u>42,871</u>	<u>43,710</u>
Total liabilities	<u>63,281</u>	<u>65,309</u>
TOTAL EQUITY AND LIABILITIES	<u>217,499</u>	<u>214,551</u>
Net Assets Per Share (sen)	116	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 SEPTEMBER 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
At 1 January 2009	67,000	10,436	182	-	54,666	132,284	1,526	133,810
Total comprehensive income for the period	-	-	119	-	11,230	11,349	(34)	11,315
Increased of investment in a subsidiary company	-	-	-	-	-	-	483	483
Dividend	-	-	-	-	(2,512)	(2,512)	(75)	(2,587)
At 30 September 2009	67,000	10,436	301	-	63,384	141,121	1,900	143,021
At 1 January 2010	67,000	10,436	191	(403)	67,524	144,748	4,494	149,242
Total comprehensive income for the period	-	-	(974)	-	8,837	7,863	391	8,254
Shares repurchased	-	-	-	(1,404)	-	(1,404)	-	(1,404)
Increased of investment in a subsidiary company	-	-	-	-	-	-	110	110
Dividend	-	-	-	-	(1,984)	(1,984)	-	(1,984)
At 30 September 2010	67,000	10,436	(783)	(1,807)	74,377	149,223	4,995	154,218

(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 SEPTEMBER 2010***These figures have not been audited*

	30.09.10	30.09.09
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	13,183	15,885
Adjustments for:		
Amortisation of prepaid lease payments	-	16
Amortisation of investment properties	27	29
Depreciation of property, plant & equipment	1,574	1,629
Interest expense	389	954
Provision for slow moving inventory	208	(38)
Property, plant and equipment written off	464	5
Gain on disposal of property, plant and equipment	(118)	405
Unrealised foreign exchange loss	330	(210)
Loss on dilution of a subsidiary company	109	-
Loss on deemed dilution of a subsidiary company	-	13
Operating profit before working capital changes	<u>16,166</u>	<u>18,688</u>
Inventories	(10,417)	(346)
Debtors	(1,708)	750
Creditors	5,238	(5,817)
Amount due from holding company	-	(222)
Cash generated from operations	<u>9,279</u>	<u>13,053</u>
Interest paid	(389)	(954)
Income tax paid	(5,109)	(5,044)
Income tax refund	-	102
Net cash (used in)/generated from operating activities	<u>3,781</u>	<u>7,157</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,708)	(2,257)
Acquisition of short term investment	(638)	-
Proceeds from dilution of a subsidiary company	163	-
Disposal of property, plant and equipment	339	210
Net cash used in investing activities	<u>(1,844)</u>	<u>(2,047)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend payment	(1,984)	(2,587)
Drawdown from borrowings	-	2,784
Repayment of hire purchase creditors	(176)	(165)
Repayment of borrowings	(6,044)	(1,411)
Proceeds from hire purchase creditors	-	300
Share repurchased	(1,404)	-
Proceeds from issue of shares to MI	-	471
Net cash (used in)/generated from financing activities	<u>(9,608)</u>	<u>(608)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(7,671)	4,502
Effects of foreign exchange rate changes	(767)	(123)
OPENING CASH AND CASH EQUIVALENTS	<u>23,983</u>	<u>20,915</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>15,545</u>	<u>25,294</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	16,321	25,294
Bank overdraft	(776)	-
	<u>15,545</u>	<u>25,294</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 September 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 September 2010**

(ii) FRS 8, Operating Segments

FRS 8 replaces FRS 114₂₀₀₄, 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 September 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 241,400 of its issued ordinary shares from the open market at an average price of RM1.00 per share. The total consideration paid for the repurchase including transaction costs was RM241,174 and this was financed by internally generated funds. As at 30 September 2010, a total of 1,835,100 shares repurchased were held at a total cost of RM1,807,236. 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

For the year ended 31 December 2009, the Board of Director had recommended a first and final dividend of 4% (2.0 sen per share) less 25% tax amounting to RM2,003,240 which was subsequently approved by the shareholders at the Annual General Meeting held on 17 June 2010. The dividend was paid on 01 September 2010 to the depositors registered in the Record of Depositors on 18 August 2010.

A8 Segmental Information

Business Segment

Results for 9 Months Ended 30 September 2010

	Segment revenue		Segment profit
	External RM '000	Intersegment RM '000	before tax RM '000
Retail	108,803	15,542	9,592
Manufacturing	263	22,168	2,802
Others	16,440	11,026	788
Total	125,507	48,737	13,183
Consolidation adjustments:			
Intersegment transactions	-	(48,737)	-
Consolidated Total	125,507	-	13,183

Business Segment

Results for 9 Months Ended 30 September 2009

	Segment revenue		Segment profit
	External RM '000	Intersegment RM '000	before tax RM '000
Retail	127,714	14,472	12,166
Manufacturing	222	20,523	2,296
Others	14,509	5,170	1,422
Total	142,445	40,164	15,885
Consolidation adjustments:			
Intersegment transactions	-	(40,164)	-
Consolidated Total	142,445	-	15,885

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

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

B1. Review of Performance

For the financial period ended 30 September 2010, the Group registered a revenue of RM125.5 million compared to RM142.4 million in the preceding period, a decrease of 11.7%. Net profit was RM9.0 million as compared to RM11.4 million in the preceding period. The lower profit is due to the lower revenue in the current period.

In the third quarter of year 2010, the Group registered a revenue of RM44.1 million and profit before taxation of RM4.5 million versus a revenue of RM44.1 million and profit before taxation of RM5.2 million recorded in the corresponding quarter of year 2009. The main contributing factor for the lower profit in the third quarter of 2010 was the start-up costs and expenses incurred by the Group's new outlet in Singapore.

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

In the third quarter of year 2010, the Group registered a revenue of RM44.1 million and profit before taxation of RM4.5 million versus a revenue of RM42.7 million and profit before taxation of RM4.1 million recorded in the immediate preceding quarter.

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 30.09.10 RM'000	Preceding Year Quarter 30.09.09 RM'000	Current Year To date 30.09.10 RM'000	Preceding Year Corresponding 30.09.09 RM'000
Income Taxation				
- Current period	1,348	1,337	3,737	4,225
- Under/(Over)provision in prior period	327	(128)	358	222
Deferred Taxation				
- Current period	-	-	-	-
- Prior period	-	-	85	-
	1,675	1,209	4,180	4,447

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 September 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:-

	Secured RM'000
<i>Short Term Borrowings</i>	
Hire purchase creditors	149
Bank overdraft	776
Term loans	5,681
	<hr/> 6,606
<i>Long Term Borrowings</i>	
Hire purchase creditors	434
Term loans	19,890
	<hr/> 26,930
Total	<hr/> <hr/> 26,930

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.

**Quarterly Report On Consolidated Results
For The Year-To-Date Ended 30 September 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.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.10 RM'000	Preceding Year Quarter 30.09.09 RM'000	Current Year To date 30.09.10 RM'000	Preceding Year Corresponding 30.09.09 RM'000
Profit attributable to shareholders	2,903	3,850	8,837	11,230
Adjusted weighted average number of ordinary shares in issue	132,165	134,000	133,034	134,000
Basic earnings per share (sen)	2.20	2.87	6.64	8.38

BY ORDER OF THE BOARD

CHOW CHOOI YOONG
Company Secretary
MAICSA 0772574

Dated: 15 November 2010