

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 31.12.2010 RM'000	CORRESPONDING QUARTER ENDED 31.12.2009 RM'000	CURRENT YEAR TO DATE ENDED 31.12.2010 RM'000	CORRESPONDING YEAR TO DATE ENDED 31.12.2009 RM'000 (audited)
Revenue	59,746	46,940	185,253	189,385
Cost of sales	(39,591)	(29,363)	(117,786)	(124,466)
Gross Profit	20,155	17,577	67,467	64,919
Other Income	1,854	2,266	4,396	4,175
Administrative expenses	(6,667)	(5,896)	(22,875)	(20,528)
Selling and marketing expenses	(6,030)	(6,120)	(23,443)	(21,837)
Other expenses	(585)	(1,227)	(2,563)	(3,239)
Finance costs	(417)	(330)	(1,489)	(1,322)
Profit before taxation	8,310	6,270	21,493	22,168
Taxation	(2,860)	(2,608)	(7,040)	(6,832)
Profit for the period	5,450	3,662	14,453	15,336
Profit attributable to:				
Equity holders of the Company	5,309	3,904	14,146	15,370
Minority interests	141	(242)	307	(34)
Profit for the period	5,450	3,662	14,453	15,336
Earnings per share attributable to equity holders of the Company (Note B13)	4.02	2.92	10.67	11.47

(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 31 DECEMBER 2010**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 31.12.2010 RM'000	CORRESPONDING QUARTER ENDED 31.12.2009 RM'000	CURRENT YEAR TO DATE ENDED 31.12.2010 RM'000	CORRESPONDING YEAR TO DATE ENDED 31.12.2009 RM'000
Profit for the period	5,450	3,662	14,453	15,336
<i>Other comprehensive income for the period, net of tax</i>				
Foreign currency translation differences for foreign operations	(294)	(127)	(1,043)	(250)
Total comprehensive income for the period	5,156	3,535	13,410	15,086
Total comprehensive income attributable to:				
Equity holders of the Company	5,092	4,030	12,955	15,379
Minority interests	64	(259)	455	(293)
Total comprehensive income for the period	5,156	3,771	13,410	15,086

(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 31 DECEMBER 2010**

	As at 31.12.2010 RM'000 (Unaudited)	As at 31.12.2009 RM'000 (Audited) As restated
ASSETS		
Non-current assets		
Property, Plant and Equipment	26,975	26,617
Investment Properties	1,230	1,430
Goodwill	7,888	7,888
Deferred tax assets	2,086	2,073
	<u>38,179</u>	<u>38,008</u>
Current assets		
Inventories	144,654	138,740
Short Term Investment	638	-
Trade Receivables	7,399	7,811
Other Receivables, Deposits & Prepayment	6,121	3,756
Tax Recoverable	966	733
Cash and Bank Balances	20,699	25,503
	<u>180,477</u>	<u>176,543</u>
TOTAL ASSETS	<u>218,656</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	(1,000)	191
Treasury Shares	(1,914)	(403)
Retained Earnings	79,686	67,524
	<u>154,208</u>	<u>144,748</u>
Minority interest	<u>5,059</u>	<u>4,494</u>
Total equity	<u>159,267</u>	<u>149,242</u>
Non-current liabilities		
Hire Purchase Creditors	419	487
Long Term Borrowings	19,958	21,096
Deferred Taxation	138	16
	<u>20,515</u>	<u>21,599</u>
Current liabilities		
Trade Payables	16,978	17,353
Other Payables & Accruals	14,574	12,904
Short Term Borrowings	5,743	12,039
Hire Purchase Creditors	104	221
Provision for Taxation	1,475	1,193
	<u>38,874</u>	<u>43,710</u>
Total liabilities	<u>59,389</u>	<u>65,309</u>
TOTAL EQUITY AND LIABILITIES	<u>218,656</u>	<u>214,551</u>
Net Assets Per Share (sen)	119	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 31 DECEMBER 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	-	-	9	-	15,370	15,379	(293)	15,086
Shares repurchased	-	-	-	(403)	-	(403)	-	(403)
Increased of investment in a subsidiary company	-	-	-	-	-	-	3,336	3,336
Dividend	-	-	-	-	(2,512)	(2,512)	(75)	(2,587)
At 31 December 2009	67,000	10,436	191	(403)	67,524	144,748	4,494	149,242
At 1 January 2010	67,000	10,436	191	(403)	67,524	144,748	4,494	149,242
Total comprehensive income for the period	-	-	(1,191)	-	14,146	12,955	455	13,410
Shares repurchased	-	-	-	(1,511)	-	(1,511)	-	(1,511)
Increased of investment in a subsidiary company	-	-	-	-	-	-	110	110
Dividend	-	-	-	-	(1,984)	(1,984)	-	(1,984)
At 31 December 2010	67,000	10,436	(1,000)	(1,914)	79,686	154,208	5,059	159,267

(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 31 DECEMBER 2010***These figures have not been audited*

	31.12.10	31.12.09
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	21,493	22,168
Adjustments for:		
Amortisation of prepaid lease payments	-	22
Amortisation of investment properties	35	39
Depreciation of property, plant & equipment	2,205	3,082
Interest expense	1,482	1,322
Provision for slow moving inventory	650	92
Property, plant and equipment written off	815	151
Gain on disposal of property, plant and equipment	(118)	(203)
Unrealised foreign exchange loss	198	-
Loss on dilution of a subsidiary company	109	-
Loss on deemed dilution of a subsidiary company	-	12
Operating profit before working capital changes	<u>26,869</u>	<u>26,685</u>
Inventories	(6,564)	(211)
Debtors	(2,116)	11
Creditors	1,096	(13,864)
Amount due from holding company	-	(222)
Cash generated from operations	<u>19,285</u>	<u>12,399</u>
Interest paid	(1,482)	(1,322)
Income tax paid	(7,018)	(7,306)
Income tax refund	138	218
Net cash (used in)/generated from operating activities	<u>10,923</u>	<u>3,989</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,378)	(2,351)
Acquisition of short term investment	(638)	-
Proceeds from dilution of a subsidiary company	163	-
Disposal of property, plant and equipment	342	367
Net cash used in investing activities	<u>(3,511)</u>	<u>(1,984)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend payment	(1,984)	(2,587)
Drawdown from borrowings	-	3,117
Repayment of hire purchase creditors	(235)	(221)
Repayment of borrowings	(6,529)	(1,912)
Proceeds from hire purchase creditors	-	-
Share repurchased	(1,511)	(403)
Proceeds from issue of shares to MI	-	3,324
Net cash (used in)/generated from financing activities	<u>(10,259)</u>	<u>1,318</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,847)	3,323
Effects of foreign exchange rate changes	(1,052)	(255)
OPENING CASH AND CASH EQUIVALENTS	<u>23,983</u>	<u>20,915</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>20,084</u>	<u>23,983</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	20,699	25,503
Bank overdraft	(615)	(1,520)
	<u>20,084</u>	<u>23,983</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 31 December 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
- IC Interpretation 13, Customer Loyalty Programme

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 December 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 31 December 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 99,700 of its issued ordinary shares from the open market at an average price of RM1.07 per share. The total consideration paid for the repurchase including transaction costs was RM107,119.62 and this was financed by internally generated funds. As at 31 December 2010, a total of 1,934,800 shares repurchased were held at a total cost of RM1,914,355.95. 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 12 Months Ended 31 December 2010

	Segment revenue		Segment profit before tax RM '000
	External RM '000	Intersegment RM '000	
Retail	158,271	21,878	15,784
Manufacturing	611	29,790	4,117
Others	26,371	9,741	1,591
Total	185,253	61,409	21,493
Consolidation adjustments:			
Intersegment transactions	-	(61,409)	-
Consolidated Total	185,253	-	21,493

Business Segment

Results for 12 Months Ended 31 December 2009

	Segment revenue		Segment profit before tax RM '000
	External RM '000	Intersegment RM '000	
Retail	172,394	21,759	18,504
Manufacturing	369	30,490	3,370
Others	16,623	6,905	294
Total	189,385	59,154	22,168
Consolidation adjustments:			
Intersegment transactions	-	(59,154)	-
Consolidated Total	189,385	-	22,168

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.

**Quarterly Report On Consolidated Results
For The Year-To-Date Ended 31 December 2010**

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.

- (c) On 27 December 2010, V-BuyJewels Pte Ltd ("VBPL"), a wholly-owned subsidiary of Jewelmart International Sdn. Bhd. ("JISB"), which in turn is a wholly-owned subsidiary of Degem, made an application to the Registrar of Companies of Singapore to have its name struck-off from the Register of Companies pursuant to Section 344 of the Companies Act (Cap. 50).

VBPL, a private limited company, was incorporated in Singapore under the Companies Act (Cap. 50) on 24 August 2009. The issued and paid-up share capital of VBPL is SGD2.00 divided into 2 ordinary shares of SGD1.00 each held wholly by JISB. VBPL was set-up for the purpose of buying and selling of second hand jewellery in Singapore but to date, VBPL has yet to commence operations.

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 31 December 2010

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

B1. Review of Performance

For the financial period ended 31 December 2010, the Group registered a revenue of RM185.3 million compared to RM189.4 million in the preceding period, a decrease of 2.2%. Net profit was RM14.5 million as compared to RM15.3 million in the preceding period.

In the fourth quarter of year 2010, the Group registered a revenue of RM59.7 million and profit before taxation of RM8.3 million versus a revenue of RM46.9 million and profit before taxation of RM6.3 million recorded in the corresponding quarter of year 2009.

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

In the fourth quarter of year 2010, the Group registered a revenue of RM59.7 million and profit before taxation of RM8.3 million versus a revenue of RM44.1 million and profit before taxation of RM4.5 million recorded in the immediate preceding quarter.

B3. Prospects For Financial Year 2011

The outlook for the Group's operations is positive for the financial year 2011.

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 31.12.10 RM'000	Preceding Year Quarter 31.12.09 RM'000	Current Year To date 31.12.10 RM'000	Preceding Year Corresponding 31.12.09 RM'000
Income Taxation				
- Current period	2,565	2,425	6,629	6,427
- Under/(Over)provision in prior period	327	(2)	358	220
Deferred Taxation				
- Current period	(32)	185	(32)	185
- Prior period	-	-	85	-
	2,860	2,608	7,040	6,832

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 31 December 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 31 December 2010 are as follows:-

	Secured RM'000
<i>Short Term Borrowings</i>	
Hire purchase creditors	104
Bank overdraft	615
Term loans	5,128
	<u>5,847</u>
<i>Long Term Borrowings</i>	
Hire purchase creditors	419
Term loans	19,958
Total	<u>26,224</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. Realised and Unrealised Profits and Losses

Bursa Malaysia Securities Berhad ("Bursa Malaysia") has, on 25 March 2010 and 20 December 2010, issued a directive to all issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

The breakdown of the Retained Profits of the Group as at the reporting date, into realised and unrealised losses, pursuant to the directive, is as follows:

	Cumulative	
	Group 31.12.10 RM'000	Group 30.09.10 RM'000
Total Retained Profits/(Accumulated Losses) of the Group		
- Realised	80,565	75,717
- Unrealised	1,704	1,588
Consolidation Adjustment	(2,583)	(2,928)
Total retained profits of the Group	<u>79,686</u>	<u>74,377</u>

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on 20 December 2010.

**Quarterly Report On Consolidated Results
For The Year-To-Date Ended 31 December 2010**

B12. Material Litigation

The Group had initiated legal action against another group of companies to protect its right to the use of the tradename "DeGem". The case has been fixed for trial from 28 to 30 March 2011.

B13. Dividend

During the quarter under review, no dividend was declared.

B14. 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 31.12.10 RM'000	Preceding Year Quarter 31.12.09 RM'000	Current Year To date 31.12.10 RM'000	Preceding Year Corresponding 31.12.09 RM'000
Profit attributable to shareholders	5,309	3,904	14,146	15,370
Adjusted weighted average number of ordinary shares in issue	132,065	133,869	132,555	133,967
Basic earnings per share (sen)	4.02	2.92	10.67	11.47

BY ORDER OF THE BOARD

CHOW CHOOI YOONG
Company Secretary
MAICSA 0772574

Dated: 23 February 2011