

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2013

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 31.12.2013 RM'000	CORRESPONDING QUARTER ENDED 31.12.2012 RM'000	CURRENT YEAR TO DATE ENDED 31.12.2013 RM'000	CORRESPONDING YEAR TO DATE ENDED 31.12.2012 RM'000
Revenue	67,015	67,440	234,384	250,797
Cost of sales	(41,211)	(41,677)	(150,116)	(162,305)
Gross Profit	25,804	25,763	84,268	88,492
Other Income	1,468	1,474	3,731	4,775
Administrative expenses	(7,385)	(7,492)	(28,576)	(27,978)
Selling and marketing expenses	(8,467)	(7,889)	(30,061)	(30,532)
Other expenses	(2,143)	(807)	(4,733)	(3,266)
Finance costs	(406)	(423)	(1,613)	(1,710)
Profit before taxation	8,871	10,626	23,016	29,781
Taxation	(1,950)	(2,545)	(6,080)	(6,968)
Profit for the year	6,921	8,081	16,936	22,813
Profit attributable to:				
Equity holders of the Company	6,737	7,637	15,844	21,681
Minority interests	184	444	1,092	1,132
Profit for the year	6,921	8,081	16,936	22,813
Earnings per share attributable to equity holders of the Company (sen) (Note B11)	5.11	5.78	11.98	16.37

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2013

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 31.12.2013 RM'000	CORRESPONDING QUARTER ENDED 31.12.2012 RM'000	CURRENT YEAR TO DATE ENDED 31.12.2013 RM'000	CORRESPONDING YEAR TO DATE ENDED 31.12.2012 RM'000
Profit for the year	6,921	8,081	16,936	22,813
<i>Other comprehensive income for the year, net of tax</i>				
Foreign currency translation differences for foreign operations	97	20	1,492	(209)
Total comprehensive income for the year	7,018	8,101	18,428	22,604
Total comprehensive income attributable to:				
Equity holders of the Company	6,816	7,647	16,895	21,556
Minority interests	202	454	1,533	1,048
Total comprehensive income for the year	7,018	8,101	18,428	22,604

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012)

DeGem Berhad (415726-T)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	As at 31.12.2013 RM'000 <i>(Unaudited)</i>	As at 31.12.2012 RM'000 <i>(Audited)</i>
ASSETS		
Non-current assets		
Property, Plant and Equipment	41,165	30,021
Investment Properties	6,406	6,557
Deferred tax assets	1,462	1,172
	<u>49,033</u>	<u>37,750</u>
Current assets		
Inventories	194,138	180,024
Trade Receivables	9,960	9,042
Other Receivables, Deposits & Prepayments	7,454	5,732
Tax Recoverable	491	186
Cash and Bank Balances	26,562	30,421
	<u>238,605</u>	<u>225,405</u>
TOTAL ASSETS	<u>287,638</u>	<u>263,155</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	802	(249)
Treasury Shares	(2,636)	(1,938)
Retained Earnings	127,766	113,902
	<u>203,368</u>	<u>189,151</u>
Minority interest	<u>9,192</u>	<u>7,669</u>
Total equity	<u>212,560</u>	<u>196,820</u>
Non-current liabilities		
Hire Purchase Creditors	915	1,098
Long Term Borrowings	28,857	27,053
Deferred Taxation	471	178
	<u>30,243</u>	<u>28,329</u>
Current liabilities		
Trade Payables	20,999	11,008
Other Payables & Accruals	16,021	17,819
Short Term Borrowings	6,289	7,913
Hire Purchase Creditors	542	276
Derivative financial instruments	85	168
Provision for Taxation	899	822
	<u>44,835</u>	<u>38,006</u>
Total liabilities	<u>75,078</u>	<u>66,335</u>
TOTAL EQUITY AND LIABILITIES	<u>287,638</u>	<u>263,155</u>
Net Assets Per Share (sen)	161	149

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR-TO-DATE ENDED 31 DECEMBER 2013

	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 2012								
- as previously reported	67,000	10,436	(124)	(1,922)	100,109	175,499	6,621	182,120
- effects of MFRS adoption	-	-	-	-	(7,888)	(7,888)	-	(7,888)
At 1 January 2012, as restated	67,000	10,436	(124)	(1,922)	92,221	167,611	6,621	174,232
Total comprehensive income for the year	-	-	(125)	-	21,681	21,556	1,048	22,604
Shares repurchased	-	-	-	(16)	-	(16)	-	(16)
Dividend	-	-	-	-	-	-	-	-
At 31 December 2012	67,000	10,436	(249)	(1,938)	113,902	189,151	7,669	196,820
At 1 January 2013	67,000	10,436	(249)	(1,938)	113,902	189,151	7,669	196,820
At 1 January 2013	67,000	10,436	(249)	(1,938)	113,902	189,151	7,669	196,820
Total comprehensive income for the year	-	-	1,051	-	15,844	16,895	1,533	18,428
Shares repurchased	-	-	-	(698)	-	(698)	-	(698)
De-registration of a subsidiary	-	-	-	-	-	-	(260)	(260)
Increased of investment in a subsidiary company	-	-	-	-	-	-	250	250
Dividend	-	-	-	-	(1,980)	(1,980)	-	(1,980)
At 31 December 2013	67,000	10,436	802	(2,636)	127,766	203,368	9,192	212,560

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR-TO-DATE ENDED 31 DECEMBER 2013

These figures have not been audited

	31.12.2013 RM'000	31.12.2012 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	23,016	29,781
Adjustments for:		
Depreciation of property, plant & equipment	3,400	2,627
(Gain)/Loss on derivative financial instruments	(83)	78
Interest expense	1,613	1,710
Allowance for slow moving inventory-reversal	20	(72)
Property, plant and equipment written off	551	373
Gain on disposal of property, plant and equipment	(311)	(354)
Interest income	(200)	(142)
Unrealised foreign exchange (gain)/loss	160	184
Operating profit before working capital changes	<u>28,166</u>	<u>34,185</u>
Inventories	(14,134)	4,986
Debtors	(2,639)	1,319
Creditors	8,682	(18,745)
Cash generated from operations	<u>20,075</u>	<u>21,745</u>
Interest paid	(1,613)	(1,710)
Income tax paid	(6,217)	(8,561)
Interest received	200	142
Net cash (used in) / from operating activities	<u>12,445</u>	<u>11,616</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(15,118)	(5,789)
Proceeds from disposal of property, plant and equipment	408	362
Increased of investment in a subsidiary company	250	-
Capital repayment to minority interests	(260)	-
Net cash used in investing activities	<u>(14,720)</u>	<u>(5,427)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend Payment	(1,980)	-
Drawdown from borrowings	6,597	6,080
Repayment of hire purchase creditors	(467)	(384)
Repayment of borrowings	(7,055)	930
Proceeds from hire purchase creditors	550	(3,339)
Share repurchased	(698)	(16)
Net cash used in financing activities	<u>(3,053)</u>	<u>3,271</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,328)	9,460
Effects of foreign exchange rate changes	1,469	(962)
OPENING CASH AND CASH EQUIVALENTS	<u>30,421</u>	<u>21,923</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>26,562</u>	<u>30,421</u>
Cash and cash equivalents comprise the following:		
Cash and bank balances	26,562	30,421
Bank overdraft	-	-
	<u>26,562</u>	<u>30,421</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012)

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The condensed consolidated interim financial statements has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") 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 2012. This condensed consolidated interim financial statements also complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards.

The significant accounting policies adopted are consistent with those adopted in the audited financial statements for the year ended 31 December 2012, except for the adoption of the following MFRSs and amendments to MFRSs which are applicable for the Group's financial period beginning 1 January 2013:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in the Other Entities
MFRS 13	Fair Value Measurement
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
MFRS 127	Separate financial statements
MFRS 128	Investments in associates and joint ventures
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134	Interim Financial Reporting

Adoption of the above MFRSs and Amendments to FRSs did not have any material effect on the financial performance, position or presentation of financials of the Group.

The followings MFRSs and Amendments to MFRSs have been issued by the MASB but not yet effective and have not been applied to the Group:

Effective for annual periods commencing on or after 1 January 2014

Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendment to MFRS 132	Offsetting Financial Assets and Financial Liabilities

Effective for annual periods commencing on or after 1 January 2015

MFRS 9	Financial instruments(IFRS 9 issued by IASB in November 2009 and October 2010)
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The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

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 the financial year.

A5. Changes in Estimates

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

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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 10,000 of its issued ordinary shares from the open market at an average price of RM0.95 per share. The total consideration paid for the repurchase including transaction costs was RM9,569.85 and this was financed by internally generated funds. As at 31 December 2013, a total of 2,623,700 shares repurchased were held at a total cost of RM 2,636,326.37. 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 Year to Date Ended 31 December 2013

	Segment revenue		Segment profit before tax RM '000
	External RM '000	Intersegment RM '000	
Retail	220,192	43,814	17,431
Manufacturing	7,750	31,760	2,507
Others	6,443	9,405	3,077
Total	234,384	84,980	23,016
Consolidation adjustments:			
Intersegment transactions	-	(84,980)	-
Consolidated Total	234,384	-	23,016

Business Segment

Results for Year to Date Ended 31 December 2012

	Segment revenue		Segment profit before tax RM '000
	External RM '000	Intersegment RM '000	
Retail	233,664	44,490	24,870
Manufacturing	5,586	32,700	2,610
Others	11,547	12,868	2,301
Total	250,797	90,058	29,781
Consolidation adjustments:			
Intersegment transactions	-	(90,058)	-
Consolidated Total	250,797	-	29,781

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

On 16 January 2013, MECA JEWELLERY LIMITED (“MECA”), a 60.0% owned subsidiary of Jewelmart International Sdn. Bhd., which in turn is a wholly-owned subsidiary of DeGem Berhad, had proceeded with an application for de-registration from the Register of the Hong Kong Companies Registry (“De-Registration”).

MECA was incorporated in Hong Kong on 10 September 2007. The authorised share capital of MECA is HK\$1,000,000.00 divided into 1,000,000 ordinary shares of HK\$1.00 each of which 10,000 shares of HK\$1.00 are issued and fully paid-up. The principal activity of MECA was design and distribution of jewellery. MECA has ceased business operations since 30 September 2012.

On 3 May 2013, D&P FRANCHISE PTE LIMITED (“DPF”), a 100.0% owned subsidiary of Diamond & Platinum Sdn Bhd., which in turn is a wholly-owned subsidiary of DeGem Berhad, had proceeded with an application for de-registration from the Register of the Hong Kong Companies Registry (“De-Registration”).

DPF was incorporated in Hong Kong on 10 October 2011. The authorised share capital of DPF is HK\$10,000.00 divided into 10,000 ordinary shares of HK\$1.00 each of which 2 shares of HK\$1.00 are issued and fully paid-up. DPF has been dormant since its incorporation.

On 10 September 2013, DIAMOND & PLATINUM PTE LTD (“DPPL”), a 100.0% owned subsidiary of Diamond & Platinum Sdn Bhd., which in turn is a wholly-owned subsidiary of DeGem Berhad, had proceeded with an application for de-registration from the Singapore Companies Registry (“De-Registration”).

DPPL was incorporated in Singapore under the Companies Act, (Cap 50) on 21 September 2007. The issued and paid-up share capital of DPPL is S\$1.00 held wholly by D&P. DPPL has been dormant since its incorporation.

The de-registration of MECA, DPF and DPPL will not have any material impact on the business of the Group.

On 28 October 2013, D-Rewards Services Sdn. Bhd. (Company No. 604415-U)(“DRSB”), a wholly-owned subsidiary of Diamond & Platinum Sdn. Bhd.(Company No.493079-H) (“D&P”), which is in turn a wholly-owned subsidiary of DeGem Berhad, has been placed under members' voluntary winding-up.

DRSB was incorporated on 22 January 2003. It has an authorised share capital of RM500,000.00 divided into 500,000 ordinary shares of RM1.00 each of which 300,000 ordinary shares of RM1.00 each are issued and fully paid-up. It is a wholly-owned subsidiary of D&P which is in turn a wholly-owned subsidiary of DEGEM. DRSB was previously involved in trading in diamonds and jewellery and the operation of a rewards redemption programme before it ceased operations on 31 January 2011. DRSB is not a major subsidiary of DeGem Berhad. The total cost of investment in DRSB is RM300,000.00.

On 31 October 2013, P.Y.T. JEWEL & TIME SDN. BHD. (“PYTJT”), a wholly owned subsidiary of DeGem Berhad, has acquired a dormant company named DEPADDLE SDN. BHD. (Company No. 1067884-P) (“DSB”) for a cash consideration of RM2.00 only.

DSB, a private limited company, was incorporated in Malaysia under the Companies Act, 1965 on 28 October 2013. The authorised share capital of DSB is RM400,000/- divided into 400,000 ordinary shares of RM1/- each of which 2 shares have been issued and paid-up.

Mr. Choong Khoi Onn and Mr. Choong Kay Cheong were the subscribers for the set-up of DSB.

DSB has not commenced operations yet. The intended principal activities are those of trading and retailing including on-line retailing of all kinds of jewelleries and precious stones.

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 quarter ended 31 December 2013, the Group registered a revenue of RM67.0 million compared to RM67.4 million in the corresponding period of the preceding year. Profit before taxation was RM8.9 million compared to RM10.6 million in the corresponding period of the preceding year.

The profit for the quarter was mainly affected by higher unrealised foreign exchange losses, depreciation of property, plant and equipment and selling expenses.

For the year ended 31 December 2013, the Group registered a revenue of RM234.4 million compared to RM250.8 million in 2012, a decrease of 6.5%. Profit before taxation was RM23.0 million compared to RM29.8 million in 2012.

The revenue and profit before taxation achieved by the Group for the year was mainly attributable to a slowdown of the retail segment.

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

In the fourth quarter of 2013, the Group registered a revenue of RM67.0 million and profit before taxation of RM8.9 million versus a revenue of RM54.5 million and profit before taxation of RM5.5 million recorded in the immediate preceding quarter.

B3. Prospects For Financial Year 2014

In tandem with an improved global economic outlook and together with the Malaysian Government's measures towards the country achieving a high income status by year 2020, the domestic economy is projected to grow at a stronger pace of 5% to 5.5% in 2014.

The Group remains optimistic that the strength of its brands and its reputation for excellence will enable it to achieve satisfactory results.

B4. Profit Forecast and Profit Guarantee

The Group has not provided any profit forecast or profit guarantee.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2013 RM'000	Preceding Year Quarter 31.12.2012 RM'000	Current Year To date 31.12.2013 RM'000	Preceding Year Corresponding 31.12.2012 RM'000
Income Taxation				
- Current period	1,933	2,226	5,964	7,251
- Under / (Over) provision in prior period	-	(18)	99	(614)
Deferred Taxation				
- Current period	17	337	17	337
- Prior period	-	-	-	(6)
	1,950	2,545	6,080	6,968

B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.

B7. Borrowings and Debt Securities

The Group's borrowings as at 31 December 2013 are as follows:-

	Unsecured RM'000	Secured RM'000	Total RM'000
<i>Current</i>			
Hire purchase creditors	-	542	542
Term loans (in RM)	1,000	2,526	3,526
Term loans (in SGD)	-	130	130
Term loans (in USD)	-	2,633	2,633
	<u>1,000</u>	<u>5,831</u>	<u>6,831</u>
<i>Non-current</i>			
Hire purchase creditors	-	915	915
Term loans (in RM)	-	20,227	20,227
Term loans (in SGD)	-	3,220	3,220
Term loans (in USD)	-	5,410	5,410
	<u>1,000</u>	<u>35,603</u>	<u>36,603</u>

B8. 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, as disclosed pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:

	Cumulative	
	Group 31.12.2013 RM'000	Group 31.12.2012 RM'000
Total Retained Profits/(Accumulated Losses) of the Group		
- Realised	130,287	116,904
- Unrealised	546	468
Consolidation Adjustment	(3,067)	(3,470)
Total retained profits of the Group	<u>127,766</u>	<u>113,902</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.

B9. Material Litigation

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

B10. Dividend

The Board had proposed a first and final single tier dividend of 3.0% for the financial year ended 31 December 2013. The proposed dividend shall be subject to approval of the shareholders at the forthcoming Annual General Meeting to be held on a date, which shall be announced later.

B11. 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 31.12.2013	Preceding Year Quarter 31.12.2012	Current Year To date 31.12.2013	Preceding Year Corresponding 31.12.2012
Profit attributable to shareholders (RM'000)	6,737	7,637	15,844	21,681
Adjusted weighted average number of ordinary shares in issue ('000)	131,868	132,065	132,253	132,436
Basic earnings per share (sen)	5.11	5.78	11.98	16.37

B12. Notes To Condensed Consolidated Income Statements For The Quarter And Year-To-Date.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2013 RM'000	Preceding Year Quarter 31.12.2012 RM'000	Current Year To date 31.12.2013 RM'000	Preceding Year Corresponding 31.12.2012 RM'000
<i>After crediting :-</i>				
Interest Income	30	48	200	142
Allowance on slow moving finished goods-reversal	4	65	20	72
Foreign exchange gain - realised	83	1,078	510	2,300
Gain on disposal of property, plant and equipment	(47)	-	311	354
Gain on derivatives	16	-	83	-
Other income including investment income	1,008	355	2,120	1,979
<i>After charging :-</i>				
Interest Expense	405	423	1,613	1,710
Depreciation & amortisation	1,086	734	3,400	2,519
Foreign exchange loss - unrealised	305	(193)	160	(184)
Loss on derivatives	-	(65)	-	(77)

BY ORDER OF THE BOARD

CHOW CHOOI YOONG

Company Secretary
MAICSA 0772574

Dated: 25 February 2014