

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER ENDED 30.06.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30.06.2016 RM'000	CURRENT YEAR TO DATE ENDED 30.06.2017 RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE ENDED 30.06.2016 RM'000
<b>Revenue</b>	52,060	43,943	95,346	82,515
Cost of sales	(30,238)	(25,091)	(53,764)	(45,243)
<b>Gross Profit</b>	21,822	18,852	41,582	37,272
Other Income	1,802	199	2,777	814
Administrative expenses	(9,781)	(7,769)	(18,140)	(14,982)
Other operating expenses	(8,899)	(8,545)	(17,400)	(16,660)
Finance costs	(68)	(392)	(404)	(812)
<b>Profit before tax</b>	4,876	2,345	8,415	5,632
Tax expense <i>(Note B5)</i>	(478)	(615)	(1,452)	(1,576)
<b>Profit for the period</b>	4,398	1,730	6,963	4,056
<b>Profit attributable to:</b>				
Owners of the Company	4,467	1,717	7,472	4,006
Non-controlling interests	(69)	13	(509)	50
<b>Profit for the period</b>	4,398	1,730	6,963	4,056
Basic earnings per ordinary share (sen) <i>(Note B11)</i>	3.42	1.31	5.71	3.06

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER ENDED 30.06.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30.06.2016 RM'000	CURRENT YEAR TO DATE ENDED 30.06.2017 RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE ENDED 30.06.2016 RM'000
<b>Profit for the period</b>	4,398	1,730	6,963	4,056
<i>Other comprehensive income, net of tax:</i>				
Foreign currency translation differences for foreign operations	(1,709)	1,238	(1,166)	(7,060)
<b>Total comprehensive income for the period</b>	<b>2,689</b>	<b>2,968</b>	<b>5,797</b>	<b>(3,004)</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	3,136	2,634	6,440	(2,427)
Non-controlling interests	(447)	334	(643)	(577)
<b>Total comprehensive income for the period</b>	<b>2,689</b>	<b>2,968</b>	<b>5,797</b>	<b>(3,004)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	As at 30.06.2017 RM'000 <i>(Unaudited)</i>	As at 31.12.2016 RM'000 <i>(Audited)</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	28,966	30,073
Investment properties	29,807	29,951
Goodwill	87	87
Deferred tax assets	1,594	822
	<u>60,454</u>	<u>60,933</u>
<b>Current assets</b>		
Inventories	223,882	210,324
Trade and other receivables	26,595	23,348
Prepayments and other assets	2,602	1,091
Current tax assets	1,742	1,712
Cash and cash equivalents	35,984	47,324
	<u>290,805</u>	<u>283,799</u>
<b>TOTAL ASSETS</b>	<b><u>351,259</u></b>	<b><u>344,732</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	67,000	67,000
Share premium	10,435	10,435
Reserves	174,746	168,311
	<u>252,181</u>	<u>245,746</u>
<b>Non-controlling interests</b>	<u>13,263</u>	<u>13,906</u>
<b>Total equity</b>	<b><u>265,444</u></b>	<b><u>259,652</u></b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans and borrowings	40,584	40,514
Deferred tax liabilities	401	401
	<u>40,985</u>	<u>40,915</u>
<b>Current liabilities</b>		
Loans and borrowings	5,053	6,014
Trade and other payables	36,744	35,833
Deferred revenue	1,346	1,192
Current tax liabilities	1,687	1,126
	<u>44,830</u>	<u>44,165</u>
<b>Total liabilities</b>	<b><u>85,815</u></b>	<b><u>85,080</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>351,259</u></b>	<b><u>344,732</u></b>
Net assets per share (RM)	2.03	1.98

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

	<----- Attributable to owners of the Company ----->							Total equity RM'000
	< ----- Non-distributable ----- >			Distributable		Total RM'000	Non-controlling interests RM'000	
	Share capital RM'000	Share premium RM'000	Other reserve RM'000	Treasury shares RM'000	Retained earnings RM'000			
<b>At 1 January 2017</b>	67,000	10,435	16,048	(3,194)	155,457	245,746	13,906	259,652
Total comprehensive income for the period	-	-	(1,032)	-	7,472	6,440	(643)	5,797
Shares repurchased	-	-	-	(5)	-	(5)	-	(5)
Dividends to shareholders	-	-	-	-	-	-	-	-
<b>At 30 June 2017</b>	<b>67,000</b>	<b>10,435</b>	<b>15,016</b>	<b>(3,199)</b>	<b>162,929</b>	<b>252,181</b>	<b>13,263</b>	<b>265,444</b>
<b>At 1 January 2016</b>	67,000	10,435	14,143	(3,189)	149,826	238,215	13,516	251,731
Total comprehensive income for the period	-	-	(6,433)	-	4,006	(2,427)	(577)	(3,004)
Shares repurchased	-	-	-	(2)	-	(2)	-	(2)
Dividends to shareholders	-	-	-	-	-	-	-	-
<b>At 30 June 2016</b>	<b>67,000</b>	<b>10,435</b>	<b>7,710</b>	<b>(3,191)</b>	<b>153,832</b>	<b>235,786</b>	<b>12,939</b>	<b>248,725</b>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016)

# DeGem Berhad (415726-T)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR-TO-DATE ENDED 30 JUNE 2017

*These figures have not been audited*

	30.06.2017 RM'000	30.06.2016 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	8,415	5,632
Adjustments for:		
Depreciation	1,711	1,920
Gain on derivative financial instruments	-	-
Interest expense	404	812
Provision for slow moving inventory	95	218
Property, plant and equipment written off	19	195
Gain on disposal of property, plant and equipment	(75)	(99)
Interest income	(158)	(43)
Unrealised foreign exchange loss / (gain)	(1,261)	76
<b>Operating profit before working capital changes</b>	<b>9,150</b>	<b>8,711</b>
Inventories	(13,653)	1,451
Receivables	(1,402)	929
Payables	(1,031)	2,905
<b>Cash (used in)/ generated from operations</b>	<b>(6,936)</b>	<b>13,996</b>
Interest paid	(404)	(812)
Income tax paid	(1,668)	(1,867)
Interest received	158	43
<b>Net cash (used in) / generated from operating activities</b>	<b>(8,850)</b>	<b>11,360</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(458)	(2,872)
Proceeds from disposal of property, plant and equipment	-	160
<b>Net cash used in investing activities</b>	<b>(458)</b>	<b>(2,896)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net repayment from borrowings	(2,678)	4,287
Payment of finance lease liabilities	(232)	(167)
Share repurchased	(5)	(2)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(2,915)</b>	<b>4,118</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(12,223)</b>	<b>12,582</b>
Effects of foreign exchange rate changes	(821)	(7,232)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>47,325</b>	<b>40,255</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>34,281</b>	<b>45,605</b>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016)

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017****A. EXPLANATORY NOTES PURSUANT TO MFRS 134****A1. Basis of Preparation**

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

The accounting policies applied by the Group in these interim financial statements are consistent with those applied by the Group in its annual audited financial statements for the year ended 31 December 2016 except for the adoption of the following Amendments to Standards during the current financial period:

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017***

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysia Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, and Amendments to MFRS 128 which are not applicable to the Group.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

**A2. Seasonality or Cyclicity of Operations**

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

## A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence during the financial period.

## A4. Changes in Estimates

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

## A5. Issuance, Cancellation or Repayments of Debt and Equity Securities

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities by the Company for the current financial period-to-date:

During the current quarter, the Company repurchased 5,000 of its issued ordinary shares from the open market at an average price of RM0.92 per share. The total consideration paid for the repurchase including transaction costs was RM4,648.86 and this was financed by internally generated funds. As at 30 June 2017, a total of 3,164,900 shares repurchased were held at a total cost of RM3,199,019.89. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. None of the treasury shares held were resold or cancelled during the quarter under review and up to the date of this report.

## A6. Dividend Paid

A final single tier dividend of 1.5sen totalling RM1,962,527 in respect of the financial year ended 31 December 2016 and was paid to the shareholders on 13 July 2017.

## A7. Segmental Information

Segmental information is presented in respect of the Group's business segments.

### Business Segments:

Retail: Suppliers and retailers of jewellery, diamonds, precious gemstone and gold bullion  
 Manufacturing: Manufacturer and trading in gold and jewellery  
 Others: Investment holding and property investment

### Results for Year to Date Ended 30 June 2017

	Segment revenue		Segment profit before tax RM '000
	External RM '000	Intersegment RM '000	
Retail	89,854	36,473	5,693
Manufacturing	3,727	17,052	2,379
Others	1,765	1,164	343
Total	95,346	54,689	8,415
Consolidation adjustments: Intersegment transactions	-	(54,689)	-
<b>Consolidated Total</b>	<b>95,346</b>	<b>-</b>	<b>8,415</b>

### Business Segment

### Results for Year to Date Ended 30 June 2016

	Segment revenue		Segment profit before tax RM '000
	External RM '000	Intersegment RM '000	
Retail	78,267	21,708	4,094
Manufacturing	3,525	13,088	1,457
Others	723	7,096	81
Total	82,515	41,892	5,632
Consolidation adjustments: Intersegment transactions	-	(41,892)	-
<b>Consolidated Total</b>	<b>82,515</b>	<b>-</b>	<b>5,632</b>

## **A8. Material Events Subsequent To The Financial Period**

Save as disclosed below, there were no changes in the composition of the Company during the quarter under review.

Jewelmart International Sdn. Bhd. ("JISB"), which is a wholly owned subsidiary of the Company, had on 10 August 2017 enter into Sales and Purchase Agreement to dispose Seven Million (7,000,000) ordinary shares of HKD1.00 each representing 70% of the equity in Bestline International Corporation Ltd. ("BICL") and its wholly owned subsidiary companies for cash consideration of Hong Kong Dollar: Six Million One Hundred Fifty Thousand only (HKD6,150,000). After the completion of the disposal, BICL and its wholly owned subsidiary companies ceased to be the subsidiary of DeGem Bhd.

## **A9. Changes in the Composition of the Company**

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

## **A10. Contingent Liabilities**

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

## **A11. Capital Commitments**

The Group did not have any capital commitments which were contracted but not provided for as at 30 June 2017

## **A12. Significant Related Party Transactions**

There were no significant related party transactions during the current quarter under review.

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

### **B1. Review of Performance**

#### **Quarter results**

For the current quarter under review, the Group recorded a revenue of RM52.1 million as compared with a revenue of RM43.9 million for the preceding year corresponding quarter. The increase in revenue of 18% was mainly contributed from increase in sales volume from the retail segment.

In tandem with the increase in revenue, the Group registered a higher profit before tax ("PBT") of RM4.9 million for the current quarter under review, representing an increase of 108% compared to a PBT of RM2.3 million recorded in the preceding year corresponding quarter. The improvement in PBT mainly contributed from increase in sales volume from retail segment and higher foreign exchange gain.

#### **Year-to-date results**

For the current year-to-date, the Group registered a revenue of RM95.3 million and a PBT of RM8.4 million as compared with a revenue of RM82.5 million and a PBT of RM5.6 million recorded in the preceding year-to-date. The increase in both revenue and PBT of 16% and 49% were attributed to higher revenue achieved from retail segment and higher foreign exchange gain.

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

For the current quarter, the Group registered a revenue of RM52.1 million and PBT of RM4.9 million as compared with a revenue of RM43.2 million and PBT of RM3.5 million recorded in the immediate preceding quarter. The increase in both revenue and PBT was mainly due to increase in sales volume from retail segment and higher foreign exchange gain.

### **B3. Prospects For Financial Year 2017**

Management anticipated that the market will continue to be challenging and competitive. The Group will continue to streamline its operations, enhance production efficiency and implement new marketing strategies to increase sales.

Barring any unforeseen circumstances, the Board remains cautiously optimistic of the Group's performance for the financial year ending 2017.

### **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 30.06.2017 RM'000	Preceding Year Quarter 30.06.2016 RM'000	Current Year To date 30.06.2017 RM'000	Preceding Year Corresponding 30.06.2016 RM'000
Income Tax				
- Current period	1,257	680	2,231	1,641
- (Over)/Under provision in prior period	-	45	-	45
Deferred Taxation				
- Current period	-	-	-	-
- Prior period	(779)	(110)	(779)	(110)
	<u>478</u>	<u>615</u>	<u>1,452</u>	<u>1,576</u>

**B6. Status of Corporate Proposals**

There were no corporate proposals being announced during the current quarter under review.

**B7. Borrowings and Debt Securities**

The Group's borrowings as at 30 June 2017 are as follows:-

	Unsecured RM'000	Secured RM'000	Total RM'000
<b>Current</b>			
Finance lease liabilities	-	122	122
Bank overdraft	-	1,705	1,705
Term loans (in RM)	2,100	1,032	3,132
Term loans (in SGD)	-	94	94
	<u>2,100</u>	<u>2,953</u>	<u>5,053</u>
<b>Non-current</b>			
Finance lease liabilities	-	339	339
Term loans (in RM)	-	36,840	36,840
Term loans (in SGD)	-	3,405	3,405
	<u>-</u>	<u>40,584</u>	<u>40,584</u>
Total	<u>2,100</u>	<u>43,537</u>	<u>45,637</u>

**B8. Material Litigation**

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

**B9. Dividend**

As of the date of this announcement, there was no dividend declared for the current financial period ended 30 June 2017.

**B10. Qualification of Audit Report of the Preceding Annual Financial Statements**

There was no qualification on audit report of the preceding annual financial statements.

**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 30.06.2017	Preceding Year Corresponding Quarter 30.06.2016	Current Year To date 30.06.2017	Preceding Year Corresponding Year To Date 30.06.2016
Profit attributable to the owners (RM'000)	4,467	1,717	7,472	4,006
Weighted average number of ordinary shares in issue ('000)	130,803	130,809	130,835	130,846
Basic earnings per share (sen)	3.42	1.31	5.71	3.06

Diluted earnings per share is not applicable for the Group.

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2017 RM'000	Preceding Year Corresponding Quarter 30.06.2016 RM'000	Current Year To date 30.06.2017 RM'000	Preceding Year Corresponding Year To Date 30.06.2016 RM'000
<i>After crediting :-</i>				
Interest Income	80	15	158	43
Foreign exchange gain - realised	411	-	448	-
Foreign exchange gain - unrealised	878	-	1,261	-
Gain on disposal of property, plant and equipment	75	-	75	99
Allowance on slow moving inventories-reversal	-	335	-	109
<i>After charging :-</i>				
Interest Expense	68	392	404	812
Depreciation	793	993	1,647	1,920
Allowance on slow moving inventories	40	80	95	218
Property, plant and equipment written off	16	-	19	-
Foreign exchange loss - unrealised	-	(309)	-	76

**B13. Realised and Unrealised Profits and Losses**

The breakdown of the retained earnings of the Group as at the reporting date, into realised and unrealised profits pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Securities Berhad ("Bursa Malaysia"), are as follows:

	30.06.2017 RM'000	30.06.2016 RM'000
Total Retained earnings of the Group		
- Realised	163,784	157,085
- Unrealised	1,856	(374)
	<u>165,640</u>	<u>156,711</u>
Consolidation Adjustment	(2,711)	(2,879)
<b>Total retained earnings of the Group</b>	<b><u>162,929</u></b>	<b><u>153,832</u></b>

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.

**BY ORDER OF THE BOARD**

**ANDREA HUONG JIA MEI**

Company Secretary  
MIA 36347

Dated: 23 August 2017