

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Period ended 30 June 2019

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER ENDED 30.06.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER ENDED 30.06.2018 RM'000	CURRENT YEAR YEAR TO DATE ENDED 30.06.2019 RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE ENDED 30.06.2018 RM'000
Revenue	34,492	38,061	68,361	75,865
Cost of sales	(18,767)	(23,367)	(37,681)	(45,567)
Gross Profit	15,725	14,694	30,680	30,298
Other Income	2,556	200	3,016	1,634
Administrative expenses	(6,869)	(6,080)	(13,026)	(13,740)
Other operating expenses	(7,214)	(7,700)	(15,228)	(16,703)
Finance costs	(478)	(545)	(968)	(780)
Profit before tax	3,720	569	4,474	709
Tax expense (Note B5)	(847)	(478)	(1,093)	(1,482)
Profit / (loss) for the period	2,873	91	3,381	(773)
Other comprehensive income / (loss) net of tax				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	185	222	45	(706)
Other comprehensive income / (loss) for the period	185	222	45	(706)
Total comprehensive income / (loss) for the period	3,058	313	3,426	(1,479)
Profit / (Loss) attributable to:				
Owners of the Company	2,750	98	3,253	(778)
Non-controlling interests	123	(7)	128	5
Profit / (loss) for the period	2,873	91	3,381	(773)
Total comprehensive income / (loss) for the period				
Owners of the Company	2,935	320	3,298	(1,484)
Non-controlling interests	123	(7)	128	5
Profit / (loss) for the period	3,058	313	3,426	(1,479)
Basic earnings / (loss) per ordinary share (sen)	2.10	0.07	2.49	(0.59)

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018)

Degem Berhad (Company No: 415726-T)
Condensed Consolidated Statement of Financial Position as at 30 June 2019

	<i>(Unaudited)</i>	<i>(Audited)</i>
	As at	As at
	30.06.2019	31.12.2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	26,228	29,047
Investment properties	24,313	29,126
Right of use assets	12,794	-
Deferred tax assets	601	634
	<u>63,936</u>	<u>58,807</u>
Current assets		
Inventories	203,715	205,510
Trade and other receivables	13,058	14,039
Current tax assets	1,656	2,066
Other investments	4,478	5,396
Fixed deposits placed with licensed banks	3,232	1,450
Cash and cash equivalents	49,812	26,944
	<u>275,951</u>	<u>255,405</u>
TOTAL ASSETS	<u>339,887</u>	<u>314,212</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	77,435	77,435
Treasury shares	(3,202)	(3,202)
Other reserves	176,604	173,306
	<u>250,837</u>	<u>247,539</u>
Non-controlling interests	<u>1,458</u>	<u>1,330</u>
Total equity	<u>252,295</u>	<u>248,869</u>
LIABILITIES		
Non-current liabilities		
Lease liabilities	6,546	-
Loans and borrowings	44,823	36,619
Deferred tax liabilities	626	605
	<u>51,995</u>	<u>37,224</u>
Current liabilities		
Trade and other payables	22,193	22,287
Lease liabilities	5,827	-
Contract liability	1,704	1,631
Current tax liabilities	213	291
Loans and borrowings	5,660	3,910
	<u>35,597</u>	<u>28,119</u>
Total liabilities	<u>87,592</u>	<u>65,343</u>
TOTAL EQUITY AND LIABILITIES	<u>339,887</u>	<u>314,212</u>
Net assets per share (RM)	1.93	1.90

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018)

Degem Berhad (Company No: 415726-T)
Condensed Consolidated Statement of Changes in Equity for the
Financial Period ended 30 June 2019

	<----- Attributable to owners of the Company ----->							
	Share capital RM'000	Other reserve RM'000	Exchange reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non- Controlling interests RM'000	Total equity RM'000
At 1 January 2019	77,435	2,500	1,274	(3,202)	169,532	247,539	1,330	248,869
Foreign currency translation differences	-	-	45	-	-	45	-	45
Profit for the period	-	-	-	-	3,253	3,253	128	3,381
Total comprehensive income for the period	-	-	45	-	3,253	3,298	128	3,426
Dividends to owners of the company	-	-	-	-	-	-	-	-
At 30 June 2019	77,435	2,500	1,319	(3,202)	172,785	250,837	1,458	252,295
At 1 January 2018	77,435	2,500	1,711	(3,202)	170,849	249,293	1,213	250,506
Foreign currency translation differences	-	-	(706)	-	-	(706)	-	(706)
Profit for the period	-	-	-	-	(778)	(778)	5	(773)
Total comprehensive income for the period	-	-	(706)	-	(778)	(1,484)	5	(1,479)
Transactions with owners								
Dividends to owners of the company	-	-	-	-	(1,308)	(1,308)	-	(1,308)
At 30 June 2018	77,435	2,500	1,005	(3,202)	168,763	246,501	1,218	247,719

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018)

Degem Berhad (Company No: 415726-T)
Condensed Consolidated Statement of Cash Flows for the
Financial Period ended 30 June 2019

	6 months ended	
	30.06.2019	30.6.2018
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	4,474	709
Adjustments for:		
Depreciation	4,945	1,686
Finance costs	968	780
Inventories written down	149	347
Property, plant and equipment written off	181	231
Loss /(Gain) on disposal of property, plant and equipment	45	(334)
Gain on disposal of investment property	(1,725)	-
Interest income	(126)	(90)
Unrealised foreign exchange (gain) / loss	(102)	1,270
Operating profit before working capital changes	<u>8,809</u>	<u>4,599</u>
Inventories	1,646	5,354
Receivables	981	15,958
Payables	82	(26,522)
Cash generated from /(used in) operations	<u>11,518</u>	<u>(611)</u>
Income tax paid	(859)	(2,109)
Income tax refunded	152	-
Interest received	126	90
Interest paid	(14)	(117)
Net cash generated from /(used in) operating activities	<u>10,923</u>	<u>(2,747)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(916)	(1,295)
Proceeds from disposal of property, plant and equipment	255	417
Proceeds from disposal of investment property	6,366	-
Withdrawal of fixed deposits	796	15
Withdrawal /(Placement) of other investments	918	(41)
Net cash from /(used in) investing activities	<u>7,419</u>	<u>(904)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net drawdown /(repayment) from borrowings	9,912	(837)
Net repayment of lease liabilities	(3,430)	-
Interest paid	(954)	(663)
Net cash from /(used in) financing activities	<u>5,528</u>	<u>(1,500)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	23,870	(5,151)
Effects of foreign exchange rate changes	47	(389)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>26,534</u>	<u>28,865</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>50,451</u>	<u>23,325</u>
Represented by:		
Fixed deposits with licensed banks	3,232	556
Cash and bank	49,812	27,239
	<u>53,044</u>	<u>27,795</u>
Less: Fixed deposits pledged with licensed banks	(416)	(556)
Less: Bank overdrafts	(2,177)	(3,914)
	<u>50,451</u>	<u>23,325</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018)

Degem Berhad (Company No: 415726-T)
Notes to the Interim Financial Report for the Period ended 30 June 2019

A. Compliance with Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting and Bursa Listing Requirements

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 2018. 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 2018.

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 2018 except for the adoption of standards, amendments / improvements and IC Interpretation in the current financial period.

A2. Changes in Accounting Policies

Adoption of new MFRS, amendments / improvements to MFRS and new IC Interpretation (“IC Int”)

In the current financial period ended 30 June 2019, the Group adopted the following standards, amendments / improvements and IC interpretations that are applicable to its financial statement effective for annual periods beginning on or after 1 January 2019:

New MFRS

MFRS 16 Leases

Amendments / Improvements to MFRSs

MFRS 3 Business combinations

MFRS 9 Financial Instruments

MFRS 11 Joint Arrangements

MFRS 112 Income Taxes

MFRS 119 Employee Benefits

MFRS 123 Borrowing Cost

MFRS 128 Investments in Associates and Joint Ventures

New IC Int

IC Int 23 Uncertainty over Income Tax Treatments

The adoption of the above new MFRSs, amendments / improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and did not result in any significant changes to the Group’s existing policies.

Degem Berhad (Company No: 415726-T)
Notes to the Interim Financial Report for the Period ended 30 June 2019

A2. Changes in Accounting Policies (Cont'd)

The Group have not adopted the following new MFRSs, amendments / improvements to MFRSs and amendments to IC Int that have been issued, but not yet to be effective:

<u>New MFRSs</u>		Effective for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021 [#]
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2020*/ 1 January 2021 [#]
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021 [#]
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021 [#]
MFRS 9	Financial Instruments	1 January 2021 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021 [#]
MFRS 101	Presentation of Financial Statements	1 January 2020*/ 1 January 2021 [#]
MFRS 107	Statements of Cash Flows	1 January 2021 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 116	Property, Plant and Equipment	1 January 2021 [#]
MFRS 119	Employee Benefits	1 January 2021 [#]
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2021 [#]
MFRS 132	Financial Instruments: Presentation	1 January 2021 [#]
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*/ 1 January 2021 [#]
MFRS 138	Intangible Assets	1 January 2020*/ 1 January 2021 [#]
MFRS 140	Investment Property	1 January 2021 [#]
<u>Amendments to IC Int</u>		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets - Web Site Costs	1 January 2020*

* Amendments to References to the Conceptual Framework in MFRS Standards

[#] Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

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Notes to the Interim Financial Report for the Period ended 30 June 2019

A3. Audit Qualification

There was no audit qualification in the Group's annual financial statements for the year ended 31 December 2018.

A4 Seasonal or cyclical factors

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

A5. Unusual Items Affecting assets, liabilities, equity, net income or cash flows

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.

A6. Changes in Estimates

There were no material changes in the estimates used for the preparation of this interim financial report as compared to the financial statements of the Group for the financial year ended 31 December 2018.

A7. Issuance, Cancellation or Repayments of Debt and Equity Securities

There were no issuances, repurchases, resale or repayment of debts and equity securities for the current financial period.

During the current quarter, there was no share repurchased. As at 30 June 2019, a total of 3,167,900 shares repurchased were held at a cost of RM3,201,991. The shares repurchased are being held as treasury shares in accordance with Section 127 of 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.

A8. Dividend Paid

There was no dividend paid in respect of the current quarter ended 30 June 2019.

A9. Segmental Information

Segmental Information in respect of the Group's business segment is as follows:

Segments	Products and services
Retail, design and distribution	Suppliers and retailers of jewellery, diamonds, precious gemstones and gold bullion
Manufacturing	Manufacturer and trading in gold and jewellery
Investment holding & property Investment	Investments in subsidiaries and properties

Degem Berhad (Company No: 415726-T)
Notes to the Interim Financial Report for the Period ended 30 June 2019

A9. Operating Segment Information (Cont'd)

	Retail, design & distribution RM'000	Manufacturing RM'000	Investment holding & property investment RM'000	Eliminations RM'000	Consolidated RM'000
6 months period ended 30 June 2019					
Revenue					
External revenue	65,183	3,052	126	-	68,361
Inter-segment revenue	11,313	11,135	1,966	(24,413)	-
Total revenue	76,496	14,187	2,091	(24,413)	68,361
Segment results					
Profit after tax	2,390	889	102	-	3,381
Profit attributable to:					
- Owners of the Company					3,253
- Non-controlling interests					128
Profit for the period					3,381

	Retail, design & distribution RM'000	Manufacturing RM'000	Investment holding & property investment RM'000	Eliminations RM'000	Consolidated RM'000
6 months period ended 30 June 2018					
Revenue					
External revenue	71,795	3,966	104	-	75,865
Inter-segment revenue	31,688	18,455	1,997	(52,140)	-
Total revenue	103,483	22,421	2,101	(52,140)	75,865
Segment results					
Profit after tax	(1,479)	322	384	-	(773)
Profit attributable to:					
- Owners of the Company					(778)
- Non-controlling interests					5
Profit for the period					(773)

A10. Revenue

Revenue is recognised at point in time.

A11. Valuations of property, plant and equipment

The values of property, plant and equipment have been brought forward without amendments from the audited financial statements for the year ended 31 December 2018.

Degem Berhad (Company No: 415726-T)
Notes to the Interim Financial Report for the Period ended 30 June 2019

A12. Material Events Subsequent to the Financial Period

There were no material events subsequent to the end of the period under review.

A13. Changes in the Composition of the Group

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

A14. Contingent Liabilities

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

A15. Capital commitments

The Group did not have any capital commitments which were contracted but not provided for as at 30 June 2019.

A16. Significant Related Party Transactions

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

Degem Berhad (Company No: 415726-T)
Notes to the Interim Financial Report for the Period ended 30 June 2019

B. Additional Information Required by the Bursa Malaysia Securities Berhad Listing

B1. Review of Performance

	Current Year Quarter Ended 30.6.2019 RM'000	Preceding Year Corresponding Quarter Ended 30.6.2018 RM'000	Current Year To Date Ended 30.6.2018 RM'000	Preceding Year Corresponding Year To Date Ended 30.6.2018 RM'000
Revenue	34,492	38,061	68,361	75,865
Profit before tax	3,720	569	4,474	709
Profit / (Loss) after tax	2,873	91	3,381	(773)

Quarter results

In 2Q 2019, the Group recorded profit after tax (“PAT”) of RM2.9 million compared with RM0.09 million in previous corresponding quarter, due to improved gross profit margins and lower operating costs resulting from the closure of retail outlets as part of rationalisation process. Included in the results of the quarter under review, a gain of RM1.7 million arising from the disposal of an investment property was recorded.

Performance for the respective operating business segments for the current quarter as compared to prior year’s corresponding quarter is analysed as follows:-

(1) Retail, design & distribution segment

The segment recorded higher PAT of RM2.2 million which was inclusive of the gain on disposal of an investment property of RM1.7 million. With the exclusion of this gain, this segment registered PAT of RM0.5 million, an improvement from a loss position of RM0.4 million in 2Q 2018.

(2) Manufacturing segment

Revenue for the segment decreased to RM1.8 million in the current quarter from RM2.1 million in 2Q 2018. PAT increased to RM0.5 mil as compared to a loss of RM0.02 million recorded in the previous year’s corresponding quarter. The growth in PAT was mainly contributed from the improved gross profit margin.

(3) Investment holding and property management segment

Revenue in the current quarter was consistent with 2Q 2018. PAT improved to RM0.1 million from a loss of RM0.1 million in 2Q 2018.

Degem Berhad (Company No: 415726-T)
Notes to the Interim Financial Report for the Period ended 30 June 2019

B. Additional Information Required by the Bursa Malaysia Securities Berhad Listing

B1. Review of Performance (Cont'd)

Year to Date Results

In 1H 2019, PAT was RM3.4 million, which was RM4.2 million higher from a loss of RM0.8 million recorded in the 1H 2018. Revenue decreased by 9.1% to RM69.0 million in 1H 2019 from RM75.9 million in 1H 2018.

(1) Retail, design & distribution segment

On a year to date basis, revenue was lower by RM6.6 million or 9.2% from RM71.8 million in the preceding year's corresponding period to RM65.2 million in the current period. However, the segment recorded an improvement in its profitability, achieving PAT of RM2.4 million due to improved gross profit margin and lower operating costs from closure of outlets.

(2) Manufacturing segment

Revenue for the 1H 2019 decreased by 23.0% due to reduced sales volume. The segment registered higher PAT of RM0.9 million in 1H 2019 against PAT of RM0.3 million in 1H 2018. The PAT growth was supported by cost rationalisation and improved gross profit margin.

(3) Investment holding and property management segment

Revenue stood at RM0.1 million, which was in line with same period of the preceding year. PAT decreased to RM0.1 million in 1H 2019 as compared to PAT of RM0.4 million in the 1H 2018.

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

	Current Year Quarter Ended 30.6.2019 RM'000	Preceding Quarter Ended 31.3.2019 RM'000
Revenue	34,492	33,869
Profit before tax	3,720	754
Profit after tax	2,873	508

For the current quarter under review, the Group recorded revenue and Profit after tax of RM34.5 million and RM2.9 million respectively as compared to revenue of RM33.9 million and profit after tax of RM0.5 million. Higher profitability was mainly contributed by a gain of RM1.7 million on disposal of an investment property and higher gross profit margin.

Degem Berhad (Company No: 415726-T)
Notes to the Interim Financial Report for the Period ended 30 June 2019

B3. Prospects for Financial Year 2019

The Group expects the remaining of 2019 to be challenging as a result of rising costs and weak consumer demand. However, the Group will continue to strengthen brand positioning to increase market share. On-going marketing efforts and strategies are also in place to safeguard and increase the group's revenue and profitability.

B4. Profit Forecast and Profit Guarantee

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

B5. Taxation

	Current Year Quarter Ended 30.6.2019 RM'000	Preceding Year Corresponding Quarter Ended 30.6.2018 RM'000	Current Year To Date Ended 30.6.2019 RM'000	Preceding Year Corresponding Year To Date Ended 30.6.2018 RM'000
Income Tax				
- Current year	841	478	1,135	745
- Prior year	-	-	(96)	-
Deferred Tax				
- Prior year	6	-	54	737
	<u>847</u>	<u>478</u>	<u>1,093</u>	<u>1,482</u>

B6. Status of Corporate Proposals

There were no corporate proposals announced but not completed for the current quarter under review.

B7. Borrowings and Debt Securities

The Group's borrowings as at 30 June 2019 were as follows:-

(Denominated in Ringgit Malaysia)

	Secured RM'000	Total RM'000
Current		
Term Loans	3,483	3,483
Bank overdraft	2,177	2,177
	<u>5,660</u>	<u>5,660</u>
Non-current		
Term Loans	44,823	44,823
Total	<u>50,483</u>	<u>50,483</u>

Degem Berhad (Company No: 415726-T)
Notes to the Interim Financial Report for the Period ended 30 June 2019

B8. Material Litigation

There was no material litigation as at the reporting date.

B9. Dividend

The Board do not recommend any dividend during the current quarter.

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. Listing requirements

The quarterly report has been reviewed by the Company's external auditors.

B12. Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period.

	Current Year Quarter Ended 30.6.2019	Preceding Year Corresponding Quarter Ended 30.6.2018	Current Year To Date Ended 30.6.2019	Preceding Year Corresponding Year To Date Ended 30.6.2018
Profit / (Loss) attributable to the owners (RM'000)	2,750	98	3,253	(778)
Weighted average number of ordinary shares in issue ('000)	130,832	130,832	130,832	130,832
Basic earnings / (loss) per share (sen)	2.10	0.07	2.49	(0.59)

Diluted earnings per share is not applicable for the Group.

Degem Berhad (Company No: 415726-T)
Notes to the Interim Financial Report for the Period ended 30 June 2019

B13. Notes to Condensed Consolidated Income Statements of Profit or Loss

	Current Year Quarter Ended 30.6.2019 RM'000	Preceding Year Corresponding Quarter Ended 30.6.2018 RM'000	Current Year To Date Ended 30.6.2019 RM'000	Preceding Year Corresponding Year To Date Ended 30.6.2018 RM'000
Profit / (Loss) before tax is arrived at after charging :				
Finance cost	478	545	968	780
Depreciation	2,631	847	4,945	1,686
Inventories written down	(199)	176	149	347
Property, plant and equipment written off	149	91	181	231
Unrealised foreign exchange loss	-	174	-	1,270
After crediting:-				
Interest income	67	56	126	90
Gain / (Loss) on disposal of property, plant and equipment	9	286	(45)	334
Gain on disposal of investment Property	1,725	-	1,725	-
Unrealised foreign exchange gain	225	-	102	-

BY ORDER OF THE BOARD

ANDREA HUONG JIA MEI
Company Secretary
MIA 36347

Date : 30 August 2019