DeGem Berhad

(Company No. 415726-T)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 December 2014

DeGem Berhad
(Company No. 415726-T)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

Principal activities

The Company is principally engaged in investment holding and the provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit/(Loss) for the year attributable to:		
Owners of the Company	18,174	(314)
Non-controlling interests	1,219	-
	19,393	(314)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividends

Since the end of the previous financial year, the Company paid a first and final single tier dividend of 3% totalling RM1,963,292 based on the issued and paid up share capital (excluding treasury shares) of 130,886,100 ordinary shares of RM0.50 each in respect of the financial year ended 31 December 2013 on 20 August 2014.

The first and final single tier dividend of 3% recommended by the Directors in respect of the financial year ended 31 December 2014 totalling to RM1,963,067 based on the issued and paid up share capital (excluding treasury shares) of RM130,871,100 ordinary shares of RM0.50 each at 31 December 2014. This dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Company No. 415726-T

Directors of the Company

Directors who served since the date of the last report are:

Dato' Hasan bin M. Taib
Datuk Zainun Aishah binti Ahmad
Choong Kai Soon
Choong Kai Fatt
Choong Khoi Onn
Choong Kay Cheong
Chuah Teong Aung
Leou Thiam Lai

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
Shareholdings in which the Directors have interests				
The Company				
Dato' Hasan bin M. Taib				
- direct interest	3,000,000	-	-	3,000,000
Choong Kai Soon				
- deemed interest*	69,300,002	-	-	69,300,002
Choong Kai Fatt				
- deemed interest*	69,300,002	-	-	69,300,002
Choong Khoi Onn				
- direct interest	760,000	-	-	760,000
- deemed interest*	69,300,002	-	-	69,300,002
Choong Kay Cheong				
- direct interest	2,000,000	-	-	2,000,000
- deemed interest*	69,300,002	-	-	69,300,002

* Deemed to have interests by virtue of their direct shareholdings in the ultimate holding company, Legion Master Sdn. Bhd..

Company No. 415726-T

Directors' interests in shares (continued)

	Number of ordinary shares of RM1.00 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
Shareholdings in which the Directors have direct interests				
Holding company				
Legion Master Sdn. Bhd.				
Choong Kai Soon	434,434	-	-	434,434
Choong Kai Fatt	410,077	-	-	410,077
Choong Khoi Onn	306,743	-	-	306,743
Choong Kay Cheong	67,461	-	-	67,461

By virtue of their interests in the shares of the Company, Choong Kai Soon, Choong Kai Fatt, Choong Khoi Onn, and Choong Kay Cheong are also deemed interested in the shares of all subsidiaries during the financial year to the extent that DeGem Berhad has an interest. Details of their deemed shareholdings in non-wholly owned subsidiaries are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
DeGem Prestige Sdn. Bhd.	1,800,000	-	-	1,800,000
Titanpuri Sdn. Bhd.	2,000	-	-	2,000
Solireno Sdn. Bhd.	245,000	-	-	245,000

	Number of ordinary shares of HKD 1.00 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
Grandmax Corporation Limited	7,000,000	-	-	7,000,000

	Number of ordinary shares of SGD 1.00 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
DeGem Masterpiece Pte. Ltd.	1,800,000	-	-	1,800,000

None of the other Directors holding office at 31 December 2014 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Company No. 415726-T

Other statutory information (continued)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Company No. 415726-T

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……
Choong Kai Fatt

……
Choong Khoi Onn

Kuala Lumpur,

Date: 16 April 2015

DeGem Berhad
(Company No. 415726-T)
(Incorporated in Malaysia)
and its subsidiaries

Statements of financial position as at 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Assets					
Property, plant and equipment	3	45,549	41,166	-	-
Investment properties	4	6,256	6,407	-	-
Investments in subsidiaries	5	-	-	54,300	54,300
Deferred tax assets	6	1,093	1,463	25	25
Total non-current assets		52,898	49,036	54,325	54,325
Inventories	7	196,355	194,138	-	-
Trade and other receivables	8	18,684	14,752	33,774	35,571
Prepayments and other assets	9	2,843	2,662	25	690
Current tax assets		799	491	-	-
Cash and cash equivalents	10	31,815	26,445	934	1,376
Total current assets		250,496	238,488	34,733	37,637
Total assets		303,394	287,524	89,058	91,962
Equity					
Share capital	11	67,000	67,000	67,000	67,000
Share premium	11	10,435	10,435	10,435	10,435
Reserves	11	142,450	125,496	567	3,374
Total equity attributable to owners of the Company		219,885	202,931	78,002	80,809
Non-controlling interests		10,926	9,193	-	-
Total equity		230,811	212,124	78,002	80,809
Liabilities					
Loans and borrowings	12	29,277	30,363	5,566	7,782
Deferred tax liabilities	6	155	471	-	-
Total non-current liabilities		29,432	30,834	5,566	7,782
Liabilities					
Loans and borrowings	12	9,204	6,706	5,218	3,117
Trade and other payables, including derivatives	13	31,132	34,081	178	136
Deferred revenue	14	1,212	3,025	-	-
Current tax liabilities		1,603	754	94	118
Total current liabilities		43,151	44,566	5,490	3,371
Total liabilities		72,583	75,400	11,056	11,153
Total equity and liabilities		303,394	287,524	89,058	91,962

The notes set out on pages 15 to 81 are an integral part of these financial statements.

DeGem Berhad
(Company No. 415726-T)
(Incorporated in Malaysia)
and its subsidiaries

Statements of profit or loss and other comprehensive income for the year ended 31 December 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	15	219,417	234,384	1,690	2,639
Cost of sales		(127,497)	(150,118)	-	-
Gross profit		91,920	84,266	1,690	2,639
Other income		2,239	3,614	85	26
Administrative expenses		(56,101)	(53,637)	(709)	(746)
Other operating expenses		(8,954)	(10,395)	(565)	(70)
Results from operating activities		29,104	23,848	501	1,849
Finance income	16	101	200	-	-
Finance costs	17	(1,571)	(1,613)	(574)	(679)
Net finance costs		(1,470)	(1,413)	(574)	(679)
Profit before tax	18	27,634	22,435	(73)	1,170
Tax expense	20	(8,241)	(5,935)	(241)	(477)
Profit for the year		19,393	16,500	(314)	693
Other comprehensive income, net of tax					
Item that is or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		1,787	1,493	-	-
Total comprehensive income for the year		21,180	17,993	(314)	693
Profit attributable to:					
Owners of the Company		18,174	15,408	(314)	693
Non-controlling interests		1,219	1,092	-	-
Profit for the year		19,393	16,500	(314)	693
Total comprehensive income attributable to:					
Owners of the Company		19,447	16,459	(314)	693
Non-controlling interests		1,733	1,534	-	-
Total comprehensive income for the year		21,180	17,993	(314)	693
Basic earnings per ordinary share (sen)	21	13.87	11.69		

The notes set out on pages 15 to 81 are an integral part of these financial statements.

DeGem Berhad
(Company No. 415726-T)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2014

		/----------*Attributable to owners of the Company*----------/								
		/----------*Non-distributable*----------/					*Distributable*			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Other capital reserve RM'000**	**Translation 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 2013		67,000	10,435	-	(249)	(1,938)	113,902	189,150	7,669	196,819
Foreign currency translation differences for foreign operations		-	-	-	1,051	-	-	1,051	442	1,493
Total other comprehensive income for the year		-	-	-	1,051	-	-	1,051	442	1,493
Profit for the year		-	-	-	-	-	15,408	15,408	1,092	16,500
Total comprehensive income for the year		-	-	-	1,051	-	15,408	16,459	1,534	17,993
Contributions by and distributable to owners of the Company										
- Own shares acquired		-	-	-	-	(698)	-	(698)	-	(698)
- Subscription of shares in a subsidiary		-	-	-	-	-	-	-	250	250
- Bonus shares issued by a subsidiary		-	-	2,500	-	-	(2,500)	-	-	-
- Capital refund from deregistration of a subsidiary		-	-	-	-	-	-	-	(260)	(260)
- Dividends to shareholders	22	-	-	-	-	-	(1,980)	(1,980)	-	(1,980)
Total transactions with owners of the Company		-	-	2,500	-	(698)	(4,480)	(2,678)	(10)	(2,688)
At 31 December 2013		67,000	10,435	2,500	802	(2,636)	124,830	202,931	9,193	212,124
		Note 11.1	Note 11.2	Note 11.3	Note 11.4	Note 11.5				

Company No. 415726-T

Consolidated statement of changes in equity for the year ended 31 December 2014 (continued)

Group	Note	/----------Attributable to owners of the Company----------/ /----------Non-distributable----------/ Distributable								
		Share capital RM'000	**Share premium RM'000**	**Other capital reserve RM'000**	**Translation 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 2014		67,000	10,435	2,500	802	(2,636)	124,830	202,931	9,193	212,124
Foreign currency translation differences for foreign operations		-	-	-	1,273	-	-	1,273	514	1,787
Total other comprehensive income for the year		-	-	-	1,273	-	-	1,273	514	1,787
Profit for the year		-	-	-	-	-	18,174	18,174	1,219	19,393
Total comprehensive income for the year		-	-	-	1,273	-	18,174	19,447	1,733	21,180
Contributions by and distributable to owners of the Company										
- Own shares acquired		-	-	-	-	(530)	-	(530)	-	(530)
- Dividends to shareholders	22	-	-	-	-	-	(1,963)	(1,963)	-	(1,963)
Total transactions with owners of the Company		-	-	-	-	(530)	(1,963)	(2,493)	-	(2,493)
At 31 December 2014		67,000	10,435	2,500	2,075	(3,166)	141,041	219,885	10,926	230,811
		Note 11.1	Note 11.2	Note 11.3	Note 11.4	Note 11.5				

Company No. 415726-T

Statement of changes in equity for the year ended 31 December 2014

Company	Note	/--------*Non-distributable*--------/ Share capital RM	Share premium RM	Treasury shares RM	*Distributable* Retained earnings RM	Total RM
At 1 January 2013		67,000	10,435	(1,938)	7,297	82,794
Profit and total comprehensive income for the year		-	-	-	693	693
Contributions by and distributions to owners of the Company						
- Own shares acquired		-	-	(698)	-	(698)
- Dividends to shareholders	22	-	-	-	(1,980)	(1,980)
Total transactions with owners of the Company		-	-	(698)	(1,980)	(2,678)
At 31 December 2013/ 1 January 2014		67,000	10,435	(2,636)	6,010	80,809
Profit and total comprehensive income for the year		-	-	-	(314)	(314)
Contributions by and distributions to owners of the Company						
- Own shares acquired		-	-	(530)	-	(530)
- Dividends to shareholders	22	-	-	-	(1,963)	(1,963)
Total transactions with owners of the Company		-	-	(530)	(1,963)	(2,493)
At 31 December 2014		67,000	10,435	(3,166)	3,733	78,002
		Note 11.1	Note 11.2	Note 11.5		

The notes set out on pages 15 to 81 are an integral part of these financial statements.

DeGem Berhad
(Company No. 415726-T)
(Incorporated in Malaysia)
and its subsidiaries

Statements of cash flows for the year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from operating activities					
Profit before tax		27,634	22,435	(73)	1,170
Adjustments for:					
Depreciation of property, plant and equipment	3	3,626	3,239	-	-
Depreciation of investment properties	4	151	150	-	-
Finance income	16	(101)	(200)	-	-
Finance costs	17	1,571	1,613	574	679
Fair value through profit or loss on derivatives		(46)	(83)	-	-
Gain on disposal of property, plant and equipment		(79)	(313)	-	-
Impairment loss on trade receivables		391	-	-	-
Impairment on amount due from a subsidiary		-	-	529	-
Net unrealised foreign exchange loss/(gain)		531	160	(28)	-
Property, plant and equipment written off		170	551	-	-
Operating profit before changes in working capital		33,848	27,552	1,002	1,849
Inventories		(2,217)	(14,114)	-	-
Trade and other receivables, prepayments and other assets		(4,504)	(2,639)	665	(3)
Trade and other payables, and deferred revenue		(4,424)	8,657	70	(2,084)
Cash generated from/(used in) operations		22,703	19,456	1,737	(238)
Interest paid		(942)	(1,122)	(574)	(679)
Income tax paid		(7,713)	(6,218)	(265)	(378)
Income tax refund		29	-	-	-
Interest received		101	200	-	-
Net cash from/ (used in) operating activities		14,178	12,316	898	(1,295)

Company No. 415726-T

Statements of cash flows for the year ended 31 December 2014 (continued)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		79	462	-	-
Acquisition of property, plant and equipment	(ii)	(8,063)	(14,368)	-	-
Repayment of loans by subsidiaries		-	-	1,268	5,939
Net cash (used in)/ generated from investing activities		(7,984)	(13,906)	1,268	5,939
Cash flows from financing activities					
Capital refund to a non-controlling interest from deregistration of a subsidiary		-	(260)	-	-
Dividends paid to owners of the Company	22	(1,963)	(1,980)	(1,963)	(1,980)
Interest paid		(629)	(491)	-	-
Net proceeds/(repayment) of loans and borrowings		1,376	22	(115)	(4,014)
Payment of finance lease liabilities		(415)	(467)	-	-
Purchase of treasury shares		(530)	(698)	(530)	(698)
Subscription of shares in a subsidiary		-	250	-	-
Net cash used in financing activities		(2,161)	(3,624)	(2,608)	(6,692)
Net increase/ (decrease) in cash and cash equivalents		4,033	(5,214)	(442)	(2,048)
Effects of exchange rate fluctuations on cash held		1,337	1,238	-	-
Cash and cash equivalents at 1 January		26,445	30,421	1,376	3,424
Cash and cash equivalents at 31 December	(i)	31,815	26,445	934	1,376

Company No. 415726-T

Statements of cash flows for the year ended 31 December 2014 (continued)

i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and bank balances	10	28,997	20,673	332	525
Deposits placed with licensed banks	10	2,818	5,772	602	851
		31,815	26,445	934	1,376

ii) Acquisition of property, plant and equipment

In the previous financial year, the Group acquired property, plant and equipment with an aggregate cost of RM14,918,000 of which RM550,000, were acquired by means of finance lease arrangements.

DeGem Berhad
(Company No. 415726-T)
(Incorporated in Malaysia)
and its subsidiaries

Notes to the financial statements

DeGem Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Registered office/Principal place of business
No. 42, 1st Floor
Jalan Maarof
Bangsar Baru
59100 Kuala Lumpur
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the financial year ended 31 December 2014 do not include other entities.

The Company is principally engaged in investment holding and the provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

The ultimate holding company during the financial year is Legion Master Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 16 April 2015.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- 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*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

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

- MFRS 15, *Revenue from Contracts with Customers*

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

- MFRS 9, *Financial Instruments* (2014)

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

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 2 and Amendments to MFRS 138 which is not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 5, Amendments to MFRS 11, MFRS 14, Amendments to MFRS 128, Amendments to MFRS 138 and Amendmens to MFRS 141 which are not applicable to the Group and Company.

- from the annual period beginning on 1 January 2017 for the accounting standard that is effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for the accounting standard that is effective for annual periods beginning on or after 1 January 2018.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and Company except as mentioned below:

MFRS 15*, Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9*, Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in the Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated

1. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group account for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (continued)

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(a) Financial assets at fair value through profit or loss (continued)

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts (continued)

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

- Long term leasehold land 82 years
- Buildings 50 years
- Plant, equipment and fittings 4 - 10 years
- Renovations 5 - 10 years
- Motor vehicles 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assests are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating lease (continued)

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Investment properties

(i) Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2 (d).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of each investment property. Freehold land is not depreciated. The estimated useful lives for the current and comparative periods used are as follows:

- Leasehold land 60 years
- Buildings 50 years

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised net within “other income” or “other operating expenses” respectively in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

When there are changes to the use of a property, it is reclassified at its carrying value at the date of reclassification and becomes its cost for subsequent accounting.

2. Significant accounting policies (continued)

(f) Investment properties (continued)

(iii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (see Note 2(t)).

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average cost method and specific identification which includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

(i) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

2. Significant accounting policies (continued)

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(l) Deferred revenue

The Group operates the D Rewards customer loyalty programme which allows customers to accumulate points when they purchase products in subsidiaries' outlets. The points can be redeemed for free or for discounted goods from subsidiaries outlets.

Deferred revenue represents consideration received from the sale of goods that is attributed to the points issued under the D Rewards customer loyalty programme that are expected to be redeemed but are still outstanding as at the reporting date.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2. Significant accounting policies (continued)

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Revenue on reward points

Revenue on reward points is recognised based on the number of reward points that have been redeemed in exchange for free or discounted goods, relative to the total number of reward points expected to be redeemed.

(iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income from sub-leased property is recognised as other income.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

2. Significant accounting policies (continued)

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

2. Significant accounting policies (continued)

(p) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earnings per ordinary share

The Group presents basic earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

The Group does not have any potential dilutive ordinary shares. Accordingly, the diluted EPS is not presented.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. Significant accounting policies (continued)

(s) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

Group *Cost*	Land RM'000	Buildings RM'000	Plant, equipment and fittings RM'000	Renovations RM'000	Motor vehicles RM'000	Total RM'000
1 January 2013	10,276	10,135	13,532	4,436	4,347	42,726
Additions	-	10,087	1,622	1,202	2,007	14,918
Disposals	-	-	(366)	-	(1,124)	(1,490)
Written off	-	-	(876)	(1,049)	-	(1,925)
Exchange differences	-	157	33	34	6	230
At 31 December 2013/1 January 2014	10,276	20,379	13,945	4,623	5,236	54,459
Additions	-	6,586	380	1,097	-	8,063
Disposals	-	-	(3)	-	(171)	(174)
Written off	-	-	(284)	(223)	-	(507)
Exchange differences	-	106	13	12	4	135
At 31 December 2014	10,276	27,071	14,051	5,509	5,069	61,976

3. Property, plant and equipment (continued)

Group	Land RM'000	Buildings RM'000	Plant, equipment and fittings RM'000	Renovations RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation						
At 1 January 2013	153	1,246	6,838	2,423	2,045	12,705
Depreciation for the year	22	221	1,456	740	800	3,239
Disposals	-	-	(247)	-	(1,094)	(1,341)
Written off	-	-	(671)	(703)	-	(1,374)
Exchange differences	-	6	27	27	4	64
At 31 December 2013/1 January 2014	175	1,473	7,403	2,487	1,755	13,293
Depreciation for the year	22	355	1,382	863	1,004	3,626
Disposals	-	-	(3)	-	(171)	(174)
Written off	-	-	(142)	(195)	-	(337)
Exchange differences	-	6	2	8	3	19
At 31 December 2014	197	1,834	8,642	3,163	2,591	16,427
Carrying amounts						
At 1 January 2013	10,123	8,889	6,694	2,013	2,302	30,021
At 31 December 2013/1 January 2014	10,101	18,906	6,542	2,136	3,481	41,166
At 31 December 2014	10,079	25,237	5,409	2,346	2,478	45,549

3. Property, plant and equipment (continued)

Company *Cost*	Renovations RM'000	Plant, equipment and fittings RM'000	Total RM'000
At 1 January 2013/31 December 2013/ 1 January 2014	40	113	153
Written off	(40)	(113)	(153)
At 31 December 2014	-	-	-
Accumulated depreciation			
At 1 January 2013	40	112	152
Depreciation for the year	-	1	1
At 31 December 2013/1 January 2014	40	113	153
Written off	(40)	(113)	(153)
At 31 December 2014	-	-	-
Carrying amounts			
At 1 January 2013	-	1	1
At 31 December 2013/1 January 2014	-	-	-
At 31 December 2014	-	-	-

3.1 Land

Included in the total carrying amount of land are:

	Group	
	2014 RM'000	2013 RM'000
Freehold land	8,485	8,485
Long term leasehold land with an unexpired lease period of more than 50 years	1,594	1,616
	10,079	10,101

3.2 Security

The land and buildings of the Group with a carrying amount of RM35,316,000 (2013: RM29,007,000) are pledged as security for borrowing facilities extended by financial institutions to the subsidiaries (see Note 12).

3.3 Property, plant and equipment under finance lease arrangements

Included in property, plant and equipment of the Group are motor vehicles under finance lease arrangements with carrying amounts of RM1,642,000 (2013: RM2,313,000).

Company No. 415726-T

3. Property, plant and equipment (continued)

3.4 Building held in trust

Included in property, plant and equipment of the Group is a building held in trust for the Group by a Director with carrying amount of RM4,471,000 (2013: RM4,474,000).

4. Investment properties

Group ***Cost***	**Leasehold land RM'000**	**Buildings RM'000**	**Total RM'000**
At 1 January 2013/ 31 December 2013/ 1 January 2014/ 31 December 2014	175	6,956	7,131
Accumulated depreciation and accumulated impairment losses			
At 1 January 2013			
Accumulated depreciation	25	401	426
Accumulated impairment loss	-	148	148
	25	549	574
Depreciation for the year	12	138	150
At 31 December 2013			
Accumulated depreciation	37	539	576
Accumulated impairment loss	-	148	148
	37	687	724
Depreciation for the year	13	138	151
At 31 December 2014			
Accumulated depreciation	50	677	727
Accumulated impairment loss	-	148	148
	50	825	875
Carrying amounts			
At 1 January 2013	150	6,407	6,557
At 31 December 2013/ 1 January 2014	138	6,269	6,407
At 31 December 2014	125	6,131	6,256

Included in the above are:

	2014 RM'000	**2013 RM'000**
At fair value		
Buildings	6,319	7,648
Leasehold land with unexpired lease period of less than 50 years	639	556
	6,958	8,204

4. Investment properties (continued)

The following are recognised in profit or loss in respect of investment properties:

	2014 RM'000	2013 RM'000
Rental income	374	410
Direct operating		
- income generating investment properties	78	100
- non-income generating investment properties	1	3

4.1 Security

Investment properties of the Group with a carrying amount of RM6,072,000 (2013: RM6,204,000) have been charged to secure banking facilities granted to a subsidiary (see Note 12).

4.2 Title

The issuance of the strata title for the leasehold land and buildings with a carrying amount of RM6,072,000 (2013: RM6,204,000) is still pending as at 31 December 2014.

4.3 Fair value information

Fair value of investment properties are categorised at level 3.

	2014		2013	
	Level 3 RM'000	Total RM'000	Level 3 RM'000	Total RM'000
Leasehold land and buildings	6,958	6,958	8,204	8,204

Policy on transfer between levels

The fair value on of an asset to be transferred between levels is determined as of the date the event or change in circumstances that caused the transfer.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

4. Investment properties (continued)

4.3 Fair value information (continued)

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
(i) Capitalised net rental income: In the income capitalisation approach, capitalisation rates are applied to the income of the investment properties to determine the value of the investment properties.	• Expected market rental growth (5%) • Occupancy rate (85%) • Capitalisation rate (6%)	The estimated fair value would increase (decrease) if: • net rental income were higher/(lower); • capitalisation rate were lower/(higher); • occupancy rate were higher/(lower).
(ii) The group estimates the fair value of investment properties based on the following key assumptions: - Comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities.	• Market price of property in vicinity compared.	The estimated fair value would increase/ (decrease) if market prices of property were higher/(lower).

5. Investments in subsidiaries

	Company	
	2014 RM'000	2013 RM'000
Unquoted shares, at cost	54,400	54,400
Less: Accumulated impairment losses	(100)	(100)
	54,300	54,300

5. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2014 %	2013 %
Subsidiaries of DeGem Berhad				
P.Y.T. Jewel & Time Sdn. Bhd.	Investment holding and trading in gold and jewellery	Malaysia	100	100
Diamond & Platinum Sdn. Bhd.	Trading in diamonds and jewellery	Malaysia	100	100
Jewelmart International Sdn. Bhd.	Investment holding	Malaysia	100	100
DeGem Masterpiece Pte. Ltd.*	Dormant	Singapore	60	60
Subsidiaries of P.Y.T. Jewel & Time Sdn. Bhd.				
DeGem Masterpiece Sdn. Bhd.	Investment holding and trading in gold and jewellery	Malaysia	100	100
DeGem Prestige Sdn. Bhd.	Trading in gold and jewellery	Malaysia	90	90
Inticraft Sdn. Bhd.	Manufacturing and trading in gold and jewellery	Malaysia	100	100
Tong Yek Jewellers Sdn. Bhd.	Investment holding and provision of management services	Malaysia	100	100
Diamond Mart Sdn. Bhd.*	Property investment	Malaysia	100	100
DeGem Capital Sdn. Bhd.	Investment holding and trading in gold medals and badges	Malaysia	100	100

Company No. 415726-T

5. Investments in subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2014 %	2013 %
Subsidiaries of P.Y.T. Jewel & Time Sdn. Bhd. (continued)				
DeGem Diamond Collection Sdn. Bhd.	Trading in diamonds and jewellery	Malaysia	100	100
Telenaga Sdn. Bhd.*	Property investment	Malaysia	100	100
Titanpuri Sdn. Bhd.*	Trading in gold medals and badges	Malaysia	80	80
Solireno Sdn. Bhd.*	Trading and manufacture of gold and jewellery	Malaysia	70	70
Depaddle Sdn.Bhd.*	Trading in diamonds and jewellery	Malaysia	100	100
Subsidiaries of Diamond & Platinum Sdn. Bhd.				
D Rewards Services Sdn. Bhd.* [(a)]	Dormant	Malaysia	100	100
Diamond & Platinum (B) Sdn. Bhd.*	Trading in diamonds and jewellery	Brunei	100	100
Subsidiaries of Jewelmart International Sdn. Bhd.				
Grandmax Corporation Limited*	Trading in gold and jewellery	Hong Kong	70	70
Fareway International Limited*	Trading in gold and jewellery	Hong Kong	100	100
Jewel2cash Pte. Ltd.*	Trading in gold and jewellery and investment holding	Singapore	100	100
DeGem Prestige Pte. Ltd.*	Trading in diamond and jewellery	Singapore	100	100

Company No. 415726-T

5. Investments in subsidiaries (continued)

* Not audited by member firms of KPMG International.

(a) D Rewards Services Sdn. Bhd. is in the process of de-registration.

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	2014			
	Grandmax Corporation Limited RM'000	**DeGem Masterpiece Pte. Ltd. RM'000**	**Other individually immaterial subsidiaries RM'000**	**Total RM'000**
NCI percentage of ownership interest and voting interest	30%	40%		
Carrying amount of NCI	7,288	2,654	984	10,926
Profit/ (Loss) allocated to NCI	1,288	(106)	37	1,219

Summarised financial information before intra-group elimination

As at 31 December		
Current assets	33,290	6,803
Current liabilities	(8,995)	(168)
Net assets	24,295	6,635
Year ended 31 December		
Revenue	33,190	212
Profit/(Loss) for the year	4,292	(266)
Total comprehensive income/ (expense)	4,292	(266)
Cash flows from/ (used in) operating activities	124	(331)
Cash flows used in financing activities	(492)	-
Net decrease in cash and cash equivalents	(368)	(331)

Company No. 415726-T

5. Investments in subsidiaries (continued)

Non-controlling interests in subsidiaries (continued)

	2013			
	Grandmax Corporation Limited RM'000	**DeGem Masterpiece Pte. Ltd. RM'000**	**Other individually immaterial subsidiaries RM'000**	**Total RM'000**
NCI percentage of ownership interest and voting interest	30%	40%		
Carrying amount of NCI	5,542	2,703	948	9,193
Profit/ (Loss) allocated to NCI	1,218	(148)	22	1,092

Summarised financial information before intra-group elimination

As at 31 December		
Current assets	28,387	7,160
Current liabilities	(9,913)	(403)
Net assets	18,474	6,757
Year ended 31 December		
Revenue	32,587	13,685
Profit/ (Loss) for the year	4,060	(370)
Total comprehensive income/ (expense)	4,060	(370)
Cash flows from/ (used in) operating activities	1,893	(750)
Cash flows from investing activities	-	20
Cash flows used in financing activities	(897)	-
Net increase/ (decrease) in cash and cash equivalents	996	(730)

6. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities recognised are attributable to the following:

	Assets		Liabilities		Net	
Group	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Property, plant and equipment	-	37	(1,051)	(1,125)	(1,051)	(1,088)
Inventories	266	1,708	-	-	266	1,708
Others	2,066	689	(343)	(317)	1,723	372
Tax assets/ (liabilities)	2,332	2,434	(1,394)	(1,442)	938	992
Set off	(1,239)	(971)	1,239	971	-	-
Net tax assets/ (liabilities)	1,093	1,463	(155)	(471)	938	992
Company						
Property, plant and equipment	25	25	-	-	25	25

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2014 RM'000	**2013 RM'000**
Unutilised tax losses	3,721	3,698

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

7. Inventories

	Group	
	2014 RM'000	**2013 RM'000**
Raw materials	12,529	21,113
Work-in-progress	920	3,308
Finished and trading goods	182,906	169,717
	196,355	194,138
Recognised in profit or loss:		
Inventories recognised as cost of sales	127,497	150,118
Write down to net realisable value	191	56
Reversal of inventories written down	(10)	(150)

8. Trade and other receivables

		Group		Company	
	Note	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Trade					
Trade receivables		13,270	9,960	-	-
Non-trade					
Amount due from subsidiaries	8.1	-	-	33,757	35,554
Other receivables		1,719	889	1	1
Deposits		3,695	3,903	16	16
		5,414	4,792	33,774	35,571
		18,684	14,752	33,774	35,571

8.1 Amount due from subsidiaries

The amount due from subsidiaries of the Company is unsecured, bears interest at 5.5% (2013: 6.5% to 7.6%) per annum and repayable on demand.

9. Prepayments and other assets

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Prepayments	2,843	2,024	25	53
Investment in gold bars, at cost	-	638	-	637
	2,843	2,662	25	690

10. Cash and cash equivalents

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits with licensed banks	2,818	5,772	602	851
Cash and bank balances	28,997	20,673	332	525
	31,815	26,445	934	1,376

11. Capital and reserves

Share capital

	Group and Company			
	Amount 2014 RM'000	Number of shares 2014 '000	Amount 2013 RM'000	Number of shares 2013 '000
Authorised:				
Ordinary shares of RM0.50 each	100,000	200,000	100,000	200,000
Issued and fully paid:				
Ordinary shares of RM0.50 each	67,000	134,000	67,000	134,000

11.1 Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

11.2 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

11.3 Other capital reserve

The other capital reserve comprises an amount transferred from retained earnings arising from the issuance of bonus shares by a subsidiary.

11.4 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

11. Capital and reserves (continued)

11.5 Treasury shares

The shareholders of the Company by a resolution passed in an Annual General Meeting held on 26 May 2014, approved the Company's plan to repurchase its own ordinary shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 505,200 ordinary shares of RM0.50 each of its issued shares from the open market at an average price of RM1.05 per ordinary share. The total consideration paid for the repurchase was RM530,000. The repurchase transactions were fully financed by internally generated funds. The shares repurchased are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 134,000,000 issued and fully paid ordinary shares of RM0.50 each as at 31 December 2014, 3,128,900 (2013: 2,623,700) are held as treasury shares by the Company. The treasury shares are held at a carrying amount of RM3,166,000 (2013: RM2,636,000).

None of the treasury shares held are resold or cancelled during the year ended 31 December 2014.

12. Loans and borrowings

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current				
Term loans – secured	28,651	29,322	5,566	7,782
Finance lease liabilities	626	1,041	-	-
	29,277	30,363	5,566	7,782
Current				
Term loans – secured	5,788	5,290	2,218	2,117
Revolving credit - unsecured	3,000	1,000	3,000	1,000
Finance lease liabilities	416	416	-	-
	9,204	6,706	5,218	3,117
	38,481	37,069	10,784	10,899

Security

The term loans are secured over land and buildings (see Note 3) and investment properties (see Note 4).

Finance lease liabilities are payable as follows:

	2014			2013		
Group	**Future minimum lease payments RM'000**	**Interest RM'000**	**Present value of minimum lease payments RM'000**	**Future minimum lease payments RM'000**	**Interest RM'000**	**Present value of minimum lease payments RM'000**
Less than one year	466	50	416	466	50	416
Between one and five years	699	73	626	1,165	124	1,041
	1,165	123	1,042	1,631	174	1,457

13. Trade and other payables, including derivatives

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Trade					
Trade payables		18,238	20,999	-	-
Deposits received	13.1	4,635	4,413	-	-
		22,873	25,412	-	-
Non-trade					
Accruals		3,456	3,281	119	88
Other payables	13.2	4,764	5,303	59	48
Financial liabilities at fair value through profit or loss:					
Derivatives					
- interest rate swap		39	85	-	-
		8,259	8,669	178	136
		31,132	34,081	178	136

13.1 Deposits received

A substantial deposits received represent considerations placed by customers for the purchases of goods. The deposits received are unsecured, interest free and are to be set off against purchases of goods expected within a period of less than one year.

13.2 Other payables

Included in other payables of the Group is an amount of RM136,000 (2013: RM147,497) owing to Directors. These amounts are unsecured, interest free and repayable on demand.

14. Deferred revenue

	Group	
	2014 RM'000	**2013 RM'000**
At 1 January	3,025	2,708
Revenue deferred for the year	525	513
Revenue recognised for the year	(2,338)	(196)
At 31 December	1,212	3,025

Deferred revenue represents consideration received from the sale of goods that is attributed to the points issued under the D Rewards customer loyalty programme that are expected to be redeemed but are still outstanding as at the reporting date.

D Rewards customer loyalty programme

The Group allocates the consideration received from the sale of goods based on the points issued under its D Rewards customer loyalty programme. The Directors estimated the fair value of the consideration allocated to the points issued is reflective of its fair values, which are estimated based on the probability of the redemption of the free gifts and rebate vouchers.

15. Revenue

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Sale of goods	219,417	234,384	-	-
Interest income	-	-	1,690	2,179
Dividend income	-	-	-	460
	219,417	234,384	1,690	2,639

16. Finance income

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Interest income on:				
- Deposits placed with licensed banks	101	200	-	-

Company No. 415726-T

17. Finance costs

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest expense:				
- finance lease liabilities	50	57	-	-
- term loans - secured	1,434	1,465	486	588
- revolving credit - unsecured	87	91	88	91
	1,571	1,613	574	679

18. Profit before tax

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before tax is arrived at after charging:					
Auditors' remuneration					
- Audit fees					
KPMG Malaysia		203	180	48	43
- Other auditors		83	75	-	-
- Non-audit fees					
KPMG Malaysia		15	15	15	15
Depreciation of investment properties	4	151	150	-	-
Depreciation of property, plant and equipment	3	3,626	3,239	-	-
Impairment loss on trade receivables		391	-	-	-
Impairment on amount due from a subsidiary		-	-	529	-
Inventories written down		191	56	-	-
Net realised foreign exchange loss		-	72	-	-
Net unrealised foreign exchange loss		531	160	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		2,804	2,912	-	-
- Wages, salaries and others (including key management personnel)		22,533	22,471	380	380
Property, plant and equipment written off		170	551	-	-
Rental of premises		10,979	10,743	60	60
Sales commission		8,780	8,370	-	-

Company No. 415726-T

18. Profit before tax (continued)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
and after crediting:					
Fair value gain on derivatives		46	83	-	-
Gain on disposal of property, plant and equipment		79	313	-	-
Net unrealised foreign exchange gain		677	-	28	-
Rental income in respect of:					
- Investment properties		374	410	-	-
- Operating leases other than those relating to investment properties		812	873	-	-
Reversal of inventories written down		10	94	-	-

19. Key management personnel compensation

The key management personnel compensation are as follows:

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Executive Directors				
- Fees	185	178	178	178
- Remuneration	5,128	4,781	-	-
	5,313	4,959	178	178
Non-Executive Directors				
- Fees	212	227	202	202
	5,525	5,186	380	380

Key management personnel comprises Directors of Company and all Directors of subsidiaries, having authority and responsibility for planning, directing and controlling the activities of the entities either directly or indirectly.

Company No. 415726-T

20. Tax expense

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current tax expense				
Malaysian - current	6,569	4,987	227	409
- prior year	609	48	14	68
	7,178	5,035	241	477
Overseas - current	1,049	858	-	-
- prior year	(40)	39	-	-
	1,009	897	-	-
	8,187	5,932	241	477
Deferred tax expense				
Origination of temporary differences	228	140	-	-
Over provision in prior year	(174)	(137)	-	-
	54	3	-	-
Total income tax expense	8,241	5,935	241	477
Reconciliation of tax expense				
Profit before tax	27,634	22,435	(73)	1,170
Income tax calculated Malaysian tax rate of 25% (2013 : 25%)	6,909	5,609	(18)	293
Effect of different tax rate in foreign jurisdictions	(446)	(455)	-	-
Non-deductible expenses	1,302	662	245	116
Effect of deferred tax assets not recognised	6	12	-	-
Effect of changes in tax rate	(39)	-	-	-
Others	114	157	-	-
	7,846	5,985	227	409
Under/(Over) provision in prior year	395	(50)	14	68
	8,241	5,935	241	477

21. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2014 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares in issue during the financial year:

	Group	
	2014 RM'000	**2013 RM'000**
Profit for the year attributable to ordinary shareholders at 31 December	18,174	15,408
Weighted average number of issued ordinary shares at 1 January	134,000	134,000
Effect of treasury shares held	(3,005)	(2,146)
Weighted average number of issued ordinary shares at 31 December	130,995	131,854

	Group	
	2014 Sen	**2013 Sen**
Basic earnings per ordinary share	13.87	11.69

22. Dividends

Dividends recognised by the Company :

	Sen per share	**Total amount RM'000**	**Date of payment**
2014			
First and final 2013 ordinary (single tier)	1.5	1,963	20 August 2014
2013			
First and final 2012 ordinary (net of tax)	1.5	1,980	21 August 2013

After the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share (single tier)	**Total amount RM'000**
First and final 2014 ordinary	1.5	1,963

23. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different business segments, and are managed based on the Group's management and internal reporting structure. For each of the strategic business units, the Chief Executive Director (the chief operating decision maker) and the Board of Directors review internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Retail, design and distribution	Includes trading of gold and jewellery
Manufacturing	Includes the manufacturing of gold and jewellery
Investment holding and property investment	Includes investments in subsidiaries and investment in properties

Performance is measured based on segment profit after tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Chief Executive Director and the Board of Directors. Segment profit is used to measure performance as management believes that such information is relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-segment pricing is determined based on negotiated terms.

Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Chief Executive Director and the Board of Directors. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Chief Executive Director and the Board of Directors. Segment total liabilities are used to measure the gearing of each segment.

Segment capital expenditure

Segment capital expenditure is the total costs incurred during the financial year to acquire property, plant and equipment and investment properties.

Major customers

The Group has a diversified range of customers varying from retail customers and wholesale customers. There is no significant concentration of revenue from any major customers.

Company No. 415726-T

23. Operating segments (continued)

2014	Retail, design and distribution RM'000	Manufacturing RM'000	Investment holding and property investment RM'000	Total RM'000	Eliminations RM'000	Consolidated RM'000
Business segments						
Total external revenue	211,133	8,073	211	219,417	-	219,417
Inter-segment revenue	43,541	31,612	2,993	78,146	78,146	-
Total segment revenue	254,674	39,685	3,204	297,563	78,146	219,417
Segment results	17,472	2,044	264	19,780	(387)	19,393
Included in the measurement of segment results are:						
Finance costs	(1,601)	(238)	(1,410)	(3,249)	1,678	(1,571)
Finance income	74	7	20	101	-	101
Depreciation of property, plant and equipment and investment properties	(2,802)	(423)	(552)	(3,777)	-	(3,777)
Tax expense	(6,811)	(722)	(642)	(8,175)	(66)	(8,241)
Segment assets	279,989	56,008	139,193	475,190	(171,796)	303,394
Included in the measurement of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets	7,813	230	20	8,063	-	8,063
Segment liabilities	122,132	20,199	30,619	172,950	(100,367)	72,583

Company No. 415726-T

23. Operating segments (continued)

2013	Retail, design and distribution RM'000	Manufacturing RM'000	Investment holding and property investment RM'000	Total RM'000	Eliminations RM'000	Consolidated RM'000
Business segments						
Total external revenue	226,403	7,750	231	234,384	-	234,384
Inter-segment revenue	49,712	31,760	3,507	84,979	84,979	-
Total segment revenue	276,115	39,510	3,738	319,363	84,979	234,384
Segment results	14,831	1,310	1,879	18,020	(1,520)	16,500
Included in the measurement of segment results are:						
Finance costs	(1,921)	(122)	(1,765)	(3,808)	2,195	(1,613)
Finance income	104	51	45	200	-	200
Depreciation of property, plant and equipment and investment properties	(2,586)	(289)	(514)	(3,389)	-	(3,389)
Tax expense	(4,666)	(530)	(1,051)	(6,247)	312	(5,935)
Segment assets	252,502	54,916	143,318	450,736	(163,212)	287,524
Included in the measurement of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets	4,688	10,208	22	14,918	-	14,918
Segment liabilities	(114,325)	(21,151)	(32,515)	(167,991)	92,591	(75,400)

23. Operating segments (continued)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of outlets. Segment assets are also based on the geographical location of assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Group

	Revenue		Non-current assets	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Malaysia	169,241	169,818	46,750	42,963
Hong Kong	38,064	37,229	-	-
Others	12,112	27,337	5,055	4,610
	219,417	234,384	51,805	47,573

Company No. 415726-T

24. Financial instruments

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL");
(c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R (FL) RM'000	FVTPL RM'000
2014			
Financial assets			
Group			
Trade and other receivables	18,684	18,684	-
Cash and cash equivalents	31,815	31,815	-
	50,499	50,499	-
Company			
Trade and other receivables	33,774	33,774	-
Cash and cash equivalents	934	934	-
	34,708	34,708	-
Financial liabilities			
Group			
Loans and borrowings	(38,481)	(38,481)	-
Trade and other payables, including derivatives	(31,132)	(31,093)	(39)
	(69,613)	(69,574)	(39)
Company			
Loans and borrowings	(10,784)	(10,784)	-
Trade and other payables	(178)	(178)	-
	(10,962)	(10,962)	-

Company No. 415726-T

24. Financial instruments (continued)

24.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R (FL) RM'000	FVTPL RM'000
2013			
Financial assets			
Group			
Trade and other receivables	14,752	14,752	-
Cash and cash equivalents	26,445	26,445	-
	41,197	41,197	-
Company			
Trade and other receivables	35,571	35,571	-
Cash and cash equivalents	1,376	1,376	-
	36,947	36,947	-
Financial liabilities			
Group			
Loans and borrowings	(37,069)	(37,069)	-
Trade and other payables, including derivatives	(34,081)	(33,996)	(85)
	(71,150)	(71,065)	(85)
Company			
Loans and borrowings	(10,899)	(10,899)	-
Trade and other payables	(136)	(136)	-
	(11,035)	(11,035)	-

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net gains/(losses) on:				
Fair value through profit or loss on derivatives	46	83	-	-
Loans and receivables	(290)	200	1,189	2,179
Financial liabilities measured at amortised cost	(1,425)	(1,845)	(574)	(679)
	(1,669)	(1,562)	615	1,500

24. Financial instruments (continued)

24.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits placed with licensed banks.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Certain customers requiring credit over a predetermined amount are subject to credit evaluation and approval.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these trade receivables are regular customers that have been transacting with the Group. Due to the nature of the industry, the trade receivables also comprise credit cards outstanding from the merchant banks. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

Concentration of credit risk with respect to receivables is limited due to the Group's large number of customer.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk and credit quality (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2014 RM'000	**2013 RM'000**
Domestic	2,413	1,204
Others	10,857	8,756
	13,270	9,960

Impairment losses

The ageing of trade receivables as at the end of the reporting period as disclosed in Note 8 was:

Group	**Gross RM'000**	**Impairment RM'000**	**Net RM'000**
2014			
Not past due	1,832	-	1,832
Past due 1 - 30 days	3,873	-	3,873
Past due 31 - 90 days	5,531	-	5,531
Past due 91 - 120 days	2,425	(391)	2,034
	13,661	(391)	13,270
2013			
Not past due	3,695	-	3,695
Past due 1 - 30 days	6,183	-	6,183
Past due 31 - 90 days	82	-	82
Past due 91 - 120 days	-	-	-
	9,960	-	9,960

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

The movements in the allowance for impairment losses of receivables during the financial year were:

	Group	
	2014 RM'000	**2013 RM'000**
At 1 January	-	-
Impairment loss recognised	391	-
At 31 December	391	-

At 31 December 2014, impairment loss of RM391,000 relate to a customer which the Group no longer carries business with. Other than the above customer, no allowance from impairment losses of trade receivables has been made for the remaining past due receivables as the Group monitors the repayments of these customer regularly and are confident of the ability of the customers to repay the balances outstanding.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM15,356,000 (2013: RM17,788,000) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group manages its balances and deposits with banks and financial institutions by monitoring their credit ratings on an ongoing basis. Deposits with licensed banks have original maturities of three months or less.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the Group's statement of financial position.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the Group's statement of financial position.

Impairment losses

As at the end of the reporting period, the inter company balance that is assessed to be irrecoverable amounting to RM529,000 (2013: RM Nil) had been impaired. The Company does not specifically monitor the aging of current advances to the subsidiaries.

24.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as for as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2014	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
Non-derivative financial liabilities							
Term loans - secured	34,439	4.90 – 5.55	44,119	7,154	8,412	16,498	12,055
Revolving credit - unsecured	3,000	5.53	3,000	3,000	-	-	-
Finance lease liabilities	1,042	2.33 – 4.25	1,165	466	402	297	-
Trade and other payables, excluding interest rate swap	31,093	-	31,093	31,093	-	-	-
	69,574		79,377	41,713	8,814	16,795	12,055
Derivative financial liability							
Interest rate swap	39	-	39	39	-	-	-
	69,613		79,416	41,752	8,814	16,795	12,055
Company							
Term loans - secured	7,784	5.55	8,544	2,605	2,605	3,334	-
Revolving credit - unsecured	3,000	5.53	3,000	3,000	-	-	-
Trade and other payables	178	-	178	178	-	-	-
Financial guarantee	-	-	15,356	15,356	-	-	-
	10,962		27,078	21,139	2,605	3,334	-

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2013	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
Non-derivative financial liabilities							
Term loans - secured	34,612	4.70 – 5.35	39,998	9,721	6,373	12,584	11,320
Revolving credit - unsecured	1,000	5.25	1,000	1,000	-	-	-
Finance lease liabilities	1,457	2.33 - 3.78	1,631	466	466	699	-
Trade and other payables, excluding interest rate swap	33,996	-	33,996	33,996	-	-	-
	71,065		76,625	45,183	6,839	13,283	11,320
Derivative financial liability							
Interest rate swap	85	-	85	85	-	-	-
	71,150		76,710	45,268	6,839	13,283	11,320
Company							
Term loans - secured	9,899	5.35	11,149	2,605	2,605	5,939	-
Revolving credit - unsecured	1,000	5.25	1,000	1,000	-	-	-
Trade and other payables	136	-	136	136	-	-	-
Financial guarantee	-	-	17,788	17,788	-	-	-
	11,035		30,073	21,529	2,605	5,939	-

24. Financial instruments (continued)

24.6 Market risk

Market risk is the risk that changes in market prices, such as precious metals and stones price, foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

24.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases, deposits with licensed bank and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD), Singapore Dollar (SGD), and Australian Dollar (AUD).

Risk management objectives, policies and processes for managing the risk

The Group does not use any forward contracts to hedge against its exposure to foreign currency risk as the foreign exchange exposures in transactional currencies other than functional currency of the Group are kept to an acceptable level.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in			
	USD	***SGD***	***AUD***	***Total***
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2014				
Trade and other receivables	375	-	-	375
Cash and cash equivalents	1,757	130	1,672	3,559
Trade and other payables	(8,395)	(16)	-	(8,411)
Loans and borrowings	(6,269)	-	-	(6,269)
	(12,532)	114	1,672	(10,746)
2013				
Trade and other receivables	375	-	-	375
Cash and cash equivalents	3,017	128	1,667	4,812
Trade and other payables	(12,625)	-	-	(12,625)
Loans and borrowings	(8,508)	-	-	(8,508)
	(17,741)	128	1,667	(15,946)

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2013: 10%) strengthening of RM against the following currencies at the end of the reporting period would have increased/ (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant.

	(Profit) or loss	
	2014 RM'000	2013 RM'000
Group		
USD	(940)	(1,359)
SGD	9	10
AUD	125	125

A 10% (2013: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

24.6.2 Interest rate risk

The Group's primary interest rate risk relates to borrowings and deposits with licensed banks. Deposits with licensed banks with fixed rate are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Company provides advances to its subsidiaries at an interest of 5.5% (2013: 6.5% - 7.6%) per annum and are repayable on demand.

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

Risk management objectives, policies and processes for managing the risk

The Group adopts a practice to continuously seek alternative banking facilities which provide competitive interest rates to finance and/ or refinance its working capital requirements. The Group has entered into an interest rate swap with a notional contract amount of RM6,268,000 (2013: RM8,509,000) in order to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

Market interest rates movements are monitored with the view to ensure that the most competitive rates are secured and where appropriate, borrowing arrangements are restructured or reduced. The Group's interest bearing assets are mainly placed in short term deposits with reputable financial institutions.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest bearing financial instruments, based on the carrying amounts as at the end of the reporting period was:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Fixed rate instruments				
Financial assets				
Deposits placed with licensed banks	2,818	5,772	602	851
Amount due from subsidiaries	-	-	33,757	35,554
Financial liabilities				
Finance lease liabilities	(1,042)	(1,457)	-	-
	1,776	4,315	34,359	36,405
Floating rate instruments				
Financial liabilities				
Term loans - secured	(34,439)	(34,612)	(7,784)	(9,899)
Revolving credit	(3,000)	(1,000)	(3,000)	(1,000)
Interest rate swap	(39)	(85)	-	-
	(37,478)	(35,697)	(10,784)	(10,899)

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or (loss)	
	100 bp increase RM'000	**100 bp decrease RM'000**
Group		
2014		
Floating rate instruments	(281)	281
2013		
Floating rate instruments	(268)	268
Company		
2014		
Floating rate instruments	(81)	81
2013		
Floating rate instruments	(82)	82

24.6.3 Fair value of information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares in subsidiaries due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

Company No. 415726-T

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.3 Fair value of information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2014	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
Group										
Financial liabilities										
Interest rate swap	-	-	39	39	-	-	-	-	39	39
Term loan - secured	-	-	34,439	34,439	-	-	-	-	34,439	34,439
Finance lease liabilities	-	-	-	-	-	-	972	972	972	1,042
	-	-	34,478	34,478	-	-	972	972	35,450	35,520
Company										
Financial liabilities										
Term loan - secured	-	-	7,784	7,784	-	-	-	-	7,784	7,784

Company No. 415726-T

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.3 Fair value of information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2013	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
Group										
Financial liabilities										
Interest rate swap	-	-	85	85	-	-	-	-	85	85
Term loan - secured	-	-	34,612	34,612	-	-	-	-	34,612	34,612
Finance lease liabilities	-	-	-	-	-	-	1,327	1,327	1,327	1,457
	-	-	34,697	34,697	-	-	1,327	1,327	36,024	36,154
Company										
Financial liabilities										
Term loan - secured	-	-	9,899	9,899	-	-	-	-	9,899	9,899

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.3 Fair value of information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determind as of the date of the event of change in circumstances that caused that transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For borrowings, the market rate interest is determined by reference to similar borrowings arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2013: no transfer in either directions)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial liabilities.

The following table shows a reconciliation of Level 3 fair values:

	Group Financial liabilities	
	2014 **RM'000**	**2013** **RM'000**
Interest rate swaps		
Balance at 1 January	85	168
Gain recognised in the statement of profit or loss	(46)	(83)
At 31 December	39	85

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.3 Fair value of information (continued)

(a) Fair value of financial instruments carried at fair value

The methods and assumptions used to estimate the fair value of the financial instruments carried at fair value are as follows:

Financial instruments carried at fair value

Type	Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Interest rate swap	The fair value of interest rate swap is estimated to approximate its carrying amount as the fair value is based on the quotation obtained from a financial institution.	Interest rate (2014: 1.0 – 1.4%)	The estimated fair value would increase (decrease) if the interest rate were higher (lower).
Term loan	The fair value of term loan is estimated to approximate its carrying amount as this is variable rate borrowings.	Interest rate (2014: 4.90 – 5.55%)	The estimated fair value would increase (decrease) if the interest rate were higher (lower).

(b) Fair value of financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Finance lease liabilities	The fair value of finance lease liabilities is estimated based on discounted cash flows using prevailing market rates of similar lease agreements.

24. Financial instruments (continued)

24.6.4 Precious metals and stones risk

The jewellery industry is generally affected by fluctuations in the price and supply of precious metals and stones. The supply and price of diamonds in the principal world market are significantly influenced by a single entity, The Diamond Trading Company, a subsidiary of De Beers Consolidated Mines Limited. To date, there has been no material impact on the availability and pricing of and demand for diamonds.

There are no hedging transactions entered into for other precious metals and stones.

25. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 December 2013 and at 31 December 2014 were as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Total loans and borrowings (Note 12)	38,481	37,069
Less: Cash and cash equivalents (Note 10)	(31,815)	(26,445)
Net debt	6,666	10,624
Total equity	230,811	212,124
Debt-to-equity ratios	0.03	0.05

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

26. Capital commitment

Capital expenditure commitments

	Group	
	2014	**2013**
	RM'000	**RM'000**
Property		
Contracted but not provided for	349	5,469

27. Operating leases

Leases as lessee

	Group	
	2014	**2013**
	RM'000	**RM'000**
Less than one year	3,893	4,053
Between one and five years	2,404	5,165
	6,297	9,218

The Group leases a number of outlets in the shopping malls under operating leases. The leases typically run for a period of 1 to 3 years, with an option to renew the lease after that date. Lease payments are increased every renewal of tenancy agreement to reflect market rentals.

28. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or Company if the Group or Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Company has related party relationship with its subsidiaries and key management personnel.

28. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms.

The significant related party transactions of the Group and of the Company, other than key management personnel compensation (see Note 19), are as follows:

	Group		Company	
	2014	2013	2014	2013
Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Ultimate holding company:				
Dividend paid	1,040	1,380	1,040	1,380
Subsidiaries:				
Rental expenses	-	-	60	60
Dividend income	-	-	-	(460)
Interest income	-	-	(1,678)	(2,151)

The amounts due from/ (to) subsidiaries as at 31 December are disclosed in Note 8 and Note 13.

Company No. 415726-T

29. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total retained earnings of the Company and its subsidiaries:				
- Realised	190,519	173,834	3,680	6,010
- Unrealised	(324)	54	53	-
	190,195	173,888	3,733	6,010
Less: Consolidation adjustments	(49,154)	(49,058)	-	-
Total retained earnings	141,041	124,830	3,733	6,010

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

DeGem Berhad
(Company No. 415726-T)
(Incorporated in Malaysia)
and its subsidiaries

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 7 to 80 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 29 on page 81 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……
Choong Kai Fatt

……
Choong Khoi Onn

Kuala Lumpur,

Date: 16 April 2015

DeGem Berhad
(Company No. 415726-T)
(Incorporated in Malaysia)
and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Choong Khoi Onn**, the Director primarily responsible for the financial management of DeGem Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 81 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 16 April 2015.

…….
Choong Khoi Onn

Before me:

Independent auditors' report to the members of DeGem Berhad

(Company No. 415726-T)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of DeGem Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 80.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No. 415726-T

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 29 on page 81 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 415726-T

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Chong Dee Shiang
Approval Number: 2782/09/16(J)
Chartered Accountant

Petaling Jaya, Malaysia

Date: 16 April 2015