DeGem Berhad

415726-T

Annual Report 2017

Contents

02 Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-First ("21st") Annual General Meeting of the members of the Company will be held at Banyan Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 7 June 2018, at 10.30 a.m. for the purpose of transacting the following businesses:-

ORDINARY BUSINESSES

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. **Please refer Notes No. 7(a)**

2. To re-elect the following Directors who retire pursuant to the Company's Articles of Association and, being eligible, offer themselves for re-election: -

(a)	Dato' Hasan bin M.Taib	Article 100	**Resolution 1**
(b)	Mr. Choong Khoi Onn	Article 100	**Resolution 2**
(c)	Mr. Leou Thiam Lai	Article 100	**Resolution 3**

3. To approve the payment of Directors' fees of RM418,992/ -in respect of the financial year ended 31 December 2017. **Resolution 4**

4. To approve the payment of Directors' benefits up to an amount of RM100,000/- from the 21st Annual General Meeting until the 22nd Annual General Meeting of the Company. **Resolution 5**

5. To re-appoint Baker Tilly Monteiro Heng as Auditors of the Company and to authorize the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESSES

To consider and if taught fit, to pass the following Ordinary Resolutions

6. **Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016** **Resolution 7**

"THAT subject always to the Companies Act 2016, Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") and approvals of any other relevant governmental/regulatory bodies where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue shares in the Company, to such persons, at any time upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed ten percent (10%) of the total number of issued shares for the time being of the Company AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a General Meeting."

7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.** **Resolution 8**

"THAT, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate") for the Company and/or its subsidiary companies ("the Group") to enter into and to give effect to the category of Recurrent Related Party Transactions of a Revenue or Trading nature from time to time with the Related Parties as specified in Section 2.4 Part A of the Circular to Shareholders dated 30 April 2018 provided that such transactions are:-

(a) recurrent transactions of a revenue or trading nature;
(b) necessary for the day-to-day operations;
(c) undertaken in the ordinary course of business and at arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
(d) are not prejudicial to the minority shareholders of the Company

THAT such approval shall continue to be in force until: -

(a) the conclusion of the next AGM of the Company following this AGM at which the Renewal of Shareholders' Mandate is passed, at which time it will lapse unless authority is renewed by a resolution passed at the next AGM; or
(b) the expiration of the period within which the next AGM to be held pursuant to Section 340(2) of the Companies Act, 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) is revoked or varied by resolution passed by shareholders of the Company in a General Meeting,

whichever is the earliest,

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders Mandate."

8. **Proposed Renewal of Authority for Share Buy-Back** **Resolution 9**
"THAT, subject to compliance with Section 127 of the Companies Act 2016 ("the Act"), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") and all other applicable laws, regulations, the Company be and is hereby authorised to allocate an amount not exceeding the total available retained profits of the Company for the purpose of and to purchase such amount of ordinary shares in the Company ("Proposed Purchase) as may be determined by the Directors of the Company from time to time through Bursa as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolutions does not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa as at the point of purchase;

AND THAT upon completion of the purchase by the Company of its own shares, the Directors are authorised to retain the shares as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder AND THAT the Directors are further authorised to resell the treasury shares on Bursa or distribute the treasury shares as dividends to the Company's shareholders or to deal with the treasury shares in the manners as allowed by the Act;

AND THAT the Directors be and are hereby empowered to carry out the above immediately upon the passing of this resolution and from the date of the passing of this resolution until:

(a) the conclusion of the next AGM of the Company following at which time the authority shall lapse unless by an ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders at a General Meeting,

whichever occurs first but not to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provision of the Listing Requirements and any other relevant authorities AND THAT authority be and is hereby given to Directors of the Company to take all steps as are necessary and/or to do all such acts and things as the Directors deem fit and expedient in the interest of the Company to give full effect to the Proposed Purchase with full powers to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed by the relevant authorities."

9. **Continuing in office of Mr. Leou Thiam Lai as Independent Non- Executive Director** **Resolution 10**
"THAT subject to passing of the Ordinary Resolution No. 3, approval be and is hereby given to Mr. Leou Thiam Lai who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years, be and is hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."

10. **Continuing in office of Datuk Zainun Aishah binti Ahmad as Independent Non-Executive Director** **Resolution 11**
“THAT authority be and is hereby given to Datuk Zainun Aishah binti Ahmad who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, be and is hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.”

11. To transact any other business for which due notice has been given.

BY ORDER OF THE BOARD

ANDREA HUONG JIA MEI (MIA 36347)
Company Secretary

Kuala Lumpur
30 April 2018

Notes:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint up to 2 proxies to attend and vote instead of him/her. Where a member appoints 2 proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.

2. Where a member of the Company is an exempt authorised nominee (“EAN”) as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.

3. In the case of a corporate body, the proxy appointed must be in accordance with the Memorandum and Articles of Association, and the instrument appointing a proxy shall be given under the Company’s Common Seal or under the hand of an officer or attorney duly authorised.

4. The Proxy Form must be deposited at the Share Registrar Office, Symphony Share Registrars Sdn. Bhd., Pusat Dagangan Dana 1, Jalan PJU Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than 48 hours before the time set for the meeting or any adjournment thereof.

5. Pursuant to Paragraph 8.29A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

6. **General Meeting Record of Depositors**
For purposes of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 54(c) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa ("LR"), a Record of Depositors as at 31 May 2018 and a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his stead.

7. **Explanatory Notes on Ordinary and Special Business:**

(a) Audited Financial Statements for the financial year ended 31 December 2017
The audited financial statements are for discussion only under Agenda 1, as it does not require shareholders' approval under the provision of Section 340(1)(a) of the Companies Act, 2016. Hence, this item in the agenda is not put forward for voting by shareholders of the Company.

(b) Resolutions No. 4 and 5 - Director's Benefits Payable
Pursuant to Section 230 (1) of the Companies Act 2016, the fees and benefits payable to the Directors of the Company will have to be approved by the shareholders at a general meeting.

The proposed Directors Benefits payable comprised allowances and other benefits. The total estimated amount of Director's benefit payable is calculated based on the number of scheduled Board's and Board's Committee Meeting from 8 June 2018 (being the day after the 21st AGM) until the 22nd AGM. In the event, the proposed amount is insufficient due to more meetings or enlarged Board size, approval will be sought at the next AGM for the shortfall.

(c) Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016
Resolution No. 7 is to seek a renewal of the general mandate for the issue of new ordinary shares pursuant to Sections 75 and 76 of the Companies Act 2016 which was approved by shareholders at the last year's AGM ("the previous mandate"). As the date of this Notice, the Company did not allot any shares pursuant to the previous mandate.

The proposed Resolution No. 7, if passed, will empower the Directors of the Company to issue and allot new shares in the Company at any time and for such purposes as the Directors considered would be in the interests of the Company up to an aggregate not exceeding ten percent (10%) of the total number of issued shares of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next AGM or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier.

The renewed mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding investment project(s), working capital and/or acquisition.

(d) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature
Resolution No. 8, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions with related parties in the ordinary course of business which are necessary for the Group's day-to-day operations and are on terms not more favourable to the related parties than those generally available to the public and shall lapse at the conclusion of the next AGM unless authority for its renewal is obtained from the shareholders of the Company at a General Meeting. For further information, please refer to Part A of the Circular to Shareholders dated 30 April 2018, which is circulated together with this Annual Report.

(e) Resolution pursuant to Proposed Renewal of Authority for Share Buy-Back
Resolution No. 9, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the issued shares of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next AGM. For further information, please refer to Part B of the Circular to Shareholders dated 30 April 2018 which is circulated together with this Annual Report.

(f) Resolution Nos. 10 & 11

The proposed Ordinary Resolution 10, if passed, will allow Mr. Leou Thiam Lai to be retained as Independent Non-Executive Director ("INED") of the Company. The Board of Directors had, vide the Nomination Committee has assessed the independence of Mr Leou, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years and recommended him to continue to act as an Independent Non-Executive Director of the Company. The justifications of the Board of Directors for recommending and supporting the resolutions for him continuing in office as Independent Non-Executive Directors are set out under the Corporate Governance Overview Statement in the Company's Annual Report 2017.

The proposed Ordinary Resolution 11, if passed, will allow Datuk Zainun Aishah binti Ahmad ("Datuk Zainun") to be retained as Independent Non-Executive Director ("INED") of the Company. The Board of Directors had, vide the Nomination Committee has assessed the independence of Datuk Zainun, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and recommended her to continue to act as an Independent Non-Executive Director of the Company. The justifications of the Board of Directors for recommending and supporting the resolutions for her continuing in office as Independent Non-Executive Directors are set out under the Corporate Governance Overview Statement in the Company's Annual Report 2017.

Resolution Nos. 10 & 11 if passed, will authorise Mr. Leou Thiam Lai and Datuk Zainun Aishah binti Ahmad to continue in office as Independent Non-Executive Directors of the Company until the conclusion of the next AGM of the Company

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty the Company

DeGem
Majestic Rooster


DeGem
Two sugar loaf tanzanites in deep blue hue takes centre stage in this unique bangle, surrounded by a colourful mix of tsavorites, sapphires and diamonds on its cuff.
A legacy from the heart
MALAYSIA - BANGSAR FLAGSHIP STORE I PAVILION KL I THE GARDENS MALL I 1 UTAMA (NEW WING) I AMPANG I SINGAPORE - MARINA BAY SANDS
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www.degemdiamond.com I www.facebook.com/DeGemDiamond I instagram@degemdiamond

08 Corporate Information

DIRECTORS:

Dato' Hasan bin M. Taib
(Chairman)

Datuk Zainun Aishah binti Ahmad

Dato' Koh Hong Sun

Choong Kai Soon

Choong Kai Fatt

Choong Khoi Onn

Choong Kay Cheong

Leou Thiam Lai

COMPANY SECRETARY:

Andrea Huong Jia Mei
(MIA 36347)

REGISTERED OFFICE:

No. 42, 1st Floor
Jalan Maarof
Bangsar Baru
59000 Kuala Lumpur
Tel: 03-2282 3618
Fax: 03-2282 4960
Email: info@degembhd.com
Website: http://www.degembhd.com

CORPORATE AND PRINCIPAL PLACE OF BUSINESS OFFICE:

No. 42, 1st Floor
Jalan Maarof
Bangsar Baru
59000 Kuala Lumpur
Tel: 03-2282 3618
Fax: 03-2282 4960

PRINCIPAL BANKERS:

Malayan Banking Berhad
No. 66, 68 & 70
Jalan Maarof
Bangsar Baru
59000 Kuala Lumpur

Public Bank Berhad
No. 36 & 38
Jalan Maarof
Bangsar Baru
59000 Kuala Lumpur

STOCK EXCHANGE LISTING:

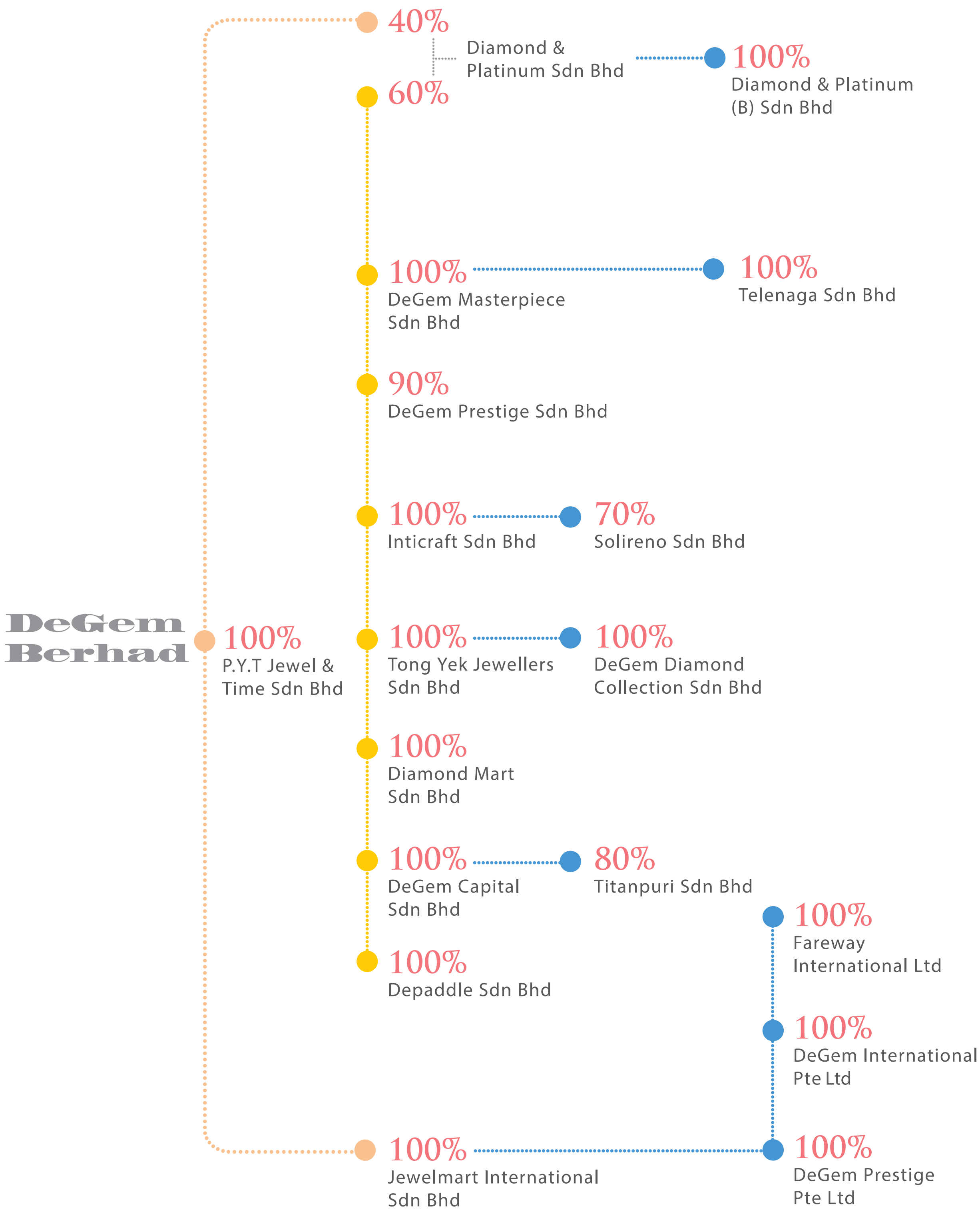
Bursa Malaysia Securities Berhad
Main Board-Stock Code 7119

AUDITORS:

Baker Tilly Monteiro Heng
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

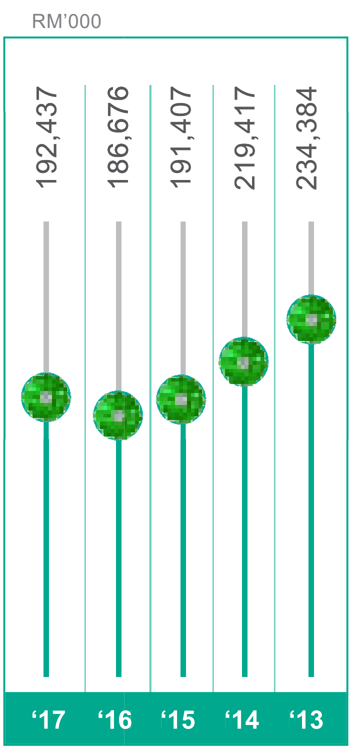
SHARE REGISTRARS:

Symphony Share Registrars Sdn Bhd
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel: 03-7849 0777
Fax: 03-7841 8151/8152

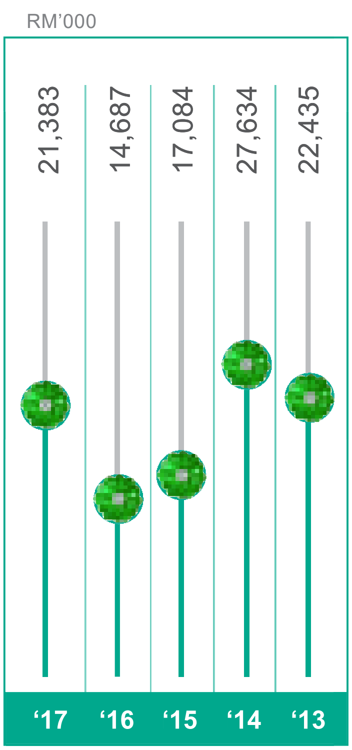

DeGem Berhad
40%
60%
Diamond & Platinum Sdn Bhd
100%
Diamond & Platinum (B) Sdn Bhd
100%
DeGem Masterpiece Sdn Bhd
100%
Telenaga Sdn Bhd
90%
DeGem Prestige Sdn Bhd
100%
Inticraft Sdn Bhd
70%
Solireno Sdn Bhd
100%
P.Y.T Jewel & Time Sdn Bhd
100%
Tong Yek Jewellers Sdn Bhd
100%
DeGem Diamond Collection Sdn Bhd
100%
Diamond Mart Sdn Bhd
100%
DeGem Capital Sdn Bhd
80%
Titanpuri Sdn Bhd
100%
Depaddle Sdn Bhd
100%
Fareway International Ltd
100%
DeGem International Pte Ltd
100%
Jewelmart International Sdn Bhd
100%
DeGem Prestige Pte Ltd

Financial Highlights for the past 5 years

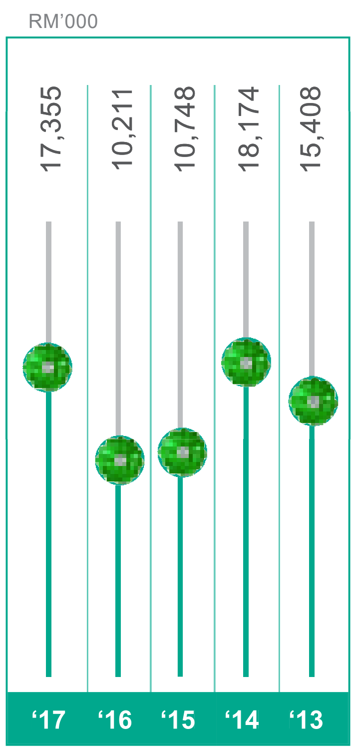
Year Ended 31 December	2017 (RM'000)	2016 (RM'000)	2015 (RM'000)	2014 (RM'000)	2013 (RM'000) Restated
Revenue	192,437	186,676	191,407	219,417	234,384
Profit Before Tax	21,383	14,687	17,084	27,634	22,435
Taxation	(3,998)	(4,598)	(5,844)	(8,241)	(5,935)
Profit After Tax	17,385	10,089	11,240	19,393	16,500
Minority Interests	(30)	122	(492)	(1,219)	(1,092)
Profit After Tax and Attributable to Shareholders	17,355	10,211	10,748	18,174	15,408
Net Tangible Assets Per Share (Sen)	191.5	198.4	192.4	176.2	160.9



Revenue



Profit Before Tax



Profit After Tax And Attributable To Shareholders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Directors' Profile

Dato' Hasan bin M. Taib
Chairman
(Non-Executive Director)

Dato' Hasan bin M. Taib, male, aged 64, Malaysian, was appointed to the Board of Directors of Degem Berhad ("the Board") on 6 April 2001. Dato' Hasan began his career in 1978 as a sales supervisor/computer coordinator for Redec Travel, which is the general sales agent for Malaysia Airline System in Jeddah, Saudi Arabia. In 1982, he left Redec Travel to start his own business in trading, property and investment in Saudi Arabia, London and Singapore. After returning to Malaysia in 1986, he formed Misbah Group of Companies, specialises in travel, property investment and development business in 1986. He obtained a degree in Science in 1997 from Pacific Western University, United States of America. He presently sits on the board of several other private limited companies. Dato' Hasan bin M. Taib does not hold any directorship in any other public corporation other than DeGem Berhad.

Mr Choong Khoi Onn
(Executive Director)

Mr Choong Khoi Onn, male, aged 61, Malaysian, was appointed to the Board on 6 April 2001. He is a member of the Remuneration Committee. He obtained a diploma in Financial Accounting from Tunku Abdul Rahman College in 1979 and started his career as an audit assistant with a local audit firm before joining the Group in 1982. He is now responsible for the financial and administrative matters of the Group. He is actively involved in all major decision making of the Group. Mr Choong Khoi Onn does not hold any directorship in any other public corporation other than DeGem Berhad.

Mr Choong Kai Fatt
(Executive Director)

Mr Choong Kai Fatt, male, aged 57, Malaysian, was appointed to the Board on 6 April 2001. He is a member of the Remuneration Committee. He has more than 30 years' experience in the jewellery business. He joined a subsidiary of the Group in 1983 and is a qualified gemologist since 1989, having studied gemology from the Gemological Institute of America. He is currently in charge of the purchasing and marketing operations of the Group. He is actively involved in all the decision making of the Group. Mr Choong Kai Fatt does not hold any directorship in any other public corporation other than DeGem Berhad.

Mr Choong Kai Soon
(Executive Director)

Mr Choong Kai Soon, male, aged 58, Malaysian, was appointed to the Board on 6 April 2001. He started his career working as a goldsmith in 1974. He is responsible for the manufacturing divisions of the Group as well as in enforcing quality control during manufacturing and on-the-job training to craftsmen in the Group. He is actively involved in all the major decision making of the Group. Mr Choong Kai Soon does not hold any directorship in any other public corporation other than DeGem Berhad.

Mr Choong Kay Cheong
(Executive Director)

Mr Choong Kay Cheong, male, aged 54, Malaysian, was appointed to the Board on 31 March 2005. He graduated with a Bachelor Degree in Engineering (Civil) Hons from Universiti Teknologi Malaysia and a Masters in Engineering (Civil) from University of Auckland, New Zealand. He first started out as a project manager in the construction industry before co-founding Diamond & Platinum Sdn. Bhd, a subsidiary of the Group in 1999. He is also actively involved in the daily operation and decision making of the Group. Mr Choong Kay Cheong does not hold any directorship in any other public corporation other than DeGem Berhad.

Mr Leou Thiam Lai
(Senior Independent Non-Executive Director)

Mr Leou Thiam Lai, male, aged 61, Malaysian, was appointed to the Board on 21 May 2001. He is the Chairman of the Audit and Risk Management Committee and also a member of the Nomination and Remuneration Committees. Mr Leou is a Chartered Accountant of the Malaysian Institute of Accountants, Fellow member of the Chartered Association of Certified Accountants (UK) and a Fellow member of the Chartered Tax Institute of Malaysia (formerly known as Malaysian Institute of Taxation). He was with Aljeffri, Siva, Heng and Monteiro from 1980 to 1981 and Baharom Hamdan from 1981 to 1984. He then set up his own Chartered Accountants firm, Leou & Associates, in 1988 and Associates PLT, in 2015. He serves as a partner of both the firm. Currently, he also sits on the boards of Sern Kou Resources Berhad, Menang Corporation (M) Berhad,EA Holdings Berhad and Minda Global Berhad (formerly known as Asiamet Education Group Berhad).

He has no family relationship with any Directors or major shareholders of the Company.

DeGem
ARchT Collection [Azure of Opulence Ring]

Datuk Zainun Aishah binti Ahmad
(Independent Non-Executive Director)

Datuk Zainun Aishah binti Ahmad, female, aged 71, Malaysian, was appointed to the Board on 1 August, 2007. She is the Chairman of the Nomination Committee and a member of the Audit and Risk Management Committee and also the Remuneration Committees. She holds an Honours Degree in Economics from University Malaya. She began her career with Malaysia Industrial Development Authority ("MIDA"), the Malaysian government's principal agency for the promotion and coordination of industrial development in the country as an Economist where she worked for 35 years. In her 35 years of service, she has held various key positions in MIDA as well as in some of the country's strategic council, notably her pivotal role as National Project Director in the formulation of Malaysia's First Industrial Master Plan and as a member of the Industrial Coordination Council in the implementation of the Second Industrial Master Plan. She was the Director-General of MIDA for 9 years and Deputy Director-General for 11 years. Whilst in MIDA, she was also a member of the Industrial Coordination Act Advisory Council, Defense Industry Council and National Committee on Business Competitiveness Council.

She was formerly a Director of Tenaga Nasional Berhad, Shell Refining Company (Federation of Malaya) Berhad [now known as Hengyuan Refining Company Berhad] and Malayan Banking Berhad. Currently, she's the Director of Berjaya Food Berhad, British American Tobacco (Malaysia) Berhad and Boustead Holdings Berhad, all are public listed companies.

She has no family relationship with any Directors or major shareholders of the Company.

Dato' Koh Hong Sun
(Independent Non-Executive Director)

Dato' Koh Hong Sun, male, aged 65, Malaysian, was appointed to the Board on 01 August 2016. He is a Chairman of Remuneration Committee and a member of the Audit and Risk Management Committee and also the Nomination Committees. He graduated with a Master Degree in Strategic and Security Studies from Universiti Kebangsaan Malaysia. He had a distinguished career with the Royal Malaysia Police ("RMP") for almost 40 years, having joined RMP as a Probationary Inspector in 1971 and retired in October 2010 as the Director of Commercial Crime Investigation Department. During the period as an officer of the RMP, he had held various important command posts, including as Commandant of The Police Training Centre in Kuala Lumpur, Assistant Director NCB-Interpol, Officer-in-Charge of Brickfields Police District, Federal Traffic Chief, Deputy Chief Police Officer of Johor, Chief Police Officer of Penang and Commissioner of Police as Director of Commercial Crime Investigation Department.

Currently, he's the Chairman of QBE Insurance (Malaysia) Berhad which is a non-listed public company. He also sits on the boards of Mega First Corporation Berhad, Genting Malaysia Berhad and GLM REIT Management Sdn Bhd, the manager of Tower Real Estate Investment Trust.

He has no family relationship with any Directors or major shareholders of the Company.

Additional information:

None of the Directors has:

i. been convicted of any offence other than traffic offence within the past 5 years,
ii. been imposed with any public sanction or penalty by the relevant regulatory bodies during the Financial Year Ended 2017; and
iii. any conflict of interests with DeGem.

DeGem
Lattice Bracelets from ARchT Collection

Key Senior Management Profile

ELAINE NG AI LIAN
General Manager – HR & Admin
Female, Malaysian, Aged 48

Ms. Elaine Ng joined the Group on 5 May 2008 as General Manager of the Human Resources and Administration overseeing the full spectrum of Human Resources, Administration and IT department for the DeGem group of companies. She is responsible for the daily operations and administration of the Group. As a Senior Management staff, she is actively involved in the organizational and administrative planning and implementations of the current and new business ventures as well as the internal projects of the group.

She holds an Honours Degree in Management majoring in Human Resources Management and a minor in Economics from Universiti Sains Malaysia.

She started her career with Intel Malaysia in 1995 before preceding her career in Human Resources with Posim Berhad. She was formerly the HR Manager for the former group of companies under PYT Jewel & Time Sdn Bhd. After which, she joined an established private higher education institution as Senior Vice President for 8 years prior to joining the Group.

JESSICA LEE SWEE CHENG
Human Resource & Administration Manager
Female, Malaysian, Aged 38

Ms Lee Swee Cheng joined Tong Yek Jewellers on 15 June 2015 as Human Resource & Administration Manager. She is responsible for the overall human resources and administration functions of the DeGem Group of Companies, as well as the editor-in-chief of the in-house newsletter, D'News. Along with a team of committee members, she has led several corporate events and overseen the corporate social responsibility activities for the Group.

She holds a Master in Business Administration majoring in Human Resources and Entrepreneurship as well as a Bachelor of Science (Honours) Degree in Electronic Commerce from Staffordshire University, UK.

Prior to joining DeGem, she has worked with a group of architectural and design companies for 12 years with a vast experience in managing the operations, human resources & administration, information technology, as well as business development for a new subsidiary under the building and construction industry. She has also worked alongside IT projects and web application development during the start of her career within the IT industry.

LEOW MEI FUI
Senior Marketing Manager
Female, Malaysian, Aged 37

Ms Leow Mei Fui joined DeGem Masterpiece on 3 February 2015 as Marketing Manager and was subsequently designated as Senior Marketing Manager on 1st January 2016. She is responsible for the marketing and communication portfolio of the overall DeGem brand as well as other sub-brands within the company such as Lazare, Forevermark, Soleluna and Infinity. She also plays the lead role in the brand implementation initiatives for DeGem in accordance to the brand guidelines.

Ms Leow holds a Degree in Bachelor of Communication (Honours) majoring in Persuasive Communication and a minor in Management from Universiti Sains Malaysia. Ms Leow is also a member of the Institute of Public Relations Malaysia (IPRM).

With 12 years of working experience, Ms Leow held the Senior Business Manager role overlooking both export sales and marketing portfolios in a food company and was the Senior Brand Manager for an established private higher education institution for four years before she joined DeGem.

Additional Information:

- *i* *None of the Key Senior Management holds directorship in public companies and listed companies.*
- *ii* *None of the Key Senior Management has any conflict of interest with Degem.*
- *iii* *None of the Key Senior Management has been convicted for offences other than traffic offence within the past 5 years or was publicly sanctioned or imposed with penalty by the relevant regulatory bodies during the Financial Year Ended 2017.*

DeGem
Carved Emerald Earrings

FAMILY RELATIONSHIP OF DIRECTORS

Save as disclosed, none of the Directors has any family relationship with any Directors and/or substantial shareholders of the Company:-

Choong Khoi Onn, Choong Kai Soon, Choong Kai Fatt, Choong Kay Cheong and Choong Sin Cheong are brothers.

CONFLICT OF INTEREST

None of the Directors has any conflict of interest with the Company.

UTILISATION OF PROCEEDS

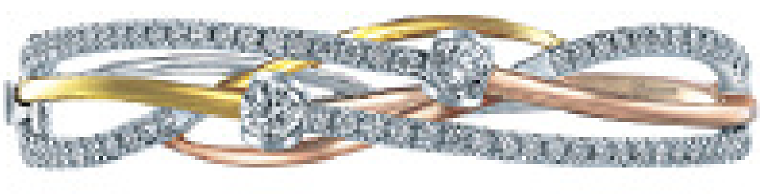
The Company did not make any corporate proposal to raise proceeds during the financial year ended 31 December 2017.

AUDIT AND NON AUDIT FEE

The total amount of audit fees and non-audit fees payable to external auditors by the Company and its subsidiaries for the financial year ended 31 December 2017 amounted to RM238,000 and RM13,000 respectively.

MATERIAL CONTRACTS

On 10 August 2017, DeGem disposed its 70% equity investment in Bestline International Corporation Limited, Bestline Design Sdn. Bhd. and Bestline Limited, which are subsidiaries of Jewelmart International Sdn. Bhd. for a total cash consideration of HK6,150,000.



LAZARE
RollerGlam Collection

DeGem

Forevermark Endlea® Collection

It's a long journey to become the one.

In our constant pursuit of absolute beauty, every Forevermark diamond undergoes a journey of rigorous selection.

This is why less than 1% of the world's diamonds are worthy of the Forevermark inscription – our promise of beauty, rarity and responsible sourcing.

FOREVERMARK
A DIAMOND IS FOREVER

Forevermark.com

INTRODUCTION

DeGem, an established Malaysian Jewellery retailer with more than 25 years of experience in the Jewellery business. In the decades since its founding, DeGem has built its reputation on integrity, excellent craftsmanship, professional service and benchmark for quality in the jewellery industry. DeGem’s core businesses are in manufacturing, retailing and design and distribution of fine jewellery.

RETAIL & DISTRIBUTION SEGMENT

DeGem's jewellery, which are designed and manufactured in-house, is marketed via the following channels:

1. retail under the DeGem brand,
2. retail under the Diamond & Platinum brand,
3. retail under the JEOEL brand,
4. e-commerce, and
5. wholesale via its design and distribution unit

DEGEM BRAND

DeGem brand caters for the mid to high-end segment of the consumer market where high brand value and loyalty is greatly emphasized. Today, DeGem is well known for its design and delicate craft, and its ability to marry the beauty of precious gems with avant-garde jewellery designs. Its range of exclusive and unique creations can satisfy the most discerning clients when it comes to high-end jewellery.

DeGem has five boutiques at exclusive retail addresses within the Klang Valley and one in Singapore. DeGem has invested its vast experience in developing two household brands, Infinity® and Soleluna®. Infinity® has successfully become a choice brand highly sought after by couples for its engagement and wedding rings, while Soleluna® currently fulfills demand from a niche market looking for big and bold, yet affordable, jewellery. DeGem is also the sole distributor of the renowned Lazare Diamond®, Forevermark™ and Victor Mayer jewellery in Malaysia.

In year 2011, DeGem introduced the Gold Bullion to its range of products. The Gold Bullion is highly sought after as an investment to hedge against the erosion of value of money from inflation. Investments in gold are strongly recommended to be included in a prudent investment portfolio model. Prices of the Gold Bullion are quoted marked-to-market, with buying and selling rates displayed online.

DeGem has a retail flagship outlet in Bangsar, a retail store in Ampang and 3 outlets within the Klang Valley, which are located at major shopping malls for easy accessibility by its target market.

DIAMOND & PLATINUM BRAND

Diamond & Platinum is the market leader of contemporary diamond jewellery in platinum and white gold, tailored for the young and trendy consumers. Diamond & Platinum offers its consumers a choice of high quality diamond and gemstones jewellery at affordable prices. Diamond & Platinum has 14 outlets throughout Malaysia and one in Brunei, which are located mostly at major shopping malls for easy accessibility by its target markets. The pride of Diamond & Platinum is its signature Estrella® Diamond, where eight perfectly symmetrical and identical hearts and arrows are bonded in a testament to the perfect symmetry and alignment of its facets.

In order to strengthen its rapport with customers as well as forge new bonds, both the retail units of DeGem regularly organise special events, exhibitions and road shows to showcase its jewellery and promote better awareness and appreciation of its products.

The Group was awarded the sole distributorship of the internationally renowned Forevermark™ in Malaysia. Forevermark™ is now retailed at all DeGem and Diamond & Platinum showrooms since year 2011.

JEOEL BRAND

Launched on 28 May 2014, JEOEL (pronounced as Jew-WELL) is the latest addition to DeGem’s growing family, JEOEL aims to fulfil the fashion needs of young women for fine jewellery, with natural semi-precious gemstones such as ruby, sapphire, amethyst and topaz set in 925 sterling silver.

Helmed by young management team, JEOEL continues to uphold the legacy of fine craftsmanship that is the hallmark of DeGem Group, but also infusing elements of youth, playfulness and fun to jewellery accessories. JEOEL has 4 outlets which are located at major shopping malls within the Klang Valley.

e-COMMERCE

DeGem recognises the growing importance of digital platform to enhance its marketing reach to the new generation of shoppers. The management have for a start allocated annual budget of RM1 million to boost its presence starting December 2017.

DESIGN AND DISTRIBUTION UNIT

DeGem has a design and distribution unit in Hong Kong, which is the hub of international jewellery business. Due to its strategic location, DeGem supplies to retailers from Europe, Asia Pacific, the Middle East as well as South East Asia. However, following the recent weak global market, this operation had been scaled down in August 2017.

COMPETITIVE STRENGTHS

1. Leading brands in Malaysia

As a proud jeweller with one of the largest collection of diamonds and gemstones in Malaysia, DeGem recognises the importance of strong branding in the industry and is dedicated to nurturing its retail brands, DeGem and Diamond & Platinum, which cater to distinct market segments.

2. Malaysia's most diverse portfolio of rare and precious jewels

DeGem prides itself on its diverse portfolio of rare and precious jewels, sourced from cutters around the world with whom DeGem has excellent relationships, which in turn ensures that only quality jewels are added to DeGem's inventory.

3. Skilled craftsmanship

The skill of DeGem's craftsmen is the foundation of its consistently elegant, aesthetic and unique production. To this end, DeGem places great emphasis in technical training for its production team. DeGem is also constantly keeping its finger on the pulse of the latest technological advancements and techniques employed in product quality improvement.

4. Forward looking management team

The present management, who are also the founders of the Group, has successfully nurtured DeGem into an established player in the design, manufacture, distribution and retailing of diamond jewellery in the region. Under its stewardship, together with sound financial governance, the Group is supported by strong cash flows and optimum inventory level.

BUSINESS STRATEGY

1. Vertical integration to generate above average margin

DeGem's operations are vertically integrated, right from sourcing, designing and manufacturing to the distribution of its products. Such integration is vital to the preservation of the quality of its products, which in turn helps retain the loyalty of its customers. DeGem believes that such integration is also cost effective in ensuring not only sustainable profit margins for the Group but also competitive pricing for its customers.

2. Diversifying income sources via regional expansion

Armed with an understanding of Asian customers' unique preferences for diamonds and gemstones jewellery, DeGem has deftly and strategically positioned itself for direct regional presence in Singapore, Brunei and Hong Kong. The Group expanded its operations in Singapore with the opening of the DeGem brand boutique in year 2011 at The Shoppes at Marina Bay Sands integrated resort, which is also the newest tourist attraction in Singapore.

DeGem's design and distribution unit will continue its participation in trade exhibitions regionally in line with its long term plan of becoming an acclaimed regional player in the industry.

FINANCIAL REVIEW

REVENUE

For the financial year ended ("FYE") 31 December 2017, the Group registered a revenue of RM192.4 million as compared with a revenue of RM186.7 million recorded in the FYE 31 December 2016. The revenue from retail, design & distribution and manufacturing segment was increase by 2.5% and 14.8% to RM182.1million and RM10.1million as compared to previous financial year of RM177.7million and RM8.8million respectively. The increase in revenue from retail and manufacturing segment were mainly attributed higher demand for its product offered.

GROSS PROFIT

DeGem recorded a gross profit ("GP") of RM81.4million for the FYE 31 December 2017, a decrease of RM3.5million or 4.1% over FYE 31 December 2016 of RM84.9million. The GP margin for the FYE 31 December 2017 has reduced to 42.3% from 45.5%. The weaker GP margin was mainly due to the stronger Ringgit Malaysia and higher discount given under various sale promotions during the year.

PROFIT BEFORE TAXATION

DeGem recorded a higher profit before taxation ("PBT") to RM21.4million for the FYE 31 December 2017 from RM14.7million in the FYE31 December 2016, an increase of RM6.7million or 45.6%. The higher PBT mainly due to:

- One-off foreign exchange gain arising from inter-company balances,
- gain on disposal of foreign subsidiaries and
- lower operating expenses.

The major variances for the account for the FYE 31 December 2017 in comparison with preceding year 2016 are as follows:

i) Other Income
The other income has increase from 2.4million to RM5.3million for the FYE 31 December 2017. The increase in other income was mainly attributed from gain on disposal of foreign subsidiaries and foreign exchange gain arising from inter-company balances.

ii) Administrative Expenses
The Administrative expenses had decreased by RM10.1million or 14.5% from RM69.6million in FYE 31 December 2016 to RM59.5million for 31 December 2017. Lower operating expenses were incurred such as outlets rental, staff costs and overhead due to disposal of an overseas subsidiary during the year.

LIQUIDITY AND CAPITAL RESOURCES

The Group's cash position has decreased to RM33.3million as at 31 December 2017 from RM47.3million as at 31 December 2016. The decreases in cash position of RM14 million were used for:

- Repayment of loan and borrowing amounting RM6.6 million,
- purchase of property, plant and equipment amounting RM3.3 million, and
- a final single-tier dividend for FYE 2016 of 1.5 sen totaling RM2.0million in respect of the financial year ended 31 December 2016 and was paid to the shareholders on 13 July 2017.

GEARING

Total Group loans, including overdrafts and finance lease creditor, a decrease of RM2.7 million to RM43.8million as at 31 December 2017 from RM46.5million as at 31 December 2016. The decrease was mainly due to repayment from borrowing. The net debts to equity of the Group's for the FYE 31 December 2017 was at 0.25 times.

INVENTORY MANAGEMENT

The Group inventories are gold, diamonds, rare and precious jewels. The Group inventories as at 31 December 2017 was at RM215.3million an increase of RM5.0million as compared to the Group inventories as at 31 December 2016 of RM210.3million.

The Group will keep reasonable quantity of jewels in the stores to meet customer demands and expectations. Sufficient selection of different designs is necessary to be offered to draw clientele to its stores. The Group buys insurance coverage on inventories to safeguard against any mishap that will result in material losses to the Group. Beside, on quarterly basis, evaluations are carried out to provide a provision for obsolete inventories.

FOREIGN CURRENCY EXPOSURES

The Group's operating results and cash flows are exposed to foreign currency exchange risks as it imports diamonds and jewelleries from abroad. The Group does not use any forward contracts to hedge against its exposure to foreign currency risk as the foreign exchange exposure in transactional currencies other than functional currency of the Group are kept to an acceptable level.

However, due to the difference in functional currencies between the Malaysian entities, the Singapore, Hong Kong and Brunei entities, the net assets values of the entities in these countries are subject to foreign currency translation risks. The changes in the accounting value of net assets were taken up in foreign currency translation reserve account. At 31 December 2017, there is a credit balance of RM1.7million in the foreign currency translation reserve account.

DIVIDEND

The Board will evaluate the Group's profitability, long term plans and cash flows position annually before recommending any dividend payment.

PROSPECTS

DeGem expects the economic landscape still remain soft due to the cautious consumer spending patterns on the back of uncertainties in the global trade war. The Group will continue its efforts to adopt a more productive and focus marketing strategy to enhance its brand presence and product relevance. The Board is confident its reputation and expertise cumulated from many years in the industry will overcome the challenges ahead.

The Board of Directors ("the Board") of DeGem Berhad ("DeGem") and its subsidiaries recognizes the importance of good Corporate Governance to enhance the effective deployment of capital and ultimately contributes towards growth and positive sustainable performance.

The Board is fully dedicated to continuously evaluate the Group's Corporate Governance practices and procedures with a view to ensure the principles and recommendations in Corporate Governance as stipulated by the Malaysian Code on Corporate Governance 2017 ("MCCG") are applied and adhered to safeguard shareholders' investments and protect the interests of all stakeholders.

This statement is prepared in compliance with Main Market Listing Requirement of Bursa Securities Berhad's ("MMLR") and it is to be read together with the CG Report 2017 ("CG Report") which is available at the corporate website at http://www.degembhd.com/degem.html

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

SECTION I: BOARD RESPONSIBILITIES

STRATEGIC AIMS, VALUES AND STANDARDS

DeGem and its subsidiaries ("the Group") continues to be led and managed by an effective Board which ensures that the interests of the shareholders and stakeholders are protected by setting out the Group's values and standards.

To ensure effective discharge of its functions and duties, the principle responsibilities of the Board includes promoting good Corporate Governance ("CG") culture, establishing goals, reviewing and adopting strategic plans, identifying principal risk and ensure adequacy and integrity of internal control system.

In DeGem, both the Board and the Management work cohesively to successfully formulate and implement the Group's business strategy. The Group's strategy setting and review is an integral part of matters reserved for the Board's deliberation and decision.

To ensure the effective discharge of its function and responsibilities, the Board has delegated specific tasks to 3 Board Committees namely the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee. The Board Committees have the authority to act on behalf of the Board within the authority as laid out in the Terms of Reference and reports to the Board. The ultimate responsibility for the final decision on all matters deliberated in these Committees, however, lies with the Board.

THE CHAIRMAN

Dato' Hasan bin M. Taib was appointed as the Independent Non-Executive Chairman of DeGem. The Chairman has been acting as facilitator at meetings of directors and ensure smooth functioning of the Board in the interest of good CG practice. The Chairman is responsible to ensure due execution of strategic goals, effective operations within the Group and to inform the Board in key matters pertaining to the Group.

CHAIRMAN AND CHIEF EXECUTIVE DIRECTOR

The role of the Independent Non-Executive Chairman and the Chief Executive Director ("CED"), Mr. Choong Kai Fatt are distinct and separate to ensure that there is a balance of power and authority. The Chairman of the Board is responsible for the leadership, effectiveness, conduct and governance of the Board, while the CED has overall responsibility for the day-to day management of the business and implementation of the Board's policies and decision. The CED is responsible to ensure due execution of strategic goals, effective operation within the Group, and to explain, clarify and inform the Board on matters pertaining to the Group.

QUALIFIED AND COMPETENT COMPANY SECRETARY

The Board had appointed a qualified secretary who is a member of the Malaysian Institute of Accountants and is qualified to act as Company Secretary under Section 235(2)(a) of the Companies Act, 2016.

The Company Secretary is responsible to, amongst other, update and apprise the Board on new matter statutes or directives issued by regulatory authorities, attend Board and Board Committee meetings to ensure they are properly convened and deliberations at meetings are well documented, maintain accurate records of proceedings and resolutions passed at registered office and produced for inspection (if required) and lodgments with relevant statutory and regulatory bodies.

Corporate Governance Overview Statement (cont'd)

ACCESS TO INFORMATION AND ADVICE

The Board is provided with appropriate information and comprehensive Board papers 7 days prior to Board meetings to enable the Directors to discharge their duties and responsibilities competently and in a well-informed manner. Management is invited to attend the Board and Board Committees meetings and to brief and provide explanations to the Board and Board Committees on the operations of the Group. Upon conclusion of the meeting, minutes are circulated in a timely manner.

BOARD CHARTER

The Board implemented its Board Charter on 19 November 2012. It sets out the roles, functions, composition, operation and processes of the Board and is to ensure all Board members acting on behalf of the Group are aware on their duties and responsibilities as Board members.

The Board Charter sets out a list of specific functions that are reserved for the Board. Key matters reserved for the Board's approval includes managing conflict of interest issues, approval of material acquisitions and disposal of assets not in the ordinary course of business, approval of corporate plans and programmes, new ventures and investments in capital project, approving the authority levels and treasury policies of the Group.

The Board will periodically review and update its Board Charter in accordance with the needs of the Group and to comply with new regulations that may have an impact on the discharge of the Board's responsibilities.

The Board Charter is available at the corporate website at http ://www.degembhd.com/degem.html

CODE OF ETHICS & CONDUCT

The Board has adopted the Code of Ethics and Conduct ("Code") on 19 November 2012. The Code outlines the standards of business conduct and ethical behaviors of Directors and employees of the Group in the performance and exercise of their duties when representing the Group. The Code covers issues such as conflict of interest, maintaining confidentiality of information, insider information and securities trading, protection of assets, business records and control, compliance to laws, accepting personal gift and contribution, health and safety, sexual harassment, outside interest, fair and courteous behavior and misconduct.

The Board will periodically review and update the Code in accordance with the needs of the Group to ensure that they continue to remain relevant and appropriate. A summary of the Code is available at the corporate website at http ://www.degembhd.com/degem.html.

WHISTLE BLOWING POLICY

The Board has adopted the Whistle Blowing Policy ("WP") on 19 November 2012. The objectives of the WP are to establish rules and procedures and proper avenue for employees and stakeholders to report a genuine concern or allegation though the appropriate channel and it provides protection to the individual who report the concern or allegation.

If any employee believes reasonably that malpractice exists in the work place, the employee should report this immediately to the line manager. However, if for any reasons the employee is reluctant to do so, then the employee should report the concerns directly to the Senior Independent Non-Executive Director, being the Director identified in the DeGem's Annual Report as one to whom concerns may be conveyed: -

Name	:	Mr. Leou Thiam Lai
E-mail	:	whistleblower@degemdiamond.com
Attention	:	Senior Independent Non-Executive Director

The Board will periodically review and update the WP in accordance with the needs of the Group to ensure that they continue to remain relevant and appropriate. A summary of the Whistle Blowing Policy is available at the corporate website at http://www.degembhd.com/degem.html

SECTION II: BOARD COMPOSITION

COMPOSITION OF THE BOARD

Currently, the Board has 8 members as set out below:-

NAME	INDEPENDENT	NON-EXECUTIVE
Dato' Hasan bin M. Taib	√	√
Datuk Zainun Aishah binti Ahmad	√	√
Dato' Koh Hong Sun	√	√
Leou Thiam Lai	√	√
Choong Kai Fatt	X	X
Choong Khoi Onn	X	X
Choong Kay Cheong	X	X
Choong Kai Soon	X	X
	4 out of 8	**4 out of 8**

The composition of the Board is well balanced and complies with the MMLR of the Bursa Malaysia Securities Berhad ("Bursa ") that requires at least 2 directors or 1/3 of the total number of directors, whichever is the higher, must be independent.

The Group practices a division of responsibility between the Executive and Non-Executive Directors. The Executive Directors are responsible for the overall management of the Group, to oversee operations and to coordinate the development and implementation of business and corporate strategies.

The presence of the Independent Non-Executive Directors assures an element of balance to the Board as they provide an independent view, advice and judgment to ensure that the interests of minority shareholders and the general public are given due consideration in the decision-making progress.

TENURE OF INDEPENDENT DIRECTOR

In line with the MCCG, the Board has agreed that upon completion of the 9 years, an Independent Director may continue to serve on the Board as a Non-Independent Director. If the board intends to retain an Independent Director beyond 9 years, it should justify and seek annual shareholders' approval. If the Board continues to retain an Independent Director beyond 12 years, the Board should seek annual shareholders' approval through a two-tier voting process.

Mr. Leou Thiam Lai ("Mr. Leou") was appointed to the Board on 21 May 2001 and has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years. The Board of Directors had, vide the Nomination Committee has assessed the independence of Mr Leou, and had recommended him to continue to act as an Independent Non-Executive Director of the Company. Being a Chartered Accountant by profession, his knowledge, skills and experience in finance and audit would enable him to assess amongst others the financial statements, the effectiveness of the audit process and familiarity with new financial reporting standards.

Emerald & Tanzanite Bangle

TENURE OF INDEPENDENT DIRECTOR (cont'd)

Datuk Zainun Aishah binti Ahmad ('Datuk Zainun") was appointed to the Board on 1 August 2007 and has served as an Independent Non-Executive Director of the Company for a cumulative of more than 9 years. The Board of Directors had, vide the Nomination Committee has assessed the independence of Datuk Zainun, and had recommended her to continue to act as an Independent Non-Executive Director of the Company. With 35 years of experience in various key position in Malaysia Industrial Development Authority ("MIDA") previously, she would be able to provide constructive opinions and exercise independent judgement.

Based on the assessment done vide the Nomination Committee, Mr. Leou and Datuk Zainun have fulfilled the criteria under the definition of Independent Director as stated in MMLR of Bursa. Notwithstanding the recommendation of the MCCG, the Board is presently of the view that, there is no necessity to fix a maximum tenure for Directors as there are significant advantage to be gained from long service Directors who possess in depth insights to the Group's business and affairs. The ability of a Director to serve effectively as an Independent Director is very much dependent on their integrity and objectivity and had no direct connection to their tenure as an Independent Director.

DIVERSE BOARD AND KEY SENIOR MANAGEMENT

Members of the Board comprise professionals from diverse gender, ethnicity, age, bringing with them depth and diversity of expertise, a wide range of experience and perspective in discharging their responsibilities and duties and in managing the business of the Group. The profile of each Director is presented on pages 12 to 13 of this Annual Report 2017.

The Group practices a division of responsibility between the Executive and Non-Executive Directors. The Executive Directors are responsible for the overall management of the Group, to oversee operations and to coordinate the development and implementation of business and corporate strategies.

The appointment of Key Senior Management was also made with due regard for diversity in skills, experience, age, cultural background and gender. Their detailed particulars are provided on page 14 of this Annual Report 2017.

GENDER DIVERSITY POLICY

The Board is supportive of gender diversity in the Board composition and Key Senior Management. Women candidate were sought as part of the recruitment exercise of new Director of the Company. The appointment of Datuk Zainun Aishah binti Ahmad to the Board on 1 August 2007 is evidence that the Board does not consider gender to be a bar to Board membership. The Board believes in and provides equal opportunities to candidates who have the skill, expertise, core competencies regardless of gender.

NOMINATION COMMITTEE

The Nomination Committee ("NC") was established on 22 April 2002. The objective of this NC is to ensure that there is a formal and transparent procedure for the appointment of new Directors to the Board and for the performance appraisal of Directors. Meetings of the NC are held as and when necessary, and at least once a year.

The members of the NC, comprising exclusively of Non-Executive Directors, a majority of whom must be independent, are as follows: -

Chairman:	Datuk Zainun Aishah Binti Ahmad	*(Independent Non-Executive Director)*
Member :	Leou Thiam Lai	*(Senior Independent Non-Executive Director)*
	Dato' Koh Hong Sun	*(Independent Non-Executive Director)*

The Terms of Reference of the NC was last reviewed and updated on 28 February 2018 and is available at the corporate website at http ://www.degembhd.com/degem.html

The NC key responsibilities are: -

(a) Recruitment or New Appointment of Directors

The NC assesses the effectiveness of the Board and the Board Committees, as well as performance of individual Directors on an annual basis. In furtherance to these annual assessments, the NC is able to identify gaps in the Board composition and the needs to identify and select new members to the Board.

The NC, in making a recommendation to the Board on the candidate for recruitment or new Board appointment, shall have regard to:

(i) Size, composition, mix of skills, experience, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board and Group;

(ii) The candidate's skills, knowledge, expertise and experience, professionalism, integrity and, in the case of a candidate for the position of Independent Non-Executive Director, the independence criteria as set out in paragraph 1.01 of the MMLR as well as the necessary skill and experience to bring an independent and objective judgment on issues considered by the Board and the ability to discharge such responsibilities as expected from Independent Non-Executive Directors; and

(iii) The appropriate number of Independent Directors to fairly reflect the interests of the minority shareholders and that Independent Directors should make up at least 1/3 of the membership of the Board.

The final decision as to who shall be appointed as Director remains the responsibility of the full Board after considering the recommendation of the NC.

(b) Re-election and Re-appointment of Directors

The NC is responsible to make recommendation to the Board for the re-election and re-appointment of Directors who retire by rotation. This recommendation is based on formal reviews on the performance of Directors, taking into consideration the Board competency matrix and the Directors' contribution to the Board through their knowledge and commitments, experience, level of independence and ability to act in the best interest of the Company in decision making.

Director's re-election provides an opportunity for shareholders to renew their mandate conferred to the Directors. In this respect, the Articles of Association of the Company provides that all Directors shall retire by rotation once in every 3 years or at least 1/3 of the Board shall retire from office and be eligible to offer themselves for re-election at the Annual General Meeting ("AGM").

Any Director appointed during the year is required under the Company's Articles to retire and seek re-election by shareholders at the following AGM immediately after his appointment.

Information of each Director standing for re-election covering their personal profile, meeting attendance, directorships in other public companies and shareholdings in the Group is furnished in the Annual Report 2017.

ANNUAL EVALUATION

During the financial year, the NC had 2 meetings and the meeting was attended by all members. In one of the meeting, which was held on 22 November 2017 the NC conducted its annual appraisal on the effectiveness of the Board, its Committees, the contribution of each director and the independence of the Independent Directors.

The assessment of independence of the Independent Non-Executive Directors ("INED") are conducted on an annual basis via the following: -

Self and Peer Evaluation Questionnaire for Assessing the Independence of the Independent Directors to ensure that the INEDs were independent of Management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement or the ability to act in the best interests of DeGem

Based on the outcome of the evaluation done, the Directors fulfilled the criteria as Independent Directors and are able to bring independence and objectivity in the Board's decision-making process . The Directors had also declared that they are independent of Management and free from any business or other relationship which could materially interfere with the exercise of their objective and independent judgements, decisions and reviews

The Board's effectiveness was assessed in the areas of composition, board strategy, board meetings, corporate and financial reporting, risk management and investors relationship. The review criteria for assessing the Directors' individual performance was largely focus on their meeting attendance, competencies, experience, knowledge and commitment, contribution to interaction - constructive expression of views and issues, quality of input and understanding of role as Director.

The Directors' commitment in carrying out their duties and responsibilities is affirmed by their attendance at the Board and Board Committee Meetings held during the financial year ended 31 December 2017, as reflected below: -

	Attendance At Meetings of			
	Board	**ARMC**	**NC**	**RC**
Dato' Hasan bin M. Taib	5/*6	N/A	N/A	N/A
Choong Kai Soon	6/*6	N/A	N/A	N/A
Choong Kai Fatt	6/*6	N/A	N/A	2/*2
Choong Khoi Onn	6/*6	#6/6	N/A	2/*2
Choong Kay Cheong	6/*6	N/A	N/A	N/A
Datuk Zainun Aishah binti Ahmad	6/*6	6/*6	2/*2	2/*2
Leou Thiam Lai	6/*6	6/*6	2/*2	2/*2
Dato' Koh Hong Sun	6/*6	6/*6	2/*2	2/*2

 # Attended by invitation

** Reflects the number of meetings held during the time the Committee member held office.*

The Board is satisfied with the time commitment given by the Directors. All of the directors do not hold more than 5 directorships as required under Paragraph 15.06 of the MMLR.

The training programmes attended by the Directors during the financial year ended 2017 are as follows:-

Name of Directors	Title of Programmes
Dato' Hasan bin M. Taib	The Malaysian Code on Corporate Governance & An Overview of the Impact of MFRS 9 Financial Instruments.
Choong Khoi Onn	The Malaysian Code on Corporate Governance & An Overview of the Impact of MFRS 9 Financial Instruments.
Choong Kai Fatt	The Malaysian Code on Corporate Governance & An Overview of the Impact of MFRS 9 Financial Instruments.
Choong Kai Soon	The Malaysian Code on Corporate Governance & An Overview of the Impact of MFRS 9 Financial Instruments.
Choong Kay Cheong	The Malaysian Code on Corporate Governance & An Overview of the Impact of MFRS 9 Financial Instruments.
Datuk Zainun Aishah binti Ahmad	• Directors Away Day Strategy Presentation • The New Companies Act 2016 – The Key Issues and Pitfalls and Disclosures of Interest by the Nominee Director • Fraud and Risk Management Workshop • Companies Act, 2016 and Malaysian Code of Corporate Governance 2017
Dato' Koh Hong Sun	• Sustainability Forum for Directors/CEOs – The Velocity of Global Change and Sustainability – "The New Business Model". • Sustainability Engagement Series for Directors/CEO – Insead, The Business School for the world • Qualified Risk Director Program: Directors Guide to Crisis Management and Leadership during crisis • Audit Committee Conference 2017 – Making an Impact • Fintech: Opportunities for the financial Services Industry in Malaysia • Genm Senior Manager's Conference 2017 – "Strategic Transformation Lead" Professor George Yip.
Leou Thiam Lai	• 2017 Budget Seminar • National GST Conference 2017 • MIA Public Practice Programme 2017 • TARCian Alumni Association – MAICSA Malaysian Company Law Conference 2017 • Malaysian Private Entities Reporting Standards (MPERS): Recent Development and Updates • National Tax Conference 2017 • Seminar Percukaian Kebangsaan 2017 • 2018 Budget Seminar

SECTION III: REMUNERATION

REMUNERATION POLICY

The objective of the Group's remuneration policy is to attract and retain the Directors and Key Senior Management required to lead and control the Group effectively. In the case of Executive Director and Key Senior Management, the components of the remuneration package are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities. The Remuneration Committee ("RC") shall ensure that the level of remuneration is sufficient to attract and retain Directors of the quality required to manage the business of the Group.

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee ("RC") on 22 April 2002, which comprise the following Directors, a majority of whom are Independent Non-Executive Directors: -

Chairman:	Dato' Koh Hong Sun	(Independent Non-Executive Director)
Member:	Datuk Zainun Aishah Binti Ahmad	(Independent Non-Executive Director)
Member:	Leou Thiam Lai	(Senior Independent Non-Executive Director)
Member:	Choong Kai Fatt	(Executive Director)
Member :	Choong Khoi Onn	(Executive Director)

The RC is entrusted under its Terms of Reference to assist the Board, amongst others, to recommend to the Board the remuneration of Executive Directors and Non-Executive Directors.

Meetings of the RC are held as and when necessary, and at least once a year. The RC had held 2 meetings during the financial year ended 31 December 2017 and the meeting was attended by all the members.

DETAILS OF DIRECTOR'S REMUNERATION

The remuneration packages of Executive directors include salaries, benefits in kinds, incentives and bonus which are linked to the Group's performance. The remuneration of Non-Executive Directors consists of fixed fees and meeting allowances for their attendance and participation in Board and Board Committee meetings.

The remuneration of the Directors of the Company for 2017 are as follows:
The details of the remuneration of Directors of DeGem Berhad ("DeGem") comprising the remuneration received/receivable from DeGem and its subsidiaries during the financial year ended 31 December 2017 are as follows:

Remuneration Bands	Executive Director	Non-Executive
RM50,000 and below	-	3
RM100,001-RM150,000	-	1
RM600,001-RM650,000	1	-
RM1,150,001-RM1,200,000	1	-
RM1,200,001-RM1,250,000	1	-
RM1,550,001-RM1,600,000	1	-

An analysis of the aggregate remuneration received by the Directors of DeGem from the Group, categorised into appropriate components is set out below:-

	*Fees (RM)	Salaries and other emoluments (RM)	Bonuses (RM)	Benefit in Kind (RM)	Total (RM)
Executive Directors	178,200	4,416,913	-	-	4,595,113
Non-Executive Directors	240,792	-	-	-	240,792

An analysis of the aggregate remuneration received by the Directors of the Degem from the Company, categorised into appropriate components is set out below:-

	*Fees (RM)	Salaries and other emoluments (RM)	Bonuses (RM)	Benefit in Kind (RM)	Total (RM)
Executive Directors	178,200	-	-	-	178,200
Non-Executive Directors	240,792	-	-	-	240,792

** Subject to approval by shareholders at the AGM.*

For confidentiality reason, details of individual Directors' remuneration are not shown. The Board is of the view that the transparency and accountability aspects of Corporate Governance as applicable to Directors' remuneration are appropriately served by the disclosures made above. The Board will consider disclosing the remuneration of individual directors as and when it is deemed appropriate.

Remuneration of Top 3 Key Senior Management

The remuneration of the top 3 Key Senior Management DeGem are as follows:

Remuneration Bands	Key Senior Management
RM100,001-RM150,000	1
RM200,001-RM250,000	1
RM350,001-RM400,000	1

Details of the remuneration of each top 3 key senior management on a named basis are not disclosed in this report due to confidentiality and sensitivity of each remuneration package.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

SECTION I: AUDIT COMMITTEE
EFFECTIVE AND INDEPENDENT AUDIT & RISK MANAGEMENT COMMITTEE

The Audit Committee was renamed as the Audit & Risk Management Committee ("ARMC") with effect from 7 November 2013. The ARMC comprises 3 Independent Non- Executive Directors ("NED"). The ARMC is chaired by a Senior Independent NED, Mr. Leou Thiam Lai. The ARMC is comprised of members who is financially literate, possess the appropriate level of expertise and experience.

The Terms of Reference of the ARMC was last reviewed and updated on 28 February 2018 and is available at the corporate website at http ://www.degembhd.com/degem.html

SECTION II: RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board is updated on the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls on a quarterly basis. Ongoing reviews are performed throughout the year on quarterly basis to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Group's independent and sufficiently resourced internal audit function as well as Degem's Management team. Please refer to the Statement on Risk Management and Internal Control on pages 34 to 36 of this Annual Report 2017 for further information.

EFFECTIVE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

The Group has out-sourced the Internal Audit Function to an independent consulting firm to provide an independent assessment of the adequacy, efficiency, effectiveness of the Group's internal control system. The independent Internal Auditors reports directly to the Audit & Risk Management Committee on its activities based on approved annual internal audit plan.

During the financial year, DeGem has on 6 December 2017 appointed another independent consulting firm, Governance & Advisory Solutions Sdn. Bhd. in place of Sterling Business Alignment Consulting Sdn. Bhd.

EFFECTIVE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

The principal responsibility of the internal audit department is to undertake regular and systematic review of the systems of internal control, risk management process and compliance with the Group's established policies and procedures so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Group. Functionally, the internal auditor reviews and assesses the Group's systems of internal control and report to the Committee directly. Before the commencement of audit reviews for the financial year, an audit plan is produced and presented to the Committee for review and approval. This ensures that the audit direction is in line with the Committee's expectations.

Further details of the activities of the internal audit function are set out in the Audit & Risk Management Committee Report on page 40 of this Annual Report 2017.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

SECTION I: COMMUNICATION WITH STAKEHOLDERS

The Board endeavors to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors. Information is disseminated through various disclosures and announcements made to the Bursa which includes the quarterly financial results, audited financial statements and Annual Reports. This information is also electronically published at Bursa's website and the corporate website at http ://www.degembhd.com/degem.html respectively and it is accessible by public.

The Board has also designated Mr. Leou Thiam Lai as the Senior Independent Non-Executive Director to whom shareholders and investors can voice their view and concerns by email at leou@degemdiamond.com or whistleblower@degemdiamond.com, as an alternative channel of communication with shareholders.

The Board adheres strictly to the Bursa's disclosure framework to provide investors and the public with accurate and complete information on a timely basis and not merely to meet the minimum regulatory requirements for disclosure. The Board ensures that confidential information is handled properly by authorised personnel to avoid leakage and improper use of such information. The Board is also mindful that information which is expected to be material must be announced immediately.

SECTION II: CONDUCT OF GENERAL MEETING

The Board regards the AGM and other General Meetings as an opportunity to communicate directly with shareholders and encourages attendance and participation in dialogue.

Notice of the AGM and Annual Report are sent to shareholders 28 days prior to the meeting. At each AGM, the Board presents the performance and progress of the Group and provides shareholders with the opportunity to raise questions pertaining to the Group. The Chairman and the Board will respond to the questions raised by the shareholders during the AGM. Each shareholder can vote in person or by appointing a proxy to attend and vote on his behalf. The Board has also ensured that an explanatory statement will accompany each item of Special Business included in the notice of meeting on the effects of the proposed resolution.

Infinity
Engagement & Wedding Rings

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Corporate Governance Overview Statement. The Board considered that the CG Overview Statement provides the information necessary to enable shareholders of the Company to evaluate how the principles and best practices as set out in the MCCG have been complied with. The Board shall remain committed in attaining the highest possible standards through the continuous adoption of the principles and best practices of the MCCG and all other applicable laws and regulations.

STATEMENT OF DIRECTOR'S RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 and the MMLR of the Bursa so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year ended on that date.

In preparing the annual audited financial statements, the Directors have:

- adopted the appropriate accounting policies and applied them consistently;
- ensure compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016;
- made estimates and judgments which are reasonable and prudent; and
- ensure the financial statements have been prepared on a going concern basis.

The Directors are also responsible for ensuring that proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Corporate Governance Overview Statement was approved by the Board of Directors of DeGem on 18 April 2018.

Victor Mayer - Tropicana Collection

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("the Board") of DEGEM Berhad ("the Company") is pleased to present the following Statement on Risk Management and Internal Control of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2017. This has been prepared in accordance to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and the *"Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers"*.

BOARD'S RESPONSIBILITIES

The Board of Directors affirms its overall responsibility for maintaining the Group's system of internal control, risk management and reviewing the adequacy and integrity of these systems. The Board recognizes the importance of risk management and internal audit to establish and maintain a sound system of internal control. In view of the limitations that are inherent in any system of internal control, the system is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives and strategies. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement of financial information, loss or fraud.

The Board had received and reviewed the reports on the effectiveness of the risk management and internal control system, and is of the view that the risk management and internal control system is adequate to safeguard shareholders' interest and the Group's assets. The role of Management is to implement the Board's policies and guidelines on risks and controls, to identify and evaluate the risks faced and to operate the suitable internal control system to manage risks. The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively throughout the financial year under review and up to date of this Statement.

RISK MANAGEMENT AND RISK MANAGEMENT FRAMEWORK

As part of the Risk Management process, a Registry of Risk was adopted. The Registry of Risk is maintained to identify principal business risk and updated for on-going changes in the risk profile. The Registry of Risk summarizes risk matrix, risk control action and roles and responsibilities.

The risk identification process identifies issues arising from changes in both the external business environment and internal operating conditions. The risk measurement guidelines consist of financial and non-financial qualitative measure of risk consequences. The risk measurement guidelines are applied in allocating risk likelihood rating and risk impact rating. The risk control actions are designed and implemented based on the priority sequence.

The process of identifying, evaluating, monitoring and managing significant risks is embedded in the various work processes and procedures of the respective operational functions. Risks Factors identified are reported quarterly to the Executive Directors for further elaboration and strategic decision making.

The Board confirmed that there is an on-going process of identifying, assessing and responding to risks to achieve the objectives of the Group for the financial year under review. The Board will review the risk management process for continuous improvement as well as when new risks are identified as risk management forms an integral part of the Group's business operations to achieve profitability and sustainable growth.

The process is in place for the year under review and up to the date of issuance of the Statement on Risk Management and Internal Control.

Key Elements of Internal Control

The key elements of the Group's risk management framework include:

- Within the Group, there are organizational structures in place for each operating unit with clearly defined responsibilities and levels of authority.
- As part of the performance monitoring process, management information in the form of quarterly management accounts and reports are provided to the Board for review and approval.

Key Elements of Internal Control (cont'd)

- The Audit Committee reviews the quarterly and annual financial statements and results announcements and recommends to the Board for approval.
- Physical and electronic security measures for monitoring and ensuring authorized access to Group's assets and records and supplemented with daily inventory and cash counts.
- Monthly meetings are held to discuss on the Group and operating subsidiaries' operational matters and to resolve key operational related issues.
- Insurance coverage on major assets of the Group are provided to ensure that it sufficiently safeguards against any mishap that will result in material losses to the Group.
- External training are established to ensure that staff is constantly kept up-to-date with the constant technological changing environment in order to be competent in the industry in line with achieving the Group's business objectives.
- ISO 9001:2008 Quality Management System programmes in Inticraft Sdn Bhd, the manufacturing arm of the Group. Internal quality audits are conducted by the management while annual surveillance audits are conducted by a certification body to provide assurance of compliance with the ISO 9001:2008 Quality Management System.
- Internal audit reviews are carried out to identify any area of improvement, besides compliance with internal control best practices, guidelines and objectives. The internal audit also reviews and assesses risks faced by the Group and reports directly to the Audit Committee;
- Internal audit visits to monitor compliance with policies and procedures to assess the integrity of both financial and non-financial information provided; and
- Follow-up visits are then subsequently conducted by the internal auditor to ensure proper implementation of agreed action plans by the respective process owners.

INTERNAL AUDIT FUNCTIONS

The internal audit function is to support the Audit & Risk Management Committee in reviewing the adequacy and integrity of its system of internal control. The Group's internal audit is made up of in-house internal auditor and appointed independent consulting firm who assist the Board and the Audit & Risk Management Committee in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. The in-house internal auditor and appointed independent consulting firm reports directly to the Audit Committee on quarterly basis during the Audit Committee Meeting.

The internal audit adopts risk-based internal audit approach in developing its audit plan, which addressed and reviewed the critical business processes, risk and internal control gaps, effectiveness and adequacy of existing state of internal control of the major subsidiaries as well as recommends possible improvements to the internal control process. The internal audit plans are reviewed and approved by the Audit Committee, to provide reasonable assurance that such system continues to operate satisfactorily and effectively within the Group. For the financial year ended 31 December 2017, the total costs incurred for the internal audit function is RM48,000.

For the Financial Year Ended 31 December 2017, the following subsidiaries were audited by the independent consulting firm:-

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
Jan – Mar 2017	May 2017	DeGem Masterpiece Sdn Bhd Diamond & Platinum Sdn Bhd	Sales and Marketing / Business Development Functions and Customer Retention Management.
Apr – Jun 2017	Aug 2017	DeGem Berhad and its subsidiaries	Review of the Risk Register, Risk Matrix and Risk Management Framework.
July – Sept 2017	Nov 2017	DeGem Masterpiece Sdn Bhd Diamond & Platinum Sdn Bhd Inticraft Sdn Bhd	Internal Control Review on Inventory Management.
Oct – Dec 2017	Feb 2018	Diamond & Platinum Sdn Bhd Inticraft Sdn Bhd	Detailed Report for Internal Control Review on Inventory Management

Statement on Risk Management and Internal Control (cont'd)

During the financial year under review, the in-house internal auditor has presented their status report: follow-up actions on previously reported audited findings in respect of the following subsidiaries of the Group:-

Follow-up review conducted by in-house internal auditor	Date of Follow up Status Report
DeGem Groups of companies on Management Information Services / Information Technology functions and Asset Management (HQ) functions for Audit Reported in Feb 2017.	26th May 2017
DeGem Masterpiece Sdn Bhd and Diamond & Platinum Sdn Bhd on Sales and Marketing / Business Development Functions and Customer Retention Management for Audit Reported in May 2017	23rd Aug 2017

During the financial year under review, the independent consulting firm has presented their status report: follow-up actions on previously reported audited findings in respect of the following subsidiaries of the Group:-

Follow-up review conducted by independent consulting firm	Date of Follow up Status Report
DeGem Groups of companies on Risk Register, Risk Matrix and Risk Management Framework for Audit Reported in Aug 2017.	22nd Nov 2017

REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and had reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

CONCLUSION

For the financial year under review and up to the date of approval of this statement, the Board is of the opinion that the risk management and internal control system currently in place is as far as practicable, adequate and effective to safeguard the Group's interests and assets. For the coming year, the Board will continually assess the adequacy and effectiveness of the Group's system of internal control and to strengthen it, as and when necessary.


Work To Play
Jewellery

Audit & Risk Management Committee Report

ESTABLISHMENT AND COMPOSITION

The Audit Committee of DeGem Berhad was established on 21 May 2001. On 7 November 2013, the Audit Committee was renamed as "Audit & Risk Management Committee" so as to provide clarity on its role and responsibilities which now include, amongst others, evaluation of the adequacy, integrity and implementation of appropriate systems for risk management and internal controls.

For the financial year ended 31 December 2017, the Audit & Risk Management Committee ("the Committee") comprises the following 3 Directors:-

Chairman	:	Mr. Leou Thiam Lai (Senior Independent Non-Executive Director)
Member	:	Datuk Zainun Aishah binti Ahmad (Independent Non-Executive Director)
	:	Dato' Koh Hong Sun (Independent Non-Executive Director)

COMMITTEE MEETINGS

The Committee met 6 times during the financial year ended 31 December 2017. The details of Committee's meetings held and attended by the Committee during the financial year are as follows:-

Name of Member	No of Committee Meetings Attended/Held
Chairman:	
Leou Thiam Lai *(Senior Independent Non-Executive Director)*	6/6
Members:	
Datuk Zainun Aishah binti Ahmad *(Independent Non-Executive Director)*	6/6
Dato' Koh Hong Sun (Independent Non-Executive Director)	6/6

The External Auditors held 2 meetings with the ARMC during the financial year ended 31 December 2017. At these meetings, the ARMC also held separate sessions with the external auditors without the executive board members present whereby the ARMC was briefed by the external auditors on their audit findings and any other observations they may have had during the audit process.

SUMMARY OF ACTIVITIES OF THE ARMC DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

During the financial year ended 31 December 2017, the activities of the Committee included the following: -

FINANCIAL REPORTING

(a) Reviewed the unaudited quarterly financial results and announcement of the annual audited financial statements of DeGem, and recommended them for approval by the Board;

(b) Reviewed and report to the Board on any related party transactions and conflict of interest situations that may arise within Degem or the Group;

(c) Considered the impact of any unusual transactions including related party transactions;

(d) Reviewed the final draft of the audited financial statements for the financial year ended 31 December 2017;

(e) Reviewed the Audit Committee Report, Corporate Governance Overview Statement, Corporate Governance Report and Statement on Risk Management and Internal Control to ensure compliance with the Main Market Listing Requirements of Bursa and recommend to the Board for inclusion in the Annual Report 2017;

(f) Reviewed the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of the Corporate Governance Overview Statement pursuant to the MMLR;

(g) Reviewed the draft circular to shareholders on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction ("RRPT") of a Revenue or Trading nature;

(h) Reviewed the status of the Recurrent Related Party Transactions ("RRPT") as disclosed in note 2.7 of the Circular to Shareholders on 30 April 2018; and

(i) Reviewed the risk management policies of the company.

EXTERNAL AUDIT

(a) Reviewed the audit plan 2017 prepared by External Auditors for the financial year ended 2017;

(b) Reviewed the audit review memorandum for the financial year ended 31 December 2017;

(c) Met with the External Auditors once during the financial year ended 31 December 2017 without presence of any executive members of the Board;

(d) ARMC also scrutinised potential Key Audit Matters raised by the External Auditors and ensured that adequate work had been done to support the audit conclusions and overall impact on the financial statements.

(e) Considered the nomination of External Auditors for recommendation to the Board for re-appointment and reviewed the audit fees; and

(f) Evaluated the effectiveness of the External Auditors and make recommendations to the Board on their re-appointment and remuneration.

INTERNAL AUDIT FUNCTION

The Group has out-sourced the Internal Audit Function to an independent consulting firm to provide an independent assessment of the adequacy, efficiency, effectiveness of the Group's internal control system. The independent Internal Auditors assists the Audit & Risk Management Committee in the discharge of its duties and responsibilities.

During the year, DeGem has on 6 December 2017 appointed another independent consulting firm, Governance & Advisory Solutions Sdn. Bhd. in place of Sterling Business Alignment Consulting Sdn. Bhd. During the financial year, the cost incurred for the internal audit function in respect of the financial year ended 31 December 2017 is RM48,000.

The principal responsibility of the internal audit department is to undertake regular and systematic review of the systems of internal control, risk management process and compliance with the Group's established policies and procedures so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Group. Functionally, the internal auditor reviews and assesses the Group's systems of internal control and report to the Committee directly. Before the commencement of audit reviews for the financial year, an audit plan is produced and presented to the Committee for review and approval. This ensures that the audit direction is in line with the Committee's expectations.

Throughout the year, the IA performed the followings

(a) Reviewed the internal audit report by the Internal Auditors as follows: -

- Sales and Marketing of Degem Masterpiece Sdn. Bhd and Diamond & Platinum Sdn. Bhd. on 26/5/2017;
- Follow-Up Audit on Management Information Services on 26/5/2017;
- Report on Registry of Risk on 23/8/2017;
- Inventory of Degem Masterpiece Sdn. Bhd., Diamond & Platinum Sdn. Bhd. and Inticraft Sdn. Bhd. on 22/11/2017;
- Inventory Management Review at Diamond & Platinum Sdn. Bhd. and Inticraft Sdn. Bhd. on 28/02/2018; and
- Reviewed and approved annual audit plan as proposed by the Internal Auditors on 28/02/2018.

The final reports containing the audit findings and recommendations together with responses by Management were circulated to all members of the ARMC. Areas of improvement identified were communicated to the Management for further action. All internal audit reports were reviewed by the ARMC and discussed at ARMC Meetings and recommendations were duly acted upon by the Management. Follow-up reviews would subsequently be performed to ascertain the extent of implementation of the recommended corrective action for improvements.

Financial Statements

Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year, net of tax	17,385	3,728
Attributable to:		
Owners of the Company	17,355	3,728
Non-controlling interests	30	-
	17,385	3,728

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM'000
Single tier final dividend of 1.5 sen per ordinary shares in respect of the financial year ended 31 December 2016, paid on 13 July 2017	1,963

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances 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.

CONTINGENT AND OTHER LIABILITIES

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

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

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES OR DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

During the financial year, the Company repurchased 8,000 of its issued ordinary shares from the open market at an average price of RM0.9525 per ordinary shares. The total consideration paid for the shares repurchased including transaction costs is RM7,620.

As at 31 December 2017, the Company held 3,167,900 treasury shares out of its 134,000,000 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM3,201,991. Further details are disclosed in Note 16 to the financial statements.

There was no resale, cancellation or distribution of treasury shares during the financial year.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Hasan bin M.Taib
Datuk Zainun Aishah binti Ahmad
Choong Kai Soon*
Choong Kai Fatt*
Choong Khoi Onn*
Choong Kay Cheong*
Leou Thiam Lai
Dato' Koh Hong Sun

*Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Choong Sin Cheong	
Tg. Putri Arafiah Bte Almarhum Sultan Salahuddin Abd Aziz Shah	
Warinat Lim	
Sa'adatul Hijrah Binti Haji Mohd Yassin	
Saw Fook Fah	
Ng Geok Lan	(Appointed on 3 July 2017)
Han Hua Sou	(Appointed on 31 December 2017)
Tham Chee Kuan Jasmine	(Resigned on 3 July 2017)
Ulya Diyana Binti Tengah	(Resigned on 31 December 2017)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Interest in the Company

	Number of ordinary shares			
	At 1 January 2017	**Bought**	**Sold**	**At 31 December 2017**
Direct interests:				
Dato' Hasan bin M. Taib	3,000,000	-	-	3,000,000
Choong Khoi Onn	760,000	-	-	760,000
Choong Kay Cheong	2,508,000	-	-	2,508,000
Indirect interests:				
Choong Kai Soon*#	76,243,234	-	-	76,243,234
Choong Kai Fatt*	75,968,634	-	-	75,968,634
Choong Khoi Onn*	75,968,634	-	-	75,968,634
Choong Kay Cheong*	75,968,634	-	-	75,968,634

* Shares held through company in which the director has substantial financial interest.
\# Shares held through spouse.

By virtue of their interest in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Choong Kai Soon, Choong Kai Fatt, Choong Khoi Onn and Choong Kay Cheong are deemed to have interests in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in the ordinary shares or debentures of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 23 to the financial statements) 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.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors of the Company were RM5,000,000 and RM13,500 per annum respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

INTERESTS IN HOLDING COMPANY AND OTHER RELATED CORPORATIONS

Other than as disclosed elsewhere in this report, the Company does not have any interests in shares in the holding company and its other related corporations during the financial year.

ULTIMATE HOLDING COMPANY

The directors regard Legion Master Sdn. Bhd., a company incorporated in Malaysia, as the ultimate holding company of the Company.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 34 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were no significant events subsequent to the end of the financial year.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 23 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....
CHOONG KAI FATT
Director

....
CHOONG KHOI ONN
Director

Date: 18 April 2018

Statements of Financial Position
as at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	29,562	30,073	-	-
Investment properties	6	29,493	29,951	-	-
Goodwill	7	-	87	-	-
Investment in subsidiaries	8	-	-	54,400	54,300
Deferred tax assets	9	1,798	822	-	25
Total non-current assets		60,853	60,933	54,400	54,325
Current assets					
Inventories	10	215,296	210,324	-	-
Trade and other receivables	11	35,477	24,439	22,375	24,836
Current tax assets		1,898	1,712	-	-
Other investment	12	2,501	-	-	-
Cash and cash equivalents	13	33,263	47,324	1,585	523
Total current assets		288,435	283,799	23,960	25,359
TOTAL ASSETS		349,288	344,732	78,360	79,684
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	77,435	67,000	77,435	67,000
Share premium	15	-	10,435	-	10,435
Treasury shares	16	(3,202)	(3,194)	(3,202)	(3,194)
Other reserves	17	4,211	16,048	-	-
Retained earnings		170,849	155,457	3,951	2,186
		249,293	245,746	78,184	76,427
Non-controlling interests		1,213	13,906	-	-
TOTAL EQUITY		250,506	259,652	78,184	76,427
Non-current liabilities					
Deferred tax liabilities	9	667	401	-	-
Loans and borrowings	18	37,131	40,514	-	-
Total non-current liabilities		37,798	40,915	-	-
Current liabilities					
Trade and other payables	19	52,354	35,833	117	187
Deferred revenue	20	1,440	1,192	-	-
Current tax liabilities		501	1,126	59	70
Loans and borrowings	18	6,689	6,014	-	3,000
Total current liabilities		60,984	44,165	176	3,257
TOTAL LIABILITIES		98,782	85,080	176	3,257
TOTAL EQUITY AND LIABILITIES		349,288	344,732	78,360	79,684

The accompanying notes form an integral part of these financial statements.

Statements of Comprehensive Income

for the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	21	192,437	186,676	3,275	5,541
Cost of sales		(111,069)	(101,826)	-	-
Gross profit		81,368	84,850	3,275	5,541
Other income	22	5,317	2,448	1,608	1
Administrative expenses		(59,534)	(69,551)	(787)	(754)
Other expenses		(4,098)	(1,342)	(21)	(1,544)
		(63,632)	(70,893)	(808)	(2,298)
Operating profit		23,053	16,405	4,075	3,244
Finance costs		(1,670)	(1,718)	(87)	(101)
Profit before tax	23	21,383	14,687	3,988	3,143
Income tax (expense)/credit	24	(3,998)	(4,598)	(260)	68
Profit for the financial year		17,385	10,089	3,728	3,211
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(12,218)	2,417	-	-
Reclassification adjustment for the cumulative exchange gain on translation of financial statements of foreign operations transferred to profit or loss upon disposal of subsidiaries		(5,035)	-	-	-
Other comprehensive (loss)/income for the financial year		(17,253)	2,417	-	-
Total comprehensive income for the financial year		132	12,506	3,728	3,211
Profit attributable to:					
Owners of the Company		17,355	10,211	3,728	3,211
Non-controlling interests		30	(122)	-	-
		17,385	10,089	3,728	3,211
Total comprehensive income/(loss) attributable to:					
Owners of the Company		5,518	12,116	3,728	3,211
Non-controlling interests		(5,386)	390	-	-
		132	12,506	3,728	3,211
Earnings per share attributable to owners of the Company:					
- Basic and diluted earnings per share(sen)	25	13.27	7.80		

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity
for the financial year ended 31 December 2017

Group	Note	Share capital RM'000	Share premium RM'000	Other reserve RM'000	Exchange reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/--------Attributable to owners of the Company--------/								
At 1 January 2016		67,000	10,435	2,500	11,643	(3,189)	149,826	238,215	13,516	251,731
Total comprehensive income for the financial year										
Profit for the financial year, representing the total comprehensive income for the financial year		-	-	-	-	-	10,211	10,211	(122)	10,089
Total other comprehensive income for the financial year										
Foreign currency translation differences, representing the total other comprehensive income for the financial year		-	-	-	1,905	-	-	1,905	512	2,417
Total comprehensive (loss)/income for the financial year		-	-	-	1,905	-	10,211	12,116	390	12,506
Transactions with owners										
Share repurchased	16	-	-	-	-	(5)	-	(5)	-	(5)
Dividends paid on shares	26	-	-	-	-	-	(4,580)	(4,580)	-	(4,580)
Total transactions with owners		-	-	-	-	(5)	(4,580)	(4,585)	-	(4,585)
At 31 December 2016		67,000	10,435	2,500	13,548	(3,194)	155,457	245,746	13,906	259,652

Statements of Changes in Equity

for the financial year ended 31 December 2017 (cont'd)

Group	Note	Share capital RM'000	Share premium RM'000	Other reserve RM'000	Exchange reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/---Attributable to owners of the Company						---/		
At 1 January 2017		67,000	10,435	2,500	13,548	(3,194)	155,457	245,746	13,906	259,652
Total comprehensive income for the financial year										
Profit for the financial year, representing the total comprehensive income for the financial year		-	-	-	-	-	17,355	17,355	30	17,385
Total other comprehensive (loss)/income for the financial year										
Foreign currency translation differences		-	-	-	(8,518)	-	-	(8,518)	(3,700)	(12,218)
Reclassified to profit or loss upon disposal and deregistration of subsidiaries		-	-	-	(3,319)	-	-	(3,319)	(1,716)	(5,035)
Total other comprehensive (loss)/income for the financial year		-	-	-	(11,837)	-	-	(11,837)	(5,416)	(17,253)
Total comprehensive (loss)/income for the financial year		-	-	-	(11,837)	-	17,355	5,518	(5,386)	132
Transactions with owners										
Share repurchased	16	-	-	-	-	(8)	-	(8)	-	(8)
Dividends paid on shares	26	-	-	-	-	-	(1,963)	(1,963)	(7,307)	(9,270)
Total transactions with owners		-	-	-	-	(8)	(1,963)	(1,971)	(7,307)	(9,278)
Transition to no-par value regime		10,435	(10,435)	-	-	-	-	-	-	-
At 31 December 2017		77,435	-	2,500	1,711	(3,202)	170,849	249,293	1,213	250,506

Statements of Changes in Equity
for the financial year ended 31 December 2017 (cont'd)

Company	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
		/----Attributable to owners of the Company----				/
At 1 January 2016		67,000	10,435	(3,189)	3,555	77,801
Total comprehensive income for the financial year						
Profit for the financial year, representing total comprehensive income		-	-	-	3,211	3,211
Transactions with owners						
Share repurchased	16	-	-	(5)	-	(5)
Dividends paid on shares	26	-	-	-	(4,580)	(4,580)
Total transactions with owners		-	-	(5)	(4,580)	(4,585)
At 31 December 2016		67,000	10,435	(3,194)	2,186	76,427
Total comprehensive income for the financial year						
Profit for the financial year, representing total comprehensive income		-	-	-	3,728	3,728
Transactions with owners						
Share repurchased	16	-	-	(8)	-	(8)
Dividends paid on shares	26	-	-	-	(1,963)	(1,963)
Total transactions with owners		-	-	(8)	(1,963)	(1,971)
Transition to no-par value regime		10,435	(10,435)	-	-	-
At 31 December 2017		77,435	-	(3,202)	3,951	78,184

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities				
Profit before tax	21,383	14,687	3,988	3,143
Adjustments for:				
Bad debt written off	1,370	-	-	-
Deposits written off	4	-	-	-
Depreciation of investment properties	359	364	-	-
Depreciation of property, plant and equipment	3,071	3,518	-	-
Dividend income	-	-	(2,090)	(4,396)
Finance income	(235)	(122)	-	-
Finance costs	1,670	1,718	87	101
Gain on disposal of property, plant and equipment	(270)	(247)	-	-
Gain on disposal of subsidiaries	(1,761)	-	-	-
Goodwill written off	87	-	-	-
Impairment loss on:				
- amount owing by a subsidiary	-	-	-	1,507
- trade and other receivables	-	1,408	-	-
Inventories written down	512	383	-	-
Investment properties written off	-	1	-	-
Loss on deregistration of a subsidiary	314	-	-	-
Negative goodwill	-	(215)	-	-
Property, plant and equipment written off	116	714	-	-
Reversal of impairment losses on:				
- amount owing by a subsidiary	-	-	(1,507)	-
- investment in a subsidiary	-	-	(100)	-
- trade and other receivables	(771)	(391)	-	-
Reversal of inventories written down	(17)	(111)	-	-
Unrealised gain on foreign exchange	(618)	(15)	-	-
Operating profit before changes in working capital	25,214	21,692	378	355
Changes in working capital:				
Inventories	(12,697)	(10,930)	-	-
Trade and other receivables	(21,389)	8,725	(11)	(1,450)
Trade and other payables	31,714	(4,908)	(69)	26
Net cash generated from/ (used in) operations	22,842	14,579	298	(1,069)
Income tax paid	(5,878)	(4,883)	(246)	(281)
Income tax refunded	217	576	-	-
Interest received	235	122	-	-
Interest paid	(282)	(287)	(87)	(101)
Net cash generated from/ (used in) operating activities, carried down	17,134	10,107	(35)	(1,451)

Statements of Cash Flows
for the financial year ended 31 December 2017 (cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net cash generated from/ (used in) operating activities, brought down	17,134	10,107	(35)	(1,451)
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash	-	1,087	-	-
Cash inflow from deregistration of a subsidiary	234	-	-	-
Dividend received	-	-	2,090	4,396
Placement of other investments	(2,501)	-	-	-
Placement of fixed deposit	-	(2,871)	-	-
Purchase of property, plant and equipment	(3,298)	(2,092)	-	-
Proceeds from disposal of property, plant and equipment	356	363	-	-
Proceeds from disposal of subsidiaries, net of cash disposed	3,813	-	-	-
Withdrawal of fixed deposits	2,300	-	-	-
Net cash generated from/ (used in) investing activities	904	(3,513)	2,090	4,396
Cash flows from financing activities				
Dividend paid				
- Owners of the Company	(1,963)	(4,580)	(1,963)	(4,580)
- Non-controlling interests	(7,307)	-	-	-
Drawdown of revolving credits	-	2,000	-	2,000
Interest paid	(1,388)	(1,431)	-	-
Repurchased of treasury shares	(8)	(5)	(8)	(5)
Repayment of term loans	(3,007)	3,252	-	-
Repayment of revolving credits	(3,000)	-	(3,000)	-
Advances to directors	(1,032)	-	-	-
Repayments from/(Advances to) subsidiaries	-	-	3,978	(1,519)
Repayments of finance lease liabilities	(551)	(401)	-	-
Net cash used in financing activities	(18,256)	(1,165)	(993)	(4,104)
Net (decrease)/increase in cash and cash equivalents	(218)	5,429	1,062	(1,159)
Cash and cash equivalents at the beginning of the financial year	44,453	36,656	523	1,682
Effects of exchange rate changes on cash and cash equivalents	(15,370)	2,368	-	-
Cash and cash equivalents at the end of the financial year (Note 13)	28,865	44,453	1,585	523

Statements of Cash Flows
for the financial year ended 31 December 2017 (cont'd)

a) Reconciliation of liabilities arising from financing activities:

	1 January 2017 RM'000	Cash flows RM'000	Acquisition /Disposal RM'000	31 December 2017 RM'000
Group				
Finance lease liabilities	693	(551)	641	783
Revolving credits	3,000	(3,000)	-	-
Term loans	42,835	(3,007)	(618)	39,210
	46,528	(6,558)	23	39,993
Company				
Revolving credits	3,000	(3,000)	-	-

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

DeGem Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at No. 42, 1st Floor, Jalan Maarof, Bangsar Baru, 59100 Kuala Lumpur, Malaysia.

The ultimate holding company of the Company is Legion Master Sdn. Bhd., a company incorporated in Malaysia.

The principal activities of the Company are investment holding and provision of management services. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements. There have been no significant changes in in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 April 2018.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 12	Disclosures of Interests in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below:

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The Group and the Company have applied the amendments prospectively and accordingly, have disclosed the reconciliation in Note (a) in Statements of Cash Flows.

2. BASIS OF PREPARATION (cont'd)

2.3 New MFRS, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ 1 January 2019/ Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below.

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

2. **BASIS OF PREPARATION (cont'd)**

2.3 New MFRS, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective (cont'd)

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. (cont'd)

MFRS 9 Financial Instruments (cont'd)

Key requirements of MFRS 9: (cont'd)

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Int 13	Customer Loyalty Programmes
IC Int 15	Agreements for the Construction of Real Estate
IC Int 18	Transfers of Assets from Customers
IC Int 131	Revenue – Barter Transactions Involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

2. BASIS OF PREPARATION (cont'd)

2.3 New MFRS, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective (cont'd)

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. (cont'd)

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

The amendments also clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

2. **BASIS OF PREPARATION (cont'd)**

2.3 New MFRS, amendments/improvements to MFRSs and new IC Interpretations ("IC Int") that have been issued, but yet to be effective (cont'd)

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. (cont'd)

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int clarifies that where there is uncertainty over income tax treatments, an entity shall:
(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

2.3.2 Other than the estimated financial impact arising from the adoption of MFRS 9 and MFRS 15, the detailed analysis on the financial effects of the adoption of other new MFRSs, amendments/improvements to MFRSs and new IC Int are currently still being assessed by the Group and the Company.

Estimated impact of the adoption of MFRS 9 and MFRS 15

The Group and the Company are required to adopt MFRS 9 and MFRS 15 from 1 January 2018. The Group and the Company expect that there is no material impact of the adoption of these standards on the Group's and the Company's equity as at 1 January 2018.

The actual impact of adopting the above standards at 1 January 2018 may change because the Group and the Company have not finalised the assessment of the impacts and the new accounting policies are subject to change until the Group and the Company present their first financial statements that include the date of initial application.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

2.5 Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in the Note 3 to the financial statements.

2. BASIS OF PREPARATION (cont'd)

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the Group's and the Company's financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries, and associates used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) 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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(b) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

(b) Business combinations (cont'd)

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.

(c) 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.

(d) 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 noncontrolling interests even if doing so causes the non-controlling interests to have a deficit balance.

(e) 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.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of nonfinancial assets as disclosed in Note 3.11(b) to the financial statements.

3.3 Foreign currency transactions and operations

(a) Translation of 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Foreign currency transactions and operations (cont'd)

(a) Translation of foreign currency transactions (cont'd)

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.

(b) Translation of foreign operations

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.

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 gain or loss on disposal.

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

3.4 Financial instruments

A financial asset or a financial liability is recognised in the statements 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.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

(a) Subsequent measurement (cont'd)

(i) Financial assets (cont'd)

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 less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

(ii) Financial liabilities

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

(b) 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.

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.

(c) 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 noncash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

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.

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.

(b) 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.

(c) 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.

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

Leasehold land	82 years
Buildings	50 years
Plant, equipment and fittings	4 – 10 years
Renovations	3 – 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.

(d) Derecognition

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) 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.

(b) 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 assets 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.

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.

3.7 Investment properties

(a) Investment properties 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 measured at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 3.5 to the financial statements.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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 – 93 years
Buildings	50 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Investment properties (cont'd)

(a) Investment properties carried at cost (cont'd)

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.

(b) 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.

3.8 Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment loss. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

Goodwill are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

3.9 Inventories

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

The cost of inventories is calculated using the weighted average method and 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.

3.10 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. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3.11 Impairment of assets

(a) Impairment of 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Impairment of assets (cont'd)

(a) Impairment of financial assets (cont'd)

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.

(b) Impairment of non-financial assets

The carrying amounts of non-financial 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 goodwill, the recoverable amount is estimated each period at the same time.

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. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 Share capital

(a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(b) 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.

3.13 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.

3.14 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.

3.15 Revenue and other income

(a) Sale of goods

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.

(b) 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.

(c) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Revenue and other income (cont'd)

(d) 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.

(e) Interest income

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

3.16 Employee benefits

(a) 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.

(b) Defined contribution plan

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a deduction in future payments is available.

3.17 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.

3.18 Taxes

(a) 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.

(i) Current tax

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.

(ii) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Taxes (cont'd)

(a) Income tax (cont'd)

(ii) Deferred tax (cont'd)

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

(b) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.19 Earnings per share

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.20 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' 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.

3.21 Fair value measurements

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 and the Company use 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 and the Company 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 and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.22 Contingencies

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Write-down of obsolete or slow moving inventories

The Group writes down their slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amounts of the Group's inventories are disclosed in Note 10 to the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land RM'000	Buildings RM'000	Plant, equipment and fittings RM'000	Renovations RM'000	Motor vehicles RM'000	Total RM'000
2017							
Cost							
At 1 January 2017		12,370	10,531	14,114	7,723	5,127	49,865
Additions		-	985	887	888	1,179	3,939
Disposals		-	-	(47)	-	(876)	(923)
Written off		-	-	(278)	(93)	(26)	(397)
Disposal of subsidiaries	8	-	(973)	(301)	(290)	(305)	(1,869)
Exchange differences		-	-	(24)	(24)	(5)	(53)
At 31 December 2017		12,370	10,543	14,351	8,204	5,094	50,562
Accumulated depreciation							
At 1 January 2017		240	1,811	9,453	4,784	3,504	19,792
Depreciation charge for the financial year	23	22	196	1,230	810	813	3,071
Disposals		-	-	(10)	-	(827)	(837)
Written off		-	-	(164)	(93)	(24)	(281)
Disposal of subsidiaries	8	-	(113)	(188)	(100)	(303)	(704)
Exchange differences		-	-	(14)	(22)	(5)	(41)
At 31 December 2017		262	1,894	10,307	5,379	3,158	21,000
Carrying amount							
At 31 December 2017		12,108	8,649	4,044	2,825	1,936	29,562
2016							
Cost							
At 1 January 2016		14,662	11,737	15,047	6,715	5,689	53,850
Acquisitions through business combination	8	-	990	137	209	44	1,380
Additions		-	-	578	1,301	413	2,292
Disposals		-	-	(33)	(15)	(1,024)	(1,072)
Written off		-	-	(1,647)	(528)	-	(2,175)
Transfer to investment property	6	(2,292)	(2,196)	-	-	-	(4,488)
Exchange differences		-	-	32	41	5	78
At 31 December 2016		12,370	10,531	14,114	7,723	5,127	49,865
Accumulated depreciation							
At 1 January 2016		273	1,704	9,247	4,001	3,558	18,783
Depreciation charge for the financial year	23	21	195	1,206	1,219	877	3,518
Disposals		-	-	(12)	(8)	(936)	(956)
Written off		-	-	(1,004)	(457)	-	(1,461)
Transfer to investment property	6	(54)	(88)	-	-	-	(142)
Exchange differences		-	-	16	29	5	50
At 31 December 2016		240	1,811	9,453	4,784	3,504	19,792
Carrying amount							
At 31 December 2016		12,130	8,720	4,661	2,939	1,623	30,073

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM3,936,000 (2016: RM2,292,000), which are satisfied by the followings:

	Group	
	2017 RM'000	2016 RM'000
Finance lease arrangements	641	200
Cash payments	3,298	2,092
	3,939	2,292

(b) The carrying amount of property, plant and equipment acquired under finance lease arrangement as at the end of the financial year are as follows:

	Group	
	2017 RM'000	2016 RM'000
Motor vehicles	1,163	1,099

(c) Freehold land and buildings with a carrying amount of RM11,959,000 (2016: RM12,050,000) has been pledged as security to secure term loans of the Group as disclosed in Note 18 to the financial statements.

6. INVESTMENT PROPERTIES

		Group	
	Note	2017 RM'000	2016 RM'000
At cost			
At 1 January		32,013	27,412
Transferred from property, plant and equipment	5	-	4,488
Written off		-	(5)
Exchange differences		(110)	118
At 31 December		31,903	32,013
Less: Accumulated depreciation			
At 1 January		1,914	1,397
Depreciation charge for the financial year		359	364
Transferred from property, plant and equipment	5	-	142
Written off		-	(4)
Exchange differences		(11)	15
		2,262	1,914
Less: Accumulated impairment loss			
At 1 January/31 December		148	148
Carrying amount		29,493	29,951

Investment property of subsidiaries with carrying amount of RM24,518,000 (2016: RM24,749,000) have been pledged as security to secure term loans granted to the Group and the Company as disclosed in Note 18 to the financial statements.

Included in investment properties of the Group is a building held in trust for the Group by a Director with carrying amount of RM4,789,000 (2016: RM4,997,000).

6. INVESTMENT PROPERTIES (cont'd)

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

	Group	
	2017 RM'000	2016 RM'000
Rental income	1,104	981
Direct operating expenses:		
- income generating investment properties	476	434
- non-income generating investment properties	-	1

Fair value information

Fair value of investment properties are categories as follows:

Group	Level 3 RM'000	Total RM'000
2017		
Leasehold land and buildings	51,297	51,297
2016		
Leasehold land and buildings	49,651	49,651

There are no Level 1 investment properties or transfers between Level 1 and Level 2 during the financial year ended 31 December 2017 and 31 December 2016.

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.

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
(i) 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).

7. GOODWILL

		Group	
	Note	2017 RM'000	2016 RM'000
At 1 January		87	-
Acquisition of a subsidiary		-	87
Disposal of a subsidiary	8	(87)	-
At 31 December		-	87

7. GOODWILL (cont'd)

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Bestline Design Sdn. Bhd.	-	87

During the financial year, the Group derecognised goodwill of RM87,000 as a result of the disposal of Bestline Design Sdn. Bhd.

In the previous financial year, the directors are of the opinion that the goodwill allocated to Bestline Design Sdn. Bhd. is not material. Hence, the impairment testing performed for this cash generating unit is not disclosed.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares, at cost		
At beginning/end of the financial year	54,400	54,400
Less: Accumulated impairment loss		
At beginning of the financial year	(100)	(100)
Less: Reversal during the financial year	100	-
At end of the financial year	-	(100)
	54,400	54,300

Details of the subsidiaries are as follows:

Name of company	Principal place of business/Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %	Principal activities
Subsidiaries				
P.Y.T. Jewel & Time Sdn. Bhd.	Malaysia	100	100	Investment holding and trading in gold and jewellery
Diamond & Platinum Sdn. Bhd.	Malaysia	100	100	Trading in diamonds and jewellery
Jewelmart International Sdn. Bhd.	Malaysia	100	100	Investment holding
DeGem Masterpiece Pte. Ltd.*#	Singapore	-	60	Dormant
Subsidiaries of P.Y.T. Jewel & Time Sdn. Bhd.				
DeGem Masterpiece Sdn. Bhd.	Malaysia	100	100	Investment holding and trading in gold and jewellery
DeGem Prestige Sdn. Bhd.	Malaysia	90	90	Trading in gold and jewellery

8. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of company	Principal place of business/Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %	Principal activities
Subsidiaries of P.Y.T. Jewel & Time Sdn. Bhd. (cont'd)				
Inticraft Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading in gold and jewellery
Tong Yek Jewellers Sdn. Bhd.	Malaysia	100	100	Investment holding and provision of management services
Diamond Mart Sdn. Bhd.*	Malaysia	100	100	Property investment
DeGem Capital Sdn. Bhd.	Malaysia	100	100	Investment holding and trading in gold medals and badges
DeGem Diamond Collection Sdn. Bhd.	Malaysia	100	100	Trading in diamonds and jewellery
Telenaga Sdn. Bhd.*	Malaysia	100	100	Property investment
Titanpuri Sdn. Bhd.*	Malaysia	80	80	Trading in gold medals and badges
Solireno Sdn. Bhd.*	Malaysia	70	70	Trading and manufacture of gold and jewellery
Depaddle Sdn. Bhd.*	Malaysia	100	100	Trading in diamonds and jewellery
Subsidiaries of Diamond & Platinum Sdn. Bhd.				
Diamond & Platinum (B) Sdn. Bhd.*	Brunei	100	100	Trading in diamonds and jewellery
Subsidiaries of Jewelmart International Sdn. Bhd.				
Bestline International Corporation Limited *+	Hong Kong	-	70	Trading in gold and jewellery
Bestline Design Sdn. Bhd.*+^	Malaysia	-	70	Trading in all types of jewellery and other related products
Bestline Limited *+^	Hong Kong	-	70	Trading in jewellery and provision of marketing research
Fareway International Limited *	Hong Kong	100	100	Trading in gold and jewellery
DeGem International Pte. Ltd.*	Singapore	100	100	Trading in gold and jewellery and investment holding
DeGem Prestige Pte. Ltd.*	Singapore	100	100	Trading in diamonds and jewellery

* Audited by auditors other than Baker Tilly Monteiro Heng
\# Deregistered during the financial year
\+ Disposed during the financial year
^ In the previous financial year, Bestline International Corporation Limited, a 70% owned subsidiary of Jewelmart International Sdn. Bhd., acquired two wholly-owned subsidiaries, Bestline Design Sdn. Bhd. and Bestline Limited.

8. **INVESTMENT IN SUBSIDIARIES (cont'd)**

(a) Disposal of Bestline International Corporation Limited, Bestline Design Sdn. Bhd. and Bestline Limited ("Bestline Group")

On 10 August 2017, the Company disposed its 70% equity investment in Bestline International Corporation Limited, Bestline Design Sdn. Bhd. and Bestline Limited, which are wholly owned subsidiary of Jewelmart International Sdn. Bhd. for a total consideration of RM3,355,000.

Effects of disposal of Bestline Group on the financial position and cash flow of the Group

	2017 RM'000
Property, plant and equipment	1,165
Inventories	7,230
Trade and other receivables	8,845
Cash and cash equivalents	1,054
Current tax assets	257
Trade and other payables	(12,343)
Deferred tax liabilities	(4)
Loans and borrowings	(618)
Current tax liabilities	(44)
Translation differences	1,521
Net assets and liabilities	7,063
Cash consideration received	(3,355)
	3,708
Reclassification adjustment of exchange translation reserve	(5,469)
Gain on disposal of investment in subsidiaries	(1,761)

Effects of acquisition on cash flows

	2017 RM'000
Cash consideration received	3,355
Cash and cash equivalents	(1,054)
Translation differences	1,512
Net cash inflows arising from disposal	3,813

8. INVESTMENT IN SUBSIDIARIES (cont'd)

(b) De-registration of DeGem Masterpiece Pte. Ltd.

On 6 November 2017, DeGem Masterpiece Pte. Ltd., a 30% owned by Jewelmart International Sdn. Bhd. and 30% owned by DeGem Masterpiece Sdn. Bhd., which in turn is an indirect subsidiary of DeGem Berhad, was deregistered from the Accounting and Corporate Regulatory Authority of Singapore.

Effects of de-registration of DeGem Masterpiece Pte. Ltd. on the financial position and cash flow of the Group

	2017 RM'000
Trade and other receivables	4,306
Cash and cash equivalents	234
Net assets and liabilities	4,540
Cost of investment	(4,420)
	(120)
Reclassification adjustment of exchange translation reserve	434
Loss on deregistration of subsidiary	314

Effects of acquisition on cash flows

	2017 RM'000
Cash and cash equivalents	234
Net cash inflows arising from deregistration	234

(c) Acquisition of subsidiaries in the previous financial year

(i) On 6 June 2016, Bestline International Corporation Limited, a 70% owned subsidiary of Jewelmart International Sdn. Bhd., which in turn is a wholly owned subsidiary of the Company had acquired 100% equity interest in Bestline Design Sdn. Bhd. for a cash consideration of RM2.

Fair value of the identifiable assets acquired and liabilities recognised

	2016 RM'000
Assets	
Property, plant and equipment (Note 5)	1,142
Trade and other receivables	724
Cash and cash equivalents	221
Current tax assets	16
	2,103
Liabilities	
Loans and borrowings	(692)
Trade and other payables	(1,498)
Total identifiable net liabilities acquired	(87)
Fair value of consideration transferred	- *
Goodwill arising on acquisition	(87)

8. **INVESTMENT IN SUBSIDIARIES (cont'd)**

(c) **Acquisition of subsidiaries in the previous financial year (cont'd)**

Effects of acquisition on cash flows

	2016 RM'000
Fair value of consideration transferred	- *
Less: Cash and cash equivalents of a subsidiary acquired	(221)
Net cash outflows on acquisition	(221)

* represents purchase consideration of RM2

(ii) On 6 June 2016, Bestline International Corporation Limited, a 70% owned subsidiary of Jewelmart International Sdn. Bhd., which in turn is a wholly owned subsidiary of the Company had acquired 100% equity interest in Bestline Limited for a cash consideration of RM156,000.

Fair value of the identifiable assets acquired and liabilities recognised

	2016 RM'000
Assets	
Property, plant and equipment	238
Trade and other receivables	10,475
Cash and cash equivalents	1,022
Current tax assets	78
	11,813
Liabilities	
Trade and other payables	(11,442)
Total identifiable net assets acquired	371
Fair value of consideration transferred	(156)
Negative goodwill arising on acquisition	215

The trade and other receivables in comprise gross contractual amounts due of RM11,237,000 of which RM762,000 was expected to be uncollectible at the acquisition date.

Effects of acquisition on cash flows

	2016 RM'000
Fair value of consideration transferred	156
Less: Cash and cash equivalents of a subsidiary acquired	(1,022)
Net cash outflows on acquisition	(866)

8. INVESTMENT IN SUBSIDIARIES (cont'd)

(d) Non-controlling interests ("NCI") in subsidiaries

The Group's subsidiaries that have non-controlling interest are as follows:

	Bestline International Corporation Limited RM'000	DeGem Masterpiece Pte. Ltd. RM'000	DeGem Prestige Sdn. Bhd. RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
2017					
NCI percentage of ownership interest and voting interest	-	-	10%		
Carrying amount of NCI	-	-	1,021	192	1,213
Profit allocated to NCI	-	-	4	26	30
2016					
NCI percentage of ownership interest and voting interest	30%	40%	10%		
Carrying amount of NCI	10,082	3,084	1,017	(277)	13,906
Profit/(Loss) allocated to NCI	159	(2)	19	(298)	(122)

(e) Summarised financial information of non-controlling interests

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have non-controlling interests are as follows:

	Bestline International Corporation Limited RM'000	DeGem Masterpiece Pte. Ltd. RM'000	DeGem Prestige Sdn. Bhd. RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
2017					
Assets and liabilities					
Non-current assets	-	-	2,413	481	2,894
Current assets	-	-	10,449	2,787	13,236
Non-current liabilities	-	-	(603)	(448)	(1,051)
Current liabilities	-	-	(2,050)	(845)	(2,895)
Net assets	-	-	10,209	1,975	12,184
Results					
Revenue	-	-	7,207	6,040	13,247
Profit for the financial year	-	-	36	97	133
Total comprehensive profit	-	-	36	97	133

8. INVESTMENT IN SUBSIDIARIES (cont'd)

(e) Summarised financial information of non-controlling interests (cont'd)

	Bestline International Corporation Limited RM'000	DeGem Masterpiece Pte. Ltd. RM'000	DeGem Prestige Sdn. Bhd. RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
2017 (cont'd)					
Net cash flows (used in)/from operating activities	-	-	(1,248)	(365)	(1,613)
Net cash flows used in investing activities	-	-	(5)	(356)	(361)
Net cash flows from financing activities	-	-	1,212	792	2,004
Net (decrease)/increase in cash and cash equivalents	-	-	(41)	71	30
2016					
Assets and liabilities					
Non-current assets	173	-	2,660	1,317	4,150
Current assets	37,894	7,710	9,350	14,783	69,737
Non-current liabilities	-	-	(648)	(2,187)	(2,835)
Current liabilities	(4,462)	-	(1,188)	(14,298)	(19,948)
Net assets/(liabilities)	33,605	7,710	10,174	(385)	51,104
Results					
Revenue	17,132	-	7,903	16,292	41,327
Profit/(Loss) for the financial year	531	(6)	186	(1,005)	(294)
Total comprehensive profit/(loss)	531	(6)	186	(1,005)	(294)
Net cash flows from/(used in) operating activities	1,141	(39)	329	(4,467)	(3,036)
Net cash flows used in/(from) investing activities	(173)	-	(37)	276	66
Net cash flows used in/(from) financing activities	-	-	(256)	4,728	4,472
Net increase/(decrease) in cash and cash equivalents	968	(39)	36	537	1,502

9. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	421	472	25	25
Recognised in profit or loss (Note 24)	728	(51)	(25)	-
Disposal of subsidiaries [Note 8(a)]	4	-	-	-
Translation differences	(22)	-	-	-
At 31 December	1,131	421	-	25

(a) Presented after appropriate off-setting as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	1,798	822	-	25
Deferred tax liabilities	(667)	(401)	-	-
	1,131	421	-	25

(b) The components of deferred tax assets/(liabilities) prior to offsetting are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets				
Inventories	701	245	-	-
Unutilised tax losses	757	-	-	-
Others	340	577	-	25
	1,798	822	-	25
Deferred tax liabilities				
Differences between carrying amounts of property, plant and quipment and their tax base	(657)	(379)	-	-
Others	(10)	(22)	-	-
	(667)	(401)	-	-

(c) The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	Group	
	2017 RM'000	2016 RM'000
Others	10,099	9,935

10. INVENTORIES

	Group 2017 RM'000	Group 2016 RM'000
At lower of cost and net realisable value:		
Raw materials	38,197	28,559
Work-in-progress	2,639	2,936
Finished goods	174,460	178,829
	215,296	210,324

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year is RM111,069,000 (2016: RM101,826,000). In addition, the expense recognised in the profit or loss include the following:

	Group 2017 RM'000	Group 2016 RM'000
Inventories written down	512	383
Reversal of inventories written-down	(17)	(111)
	495	272

11. TRADE AND OTHER RECEIVABLES

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Trade					
Trade receivables	(a)	26,864	15,038	-	-
Less: Impairment for trade receivables		(24)	(1,408)	-	-
		26,840	13,630	-	-
Non-trade					
Other receivables		678	4,820	-	-
Amounts owing by subsidiaries	(b)	-	-	22,348	26,327
Deposits		3,423	3,911	16	16
Prepayment		1,429	1,091	11	-
GST refundable		3,107	987	-	-
		8,637	10,809	22,375	26,343
Less: Impairment for amount owing by subsidiary		-	-	-	(1,507)
		8,637	10,809	22,375	24,836
Total trade and other receivables		35,477	24,439	22,375	24,836

11. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group is 30 days (2016: 30 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

The Group maintains an ageing analysis in respect of trade receivables only. The ageing analysis of the Group's trade receivables are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Neither past due nor impaired	23,374	3,385
1-30 days past due not impaired	17	1,322
31-120 days past due not impaired	326	4,861
More than 121 days past due not impaired	3,147	5,470
	3,490	11,653
Impaired		
- Individually	(24)	(1,408)
	26,840	13,630

<u>Receivables that are impaired</u>

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At 1 January	1,408	391	1,507	-
Charge for the financial year				
- Individual impairment loss	-	1,408	-	1,507
Reversal of impairment loss	(771)	(391)	(1,507)	-
Disposal of subsidiaries	(613)	-	-	-
At 31 December	24	1,408	-	1,507

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

(b) Amounts owing by subsidiaries represent loans to subsidiaries which are unsecured, subject to interest at 5.5% (2016: 5.5%) per annum and repayable on demand in cash and cash equivalents.

12. OTHER INVESTMENT

	Group	
	2017 RM'000	**2016 RM'000**
Current		
At fair value:		
Money market funds	2,501	-

The money market funds is redeemable upon request or 1 day notice and bear dividend yield at rates of 3.77% per annum as at the financial year end.

13. CASH AND CASH EQUIVALENTS

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash and bank balances		30,465	39,351	80	173
Cash deposits placed with licensed bank	(a)	2,227	5,102	1,505	350
Fixed deposits with maturity more than 3 months	(b)	571	2,871	-	-
Cash and cash equivalents as reported in the statements of financial position		33,263	47,324	1,585	523
Less: Fixed deposit with maturity more than 3 months		(571)	(2,871)	-	-
Less: Bank overdrafts		(3,827)	-	-	-
Cash and cash equivalents as reported in the statements of cash flows		28,865	44,453	1,585	523

(a) Cash deposits placed with licensed banks are placement made for a period of three months or less, depending on the immediate cash requirements of the Group and bear interest at rates ranging from 2.70% to 2.95% (2016: 1.60% to 2.80%) per annum.

(b) Fixed deposits with maturity more than 3 months bear interest at rates ranging from 0.25% to 3.05% (2016: 1% to 4.75%) per annum and mature within one year.

14. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		<-----------Amount---------->	
	2017 Unit '000	2016 Unit '000	2017 RM'000	2016 RM'000
Authorised:				
At 31 December	-	200,000	-	100,000
Issued and fully paid up:				
Ordinary shares with no par value: (2016: par value of RM0.50/- each)				
At 1 January	134,000	134,000	67,000	67,000
Transition to no-par value regime:				
- Share premium	-	-	10,435	-
At 31 December	134,000	134,000	77,435	67,000

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount standing to the credit of its share premium account for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue of the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares (except treasury 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. All ordinary shares rank equally with regard to the Company's residual assets.

15. SHARE PREMIUM

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. Pursuant to Section 618(2) of the Act, the sum of RM10,435,000 standing to the credit of the Company's share premium account has been transferred and became part of the Company's share capital as disclosed in Note 14 to the financial statements.

16. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The Company's share buyback scheme was approved by the Company's shareholders in the Annual General Meeting held on 26 May 2017 for the Company to repurchase 10% of its issued ordinary shares. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

During the financial year, the Company repurchased 8,000 (2016: 6,000) ordinary shares of its issued share capital from the open market. The total consideration paid for the repurchase was RM7,620 (2016: RM5,553). The average price paid for the shares repurchased is RM0.9525 (2016: RM0.92) per ordinary shares.

As at 31 December 2017, the Company held 3,167,900 (2016: 3,159,000) treasury shares out of its 134,000,000 issued and paid-up ordinary shares. Such treasury shares are held at carrying amount of RM3,201,991 (2016: RM3,194,000).

There was no resale, cancellation or distribution of treasury shares during the financial year.

17. OTHER RESERVES

	Group	
	2017 RM'000	**2016 RM'000**
Exchange reserve	1,711	13,548
Other capital reserves	2,500	2,500
	4,211	16,048

(a) Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as the foreign currency differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity of the foreign operation or another currency.

(b) Other capital reserve

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

18. LOANS AND BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current:				
Term loans	36,522	40,134	-	-
Finance lease liabilities	609	380	-	-
	37,131	40,514	-	-
Current:				
Term loans	2,688	2,701	-	-
Finance lease liabilities	174	313	-	-
Revolving credit	-	3,000	-	3,000
Bank overdraft	3,827	-	-	-
	6,689	6,014	-	3,000
Total loans and borrowings:				
Term loans	39,210	42,835	-	-
Finance lease liabilities	783	693	-	-
Revolving credit	-	3,000	-	3,000
Bank overdraft	3,827	-	-	-
	43,820	46,528	-	3,000

(a) The loans and borrowings of the Group are secured by the following:

(i) Legal charge over the land and buildings of subsidiaries as disclosed in Note 5(c) to the financial statements;
(ii) Legal charge over the investment properties of subsidiaries as disclosed in Note 6 to the financial statements; and
(iii) Corporate guarantee of the Company.

(b) The interest rates of the loans and borrowings at the reporting date are as follows:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Term loans	0.75 - 4.95	1.47 - 4.82	-	-
Finance lease liabilities	2.33 - 6.24	2.33 - 2.48	-	-
Revolving credit	-	5.44 - 5.69	-	5.44 - 5.69
Bank overdraft	7.47 - 7.51	-	-	-

18. LOANS AND BORROWINGS (cont'd)

(c) Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	Group	
	2017 RM'000	2016 RM'000
Minimum lease payments:		
Not later than one year	217	348
Later than one year and not later than five years	733	426
	950	774
Less: Future finance charges	(167)	(81)
Present value of minimum lease payments	783	693
Present value of minimum lease payment:		
Not later than one year	174	313
Later than one year and not later than five years	609	380
	783	693
Less: Amount due within 12 months	(174)	(313)
Amount due after 12 months	609	380

19. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade					
Trade payables	(a)	36,056	19,610	-	-
Non-trade					
Other payables		2,408	1,811	-	-
Accruals		8,307	9,050	117	187
Amount owing to director	(b)	-	1,032	-	-
Deposits	(c)	5,518	4,330	-	-
GST payable		65	-	-	-
		16,298	16,223	117	187
		52,354	35,833	117	187

(a) The normal trade credit terms granted to the Group ranging from 30 to 120 days (2016: 30 to 120 days).

(b) Amount owing to director are non-trade in nature, unsecured, interest-free and repayable upon demand in cash and cash equivalents.

(c) Included in deposits of the Group are considerations placed by customers for the purchases of goods amounting to RM4,907,000 (2016: RM3,698,000). 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.

20. DEFERRED REVENUE

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	1,192	1,222
Revenue deferred during the financial year	568	381
Revenue recognised during the financial year	(320)	(411)
At the end of the financial year	1,440	1,192

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 profitability of the redemption of the free gifts and rebate vouchers.

21. REVENUE

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Sales of goods	192,437	186,676	-	-
Interest income	-	-	1,185	1,145
Dividend income	-	-	2,090	4,396
	192,437	186,676	3,275	5,541

22. OTHER INCOME

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of property, plant and equipment	270	247	-	-
Gain on disposal of subsidiaries	1,761	-	-	-
Interest income	235	122	-	-
Membership fees received	137	63	-	-
Negative goodwill	-	215	-	-
Rental income	1,184	1,268	-	-
Reversal of inventories written off	17	111	-	-
Reversal of impairment losses on:				
- amount owing by subsidiary	-	-	1,507	-
- investment in a subsidiary	-	-	100	-
- trade and other receivables	771	391	-	-
Unrealised gain on foreign exchange	618	15	-	-
Others	324	16	1	1
	5,317	2,448	1,608	1

23. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit before tax:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the year is arrived at after charging:				
Auditors' remuneration:				
- Malaysian operations				
- current year	173	217	35	48
- prior year	(3)	-	-	-
- Overseas operations				
- current year	68	81	-	-
Non statutory audit fees:				
- Malaysian operations	13	15	13	15
Bad debt written off	1,370	-	-	-
Deposits written off	4	-	-	-
Depreciation of investment properties	359	364	-	-
Depreciation of property, plant and equipment	3,071	3,518	-	-
Employee benefits expense [Note (a)]	36,006	31,527	454	376
Goodwill written off	87	-	-	-
Impairment loss on:				
- amount owing by a subsidiary	-	-	-	1,507
- trade and other receivables	-	1,408	-	-
Interest expense:				
- finance lease liabilities	46	47	-	-
- term loan	1,430	1,384	-	-
- revolving credit	-	101	-	101
- overdraft	119	116	-	-
- others	75	70	87	-
Inventories written down	512	383	-	-
Investment properties written off	-	1	-	-
Loss on deregistration of a subsidiary	314	-	-	-
Net realised foreign exchange loss	1,735	113	-	-
Rental expenses of premises	12,056	11,910	60	60
Property, plant and equipment written off	116	714	-	-

(a) Employee benefit expenses are:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Defined contribution plans	3,041	3,461	-	-
Other employee benefits expense	32,965	28,066	454	376
	36,006	31,527	454	376

23. PROFIT BEFORE TAX (cont'd)

(a) Employee benefit expenses are: (cont'd)

Included in employee benefits expenses are:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Executive directors				
- Fees	178	178	178	178
- Other emoluments	5,594	5,653	-	-
	5,772	5,831	178	178
Non-executive directors				
- Fees	241	218	241	198

24. INCOME TAX EXPENSE/(CREDIT)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Statements of comprehensive income				
Current tax:				
Malaysia income tax				
- Current financial year	4,061	3,612	242	245
- Over provision in prior financial year	-	(401)	(7)	(313)
	4,061	3,211	235	(68)
Foreign tax				
- Current financial year	696	1,386	-	-
- Over provision in prior financial year	(31)	(50)	-	-
	665	1,336	-	-
Deferred tax (Note 9):				
Reversal/(Origination) of temporary differences	50	(263)	-	-
(Over)/Under provision in prior financial year	(778)	314	25	-
	(728)	51	25	-
Tax expense/(credit) recognised in profit or loss	3,998	4,598	260	(68)

Domestic income tax is calculated at the Malaysia statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

24. INCOME TAX EXPENSE/(CREDIT) (cont'd)

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	21,383	14,687	3,988	3,143
Tax at the Malaysian statutory income tax rate of 24% (2016: 24%)	5,132	3,525	957	754
Different tax rates in other countries	85	(910)	-	-
Non-taxable income	(2,366)	-	(887)	(888)
Non-deductible expenses	1,917	1,541	172	379
Deferred tax assets not recognised during the financial year	52	579	-	-
Utilisation of deferred tax assets not recognised in previous financial year	(13)	-	-	-
Under/(Over) provision in prior financial years				
- current tax	(31)	(451)	(7)	(313)
- deferred tax	(778)	314	25	-
Tax expense/(credit) recognised in profit or loss	3,998	4,598	260	(68)

25. EARNINGS PER SHARE

(a) Basic earnings per share are based on profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2017 RM'000	2016 RM'000
Basic earnings per ordinary share		
Profit attributable to owners of the Company	17,355	10,211
Weighted average number of ordinary shares for basic earnings per share	134,000	134,000
Effect of treasury shares held	(3,168)	(3,159)
Weighted average number of ordinary shares for basic earnings per share	130,832	130,841
Basic earnings per ordinary share (sen)	13.27	7.80

(b) The diluted earnings per ordinary share of the Group for the financial years ended 31 December 2017 and 2016 are the same as the basic earnings per ordinary share of the Group as the Group has no dilutive potential ordinary shares.

26. DIVIDENDS

	Company	
	2017	2016
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- Single tier final dividend of 1.5sen per ordinary shares for the financial year ended 31 December 2016, paid on 13 July 2017	1,963	-
- First and final dividend of 2.5sen per ordinary shares for the financial year ended 31 December 2015, paid on 1 July 2016	-	3,271
- Single tier interim dividend of 1sen per ordinary shares for the financial year ended 31 December 2016, paid on 28 December 2016	-	1,309
	1,963	4,580

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Loans and receivables
(ii) Fair value through profit or loss
- Held for trading
(iii) Other financial liabilities

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Loans and receivables				
Trade and other receivables, excluding prepayment and GST refundable	30,941	22,361	22,364	24,836
Cash and cash equivalents	33,263	47,324	1,585	523
	64,204	69,685	23,949	25,359
Fair value through profit or loss				
- Held for trading				
Other investment	2,501	-	-	-
Financial liabilities				
Other financial liabilities				
Loans and borrowings	43,820	46,528	-	3,000
Trade and other payables, excluding GST payable	52,289	35,833	117	187
	96,109	82,361	117	3,187

27. FINANCIAL INSTRUMENTS (cont'd)

(b) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings are reasonably approximate to 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.

The carrying amounts of long-term floating rate term loan is reasonable approximation of fair values as the loans will be re-priced to market interest rate on or near reporting date.

The fair value of finance lease liabilities is estimated using discounted cash flow analysis, based on current lending rate for similar type of lease arrangement.

There have been no transfer between Level 1 and Level 2 during the financial year (31.12.2016: no transfer in either directions).

The following table provides the fair value measurement hierarchy of the Group's financial instruments :

		Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
	Carrying amount RM'000	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
Group									
2017									
Financial assets									
Held for trading									
- other investment	2,501	2,501	-	-	2,501	-	-	-	-
Financial liabilities									
Other financial liabilities									
- Finance lease liabilities	783	-	-	-	-	-	-	528	528
2016									
Financial liabilities									
Other financial liabilities									
- Finance lease liabilities	693	-	-	-	-	-	-	638	638

Level 3 fair value

Fair value of financial instruments not carried at fair value

The fair value of finance lease liabilities are determined using the discounted cash flows method based on discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders.

The Board of Directors reviews and agrees policies and procedures for managing each of these risks and they are summarised below.

(a) 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 primarily from trade and other receivables. The Company's exposure to credit risk arises principally from loan and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

The management has in place a credit procedure to monitor and minimise the exposure of default. Trade and other receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Due to the Group's large number of customer, concentration of credit risk with respect to receivables is limited except for one major customer which accounted for 58% (2016: 26%) of trade receivables.

Credit risk concentration profile

The Group determines the credit risk of its trade receivables by geographic region on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2017		2016	
	RM'000	%	RM'000	%
Domestic	19,541	93%	3,269	24%
Foreign	1,394	7%	10,361	76%
	20,935	100%	13,630	100%

Financial assets that are neither past due not impaired

Information regarding trade receivables that are neither past due not impaired are disclosed in Note 11 to the financial statements. Deposits with banks and other financial institutions are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Related companies balances

The Company provides advances to subsidiaries. The maximum exposure to credit risk is represented by its carrying amount in the statement of financial position as at the end of the financial year.

As at the end of the reporting period, there was no indication that the advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to subsidiaries.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk (cont'd)

Financial guarantee

The Company provides secured corporate guarantees to banks in respect of banking facilities granted to the subsidiaries.

The maximum exposure to credit risk amounted to RM35,227,000 (2016: RM37,800,000) representing the outstanding credit facilities of subsidiaries guaranteed by the Company as at the end of the reporting date. At the reporting date, there was no indication that the subsidiary would default on its repayments. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The financial guarantee has not been recognised since the fair value on initial recognition was not material.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risks arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		Contractual cash flows			
	Carrying amount RM'000	**On demand or within 1 year RM'000**	**Between 1 and 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Group					
2017					
Financial liabilities					
Trade and other payables, excluding GST payable	52,289	52,289	-	-	52,289
Loans and borrowings	43,820	8,087	21,495	23,449	53,031
	96,109	60,376	21,495	23,449	105,320
2016					
Financial liabilities					
Trade and other payables, excluding GST payable	35,833	35,833	-	-	35,833
Loans and borrowings	46,528	7,321	16,456	31,245	55,022
	82,361	43,154	16,456	31,245	90,855

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount RM'000	<----Contractual cash flows---- On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	Total RM'000 ---->
Company					
2017					
Financial liabilities					
Trade and other payables	117	117	-	-	117
Financial guarantee	-	35,227	-	-	35,227
	117	35,344	-	-	35,344
2016					
Financial liabilities					
Trade and other payables	187	187	-	-	187
Loans and borrowings	3,000	3,000	-	-	3,000
Financial guarantee	-	37,800	-	-	37,800
	3,187	40,987	-	-	40,987

(c) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales, purchases, deposits with licensed bank and borrowings that are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries. The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"), Hong Kong Dollar ("HKD"), Singapore Dollar ("SGD") and Brunei Dollar ("BND").

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

The Group's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

			Group		
	USD RM'000	HKD RM'000	SGD RM'000	BND RM'000	Total RM'000
2017					
Trade and other receivables	-	19,317	1,326	269	20,912
Deposits, cash and bank balances	300	3,365	4,041	1,004	8,714
Loans and borrowings	-	-	(3,336)	-	(3,336)
Trade and other payables	(10,744)	(20,436)	(1,590)	(441)	(33,211)
	(10,444)	2,246	441	832	(6,921)
2016					
Trade and other receivables	11,743	1,579	4,422	138	17,882
Deposits, cash and bank balances	8,788	566	2,634	2,014	14,002
Loans and borrowings	-	-	(3,556)	-	(3,556)
Trade and other payables	(17,417)	(3,483)	(340)	(535)	(21,775)
	3,114	(1,338)	3,160	1,617	6,553

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible changes in the USD, HKD, SGD and BND, with all the variables held constant on the Group's profit for the financial year.

		Group	
		2017	**2016**
		RM'000	**RM'000**
		Effect on profit for the financial year	
USD/RM	- strengthen by 10%	(794)	237
	- weaken by 10%	794	(237)
HKD/RM	- strengthen by 10%	171	(102)
	- weaken by 10%	(171)	102
SGD/RM	- strengthen by 10%	34	240
	- weaken by 10%	(34)	(240)
BND/RM	- strengthen by 10%	63	123
	- weaken by 10%	(63)	(123)

(d) Interest rate risk

The Group's primary interest rate risk relates to deposits with licensed banks and borrowings. Deposits with licensed banks with fixed rate are exposed to a risk of change in 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 Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The interest rate relating to deposits with licensed banks and borrowings are disclosed in Notes 13(b) and 18(b) to the financial statements respectively.

The Company provides advances to its subsidiaries at an interest of 5.5% (2016: 5.5%) per annum and are repayable on demand.

Sensitivity analysis for interest rate risk

As at the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM327,000 (2016: RM348,000) and Nil (2016: RM23) higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(e) Market price 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.

29. OPERATING LEASE COMMITMENTS

The Group leases a number of outlets in the shopping malls under operating leases for average lease term between one to three years, with option to renew the lease at the end of the lease term. Lease payments are increased every renewal of tenancy agreement to reflect market rentals.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
- Not later than one year	10,750	9,635
- More than one year and not later than five years	15,782	13,328
	26,532	22,963

30. RELATED PARTIES

(a) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decision, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:
(i) Company's ultimate holding company as disclosed in Note 1 to the financial statements;
(ii) Subsidiaries as disclosed in Note 8 to the financial statements;
(iii) Entities in which directors have substantial financial interests;
(iv) Entities in which director has a close member of the family;
(v) Entities in which the minority interest shareholders has significant financial interest; and
(vi) Key management personnel of the Group's and the Company's holding company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ultimate holding company				
Dividend paid	1,963	4,580	1,963	4,580
Subsidiaries				
Dividend income	-	-	(2,090)	(4,396)
Interest income	-	-	(1,156)	(1,132)
Management fees	-	-	6	6
Rental expenses	-	-	60	60

30. RELATED PARTIES (cont'd)

(b) Significant related party transactions (cont'd)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
An entity in which the Director has a close member of the family				
Sales of goods	1,517	3,000	-	-
Purchases	2,405	7,280	-	-
Management fee paid	411	400	-	-
Commission paid	-	37	-	-
An entity in which the minority interest shareholders has significant financial interest				
Sales	-	4,975	-	-
Commission paid	-	497	-	-

(c) Compensation of key management personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group and of the Company.

The directors are the key personnel of the Group and of the Company. Information of directors' remuneration is disclosed in Note 23(a) to the financial statements.

31. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal management reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Director (chief operating decision maker) and the Board of Directors for the purpose of making decisions about resource allocation and performance assessment.

The three reportable operating segments are as follows:

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

<u>Segment profit</u>
Segment performance is measured based on segment profit after tax, interest, and depreciation, as included in the internal management reports that are reviewed by the Group's Chief Executive Director and the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most 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.

31. SEGMENT INFORMATION (cont'd)

Segment assets
The total of segment assets is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Director and the Board of Directors.

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 Group's Chief Executive Director and the Board of Directors.

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

	Note	Retail, design and distribution RM'000	Manufacturing RM'000	Investment holding and property investment RM'000	Eliminations RM'000	Consolidated RM'000
2017						
Revenue						
Revenue from external customers		182,146	10,092	199	-	192,437
Inter-segment revenue	(a)	84,082	34,208	19,100	(137,390)	-
Total revenue		266,228	44,300	19,299	(137,390)	192,437
Segment results		4,145	2,478	24,925	(14,163)	17,385
Included in the measurement of segment results are:						
Interest income		106	141	352	(364)	235
Interest expense		(1,921)	(181)	(1,063)	1,495	(1,670)
Depreciation of property, plant and equipment and investment properties		(2,648)	(442)	(340)	-	(3,430)
Rental expenses of premises		(12,813)	(109)	(346)	1,212	(12,056)
Income tax expense		(3,063)	(1,111)	(638)	814	(3,998)
Assets:						
Segment assets		300,600	55,891	144,151	(151,354)	349,288
Included in the measurement of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets		2,073	591	1,275	-	3,939
Liabilities:						
Segment liabilities		155,207	18,629	22,417	(97,471)	98,782

31. SEGMENT INFORMATION (cont'd)

	Note	Retail, design and distribution RM'000	Manufacturing RM'000	Investment holding and property investment RM'000	Eliminations RM'000	Consolidated RM'000
2016						
Revenue						
Revenue from external customers	(a)	177,654	8,831	191	-	186,676
Inter-segment revenue		66,477	29,754	2,354	(98,585)	-
Total revenue		244,131	38,585	2,545	(98,585)	186,676
Segment results		8,971	2,200	7,181	(8,263)	10,089
Included in the measurement of segment results are:						
Interest income		69	24	223	(194)	122
Interest expense		(1,861)	(165)	(1,018)	1,326	(1,718)
Depreciation of property, plant and equipment and investment properties		(3,117)	(435)	(330)	-	(3,882)
Rental expenses of premises		(12,678)	(115)	(403)	1,286	(11,910)
Income tax expense		(3,841)	(728)	(12)	(17)	(4,598)
Assets:						
Segment assets		331,740	57,792	130,819	(175,619)	344,732
Included in the measurement of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets		2,191	98	3	87	2,379
Liabilities:						
Segment liabilities		151,237	18,608	27,902	(112,667)	85,080

(a) Inter-segment revenue are eliminated on consolidation.

(b) Geographical information

The following table provides an analysis of the Group's revenue and non-current assets, excluding financial instruments and deferred tax assets by geographical segment:

	Group			
	Revenue		Non-current assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	137,656	120,906	53,816	54,368
Hong Kong	40,199	45,177	-	242
Others	14,582	20,593	5,239	5,501
	192,437	186,676	59,055	60,111

(c) Major customers

The Group has a diversified range of customers varying from retail customers and wholesale customers. There were no significant concentration of revenue during the financial year.

32. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a debt to equity, which is net debts divided by total equity. Net debt comprises borrowings and trade and other payables, less cash and bank balances whereas total capital comprises the equity attributable to equity holders of the Group.

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Loans and borrowings	43,820	46,528	-	3,000
Trade and other payables	52,354	35,833	117	187
	96,174	82,361	117	3,187
Less: Cash and cash equivalents	(33,263)	(47,324)	(1,585)	(523)
Net debt	62,911	35,037	(1,468)	2,664
Total equity	250,506	259,652	78,184	76,427
Debt-to-equity ratio	25%	13%	-	3%

33. COMPARATIVE FIGURES

The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were audited by another firm of Chartered Accountants who issued an unmodified opinion in their report dated 21 April 2017.

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of disposal and deregistration of subsidiaries during the financial year are disclosed in Note 8 to the financial statements.

35. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were no significant events subsequent to the end of the financial year.

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, **CHOONG KAI FATT** and **CHOONG KHOI ONN**, being two of the directors of DeGem Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements as set out on pages 47 to 103 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

....
CHOONG KAI FATT
Director

....
CHOONG KHOI ONN
Director

Kuala Lumpur

Date: 18 April 2018

Statutory Declaration

Pursuant to Section 251(1) of the Companies Act 2016

I, **CHOONG KHOI ONN**, being the director primarily responsible for the financial management of DeGem Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements as set out on pages 47 to 103 are 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.

....

CHOONG KHOI ONN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 18 April 2018.

Before me,

Independent Auditors' Report

to the members of DeGem Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DeGem Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 47 to 103.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and theirs cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Inventories (Note 4(a) and Note 10 to the financial statements)

The Group's inventories are measured at lower of cost and net realisable value. Judgement is required in estimating their net realisable values and identifying slow-moving inventories.

Our response:

Our audit procedures included, among others:

- reviewing the design and implementation of controls associated with monitoring and detection and write down/off of slow-moving inventories;
- attending year end physical inventory count to observe physical existence and condition of the finished goods and reviewing the design and assessing the implementation of controls during the count;
- performing the review of the audit working paper of the signficant component auditor;
- reviewing subsequent sales and the Group's assessment on estimated net realisable value on selected samples of inventory items; and
- reviewing whether the inventories have been written down to their net realisable values, if any, for inventory items with net realisable values lower than their costs.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 8 to the financial statements.

Other Matters

1. The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were audited by another firm of Chartered Accountants who issued an unmodified opinion in their report dated 21 April 2017.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ng Boon Hiang
No. 02916/03/2020 (J)
Chartered Accountant

Kuala Lumpur

Date: 18 April 2018

Analysis of Shareholdings
as at 30 March 2018

SHARE CAPITAL

Issued and fully paid-up capital	:	RM67,000,000/-
Class of Shares	:	Ordinary shares
No. of Shareholders	:	921
Voting rights	:	1 vote per ordinary share
No. of Treasury Shares held	:	3,167,900 ordinary shares

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Share Held	%
Less than 100	26	2.82	780	0.00
100 - 1,000	488	52.99	118,640	0.09
1,001 - 10,000	308	33.44	1,277,280	0.98
10,001 - 100,000	74	8.03	2,128,600	1.63
100,001 to less than 5% of issued shares	22	2.39	27,762,250	21.22
5% and above of issued shares	3	0.33	99,544,550	76.09
	921	100.00	130,832,100	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Legion Master Sdn. Bhd.	75,968,634	58.07
2.	Cartaban Nominees (Asing) Sdn. Bhd. (Exempt an for Standard Chartered Bank Singapore (EFGBHK-Asing)	13,195,900	10.09
3.	DB (Malaysia) Nominee (Asing) Sdn. Bhd (Exempt an for Deutsche Bank AG Singapore (PWM Asing)	10,380,016	7.93.
4.	Kenanga Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Teh Yean Teong (021)	5,637,200	4.31
5.	Amsec Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Cherie Sumana Weerasena)	4,326,000	3.31
6.	Amsec Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Teh Yean Teong)	4,300,000	3.29
7.	Dato' Hasan bin M. Taib	3,000,000	2.29
8.	Choong Kay Cheong	2,508,000	1.92
9.	Choong Sin Cheong	2,500,000	1.91
10.	Amsec Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account – Ambank (M) Berhad for Teh Yean Teong (SMART)	1,432,800	1.10
11.	Choong Khoi Onn	640,000	0.49

LIST OF THIRTY LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares Held	%
12.	Peninsular Logistic Sdn. Bhd.	591,150	0.45
13.	Lai Moi Foong	512,700	0.39
14.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Wong Yee Hui)	481,400	0.37
15.	Yeoh Mooi Kim	274,600	0.21
16.	Kenanga Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Cheong Chen Yue)	242,200	0.19
17.	Yeoh Phek Leng	225,000	0.17
18.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Lim Bee Ying)	165,100	0.13
19.	Maybank Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Lau Eng Guang)	162,000	0.12
20.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. (Deutsche Bank AG Singapore For Yeoman 3-Rights Value Asia Fund (PTSL)	150,000	0.11
21.	Ong Bee Lian	148,800	0.11
22.	Yeoh Mooi Geck	124,000	0.09
23.	Choong Khoi Onn	120,000	0.09
24.	Onn Ping Lan	119,300	0.09
25.	Yeoh Pei Kee	102,000	0.08
26.	Kenanga Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Teh Siew Wah (021))	93,000	0.07
27.	Susy Ding	88,100	0.07
28.	Nik Anida binti Nik Manshor	75,000	0.06
29.	Nik Awang @ Wan Azmi bin Wan Hamzah	75,000	0.06
30.	Maggie Leong Mei Kay	71,000	0.05
		127,708,900	97.61

Substantial Shareholders

(As shown in the Register of Substantial Shareholders)

	No. of ordinary Shares			
Name of Substantial Shareholders	**Direct**	**%**	**Indirect**	**%**
Legion Master Sdn. Bhd.	75,968,634	58.07	-	-
Choong Kai Soon	-	-	76,243,234*#	58.28
Yeoh Mooi Kim	274,600	0.21	-	-
Choong Kai Fatt	-	-	75,968,634*	58.07
Choong Khoi Onn	760,000	0.58	75,968,634*	58.07
Choong Sin Cheong	2,500,000	1.91	75,968,634*	58.07
Choong Kay Cheong	2,508,000	1.92	75,968,634*	58.07
Teh Yean Teong	11,387,200	8.70	-	-

* Deemed interested by virtue of his direct/indirect shareholdings in Legion Master Sdn. Bhd.
# Deemed interest through his spouse's shareholding by virtue of Section 59(11)(c) of the Companies Act, 2016.

Statement Of Directors' Shareholdings

	No. of ordinary Shares			
Directors' Name	**Direct**	**%**	**Indirect**	**%**
Dato' Hasan bin M. Taib	3,000,000	2.30	-	-
Choong Kai Soon	-	-	76,243,234*#	58.28
Choong Kai Fatt	-	-	75,968,634*	58.07
Choong Khoi Onn	760,000	0.58	75,968,634*	58.07
Choong Kay Cheong	2,508,000	1.92	75,968,634*	58.07
Leou Thiam Lai	-	-	-	-
Datuk Zainun Aishah binti Ahmad	-	-	-	-
Dato' Koh Hong Sun	-	-	-	-

* Deemed interested by virtue of his direct/indirect shareholdings in Legion Master Sdn. Bhd.
# Deemed interest through his spouse's shareholding by virtue of Section 59(11)(c) of the Companies Act, 2016.

Properties of The Group

The Landed Properties of DeGem Group are as follows:

Registered Owner	Description	Location	Date of Acquisition	Exixting Use	Tenure	Total Area sq.ft	Age of Building (Years)	NBV @ 31.12.2017
P.Y.T Jewel & Time Sdn Bhd	One Six Storeys Shop Office Located at 10 Boulevard, Damansara	No. B-G-30 Block B, 10 Boulevard, Damansara, Jalan Cempaka Kg. Sg. Kayu Ara 47400 Petaling Jaya Selangor.	31.07.2008	Investment Property	99 years Leasehold	20,303	10	5,685,086
Diamond Mart Sdn Bhd	Two Continuous Three Storeys Mid Terraced Shop Offices	No. 40 & 42, Jalan Maarof, Bangsar Baru, 59100 KL	21.02.2001	Boutique and Office	Freehold	2,040 each	24	6,806,589
	One Single Storey Bungalow	No.20, Jalan 1/4 Old Town, 46000 Petaling Jaya, Selangor.	30.11.2011	Investment Property	99 years Leasehold	4,168	53	186,739
Telenaga Sdn Bhd	Two Continuous Three Storeys Mid Terraced Shop Offices	No. 44 & 46, Jalan Maarof, Bangsar Baru, 59100 KL	19.11.1998	Boutique and Office	Freehold	2,040 each	24	4,093,168
	Office Suite	16-1, Menara 1MK, Komplek '1 Mont Kiara', No.1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur	01.08.2017	Office	Freehold	1,448	11	984,640
DeGem Prestige Sdn Bhd	4 1/2 Storey Shophouse Leasehold Land - 70% Leasehold Buildings -30%	No.100, Lorong Mamanda 2, Taman Dato Ahmad Razali 68000 Ampang, Selangor	30.04.2006	Boutique	99 years Leasehold	1,650	29	2,112,362
Tong Yek Jewellers Sdn Bhd	Two Continuous Commercial Lots Located on the Ground Floor of Wisma Punca Emas	No.G14 and G22, Wisma Punca Emas, Jalan Yam Tuan, Seremban	30.03.1985	Investment Property	Freehold	394	32	1

The Landed Properties of DeGem Group are as follows:

Registered Owner	Description	Location	Date of Acquisition	Exixting Use	Tenure	Total Area sq.ft	Age of Building (Years)	NBV @ 31.12.2017
Diamond & Platinum Sdn Bhd	3 1/2 Storey Shop Office	Unit E2-02A(E/1-48), Block E, Jalan PJU1A/3M, Taipan Damansara, 47301 Petaling Jaya, Selangor.	03.01.2011	Warehouse	Freehold	1,647	8	903,000
	A unit of Small Office Flexible Office	Lot No.B-22-10, Phase 2D02 Bandar Setia Alam.	14.12.2011	Hostel	Freehold	788	4	436,100
	One Single Storey Bungalow	47, Jalan Maarof, Bangsar, 59100, Kuala Lumpur.	01.04.2014	Investment Property	Freehold	6,458	26	6,536,322
	One Single Storey Bungalow	49, Jalan Maarof, Bangsar, 59100, Kuala Lumpur.	06.02.2015	Investment Property	Freehold	6,631	5	8,087,465
Inticraft Sdn Bhd	Semi-Detached Showroom Factory	Unit No.9, Lorong Teknologi C, Taman Sains Selangor 1, PJU 5, Kota Damansara 47810 Petaling Jaya Selangor	26.02.2013	Factory	99 years Leasehold	8,379	5	4,208,977
	3-Storey Apartment with 8 units	Lot 303, (No.6) Lengkok Abdullah Off Jalan Abdullah Bangsar, 59000 Kuala Lumpur	15.05.2013	Hostel	Freehold	10,086	5	5,313,974
DeGem International Pte Ltd	One unit of Condominium	806, Thomson Road, #15-09, Singapore 298189	28.07.2011	Investment Property	Freehold	1,399	18	4,788,608
								50,143,030

Directory of DeGem Group Showrooms

DeGem

www.degemdiamond.com

Kuala Lumpur

1. **Bangsar Baru**
No. 40-46
Jalan Maarof
Bangsar Baru
59100 Kuala Lumpur
Tel: 03-2282 3618
Fax: 03-2282 4960

2. **Pavilion**
Lot 3.02, Level 3
The Pavilion Kuala Lumpur
168 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 03-2141 1199
Fax: 03-2142 8180

The Gardens
G-213B, Ground Floor
The Gardens Mall
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-2283 2618
Fax: 03-2282 9618

Selangor

4. **1 Utama Shopping Complex Selangor**
G302, GF, 1 Utama Shopping Centre (Phase 2A)
No.1, Lebuh Bandar Utama
47800 Petaling Jaya
Selangor
Tel: 03-7725 8218
Fax: 03-7725 8217

5. **Ampang Point Selangor**
No. 99-100, Lorong Mamanda 2
Taman Dato' Ahmad Razali
68000 Ampang
Selangor
Tel: 03-4256 2227
Fax: 03-4256 2766

Singapore

6. **The Shoppes At Marina Bay Sands**
01-03/04
1 Bayfront Avenue
Marina Bay Hotel Tower
Singapore 018971
Tel: 65-6688 7032
Fax: 65-6688 7033

www.diamondnplatinum.com

Kuala Lumpur

1. **Mid Valley Megamall**
Lot No G-068, Ground Floor
South Court, Mid Valley Megamall
Mid Valley City, 58200 Kuala Lumpur
59100 Kuala Lumpur
Tel: 03-2938 3478

2. **Sungei Wang Plaza**
Lot LG137, Lower Ground Floor
Sungei Wang Plaza
Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 03-2145 3478

3. **MyTown Shopping Centre (Newly Open)**
Lot No. G-040, Ground Floor
My Town Shopping Centre
No. 6, Jalan Cochrane, Seksyen 90,
55100 Kuala Lumpur
Tel: 03-9226 6478

Selangor

4. **Sunway Pyramid**
Lot G1.133, Ground Floor
Sunway Pyramid Shopping Mall
No. 3, Jalan PJS11/15
Bandar Sunway
46150 Petaling Jaya
Selangor
Tel: 03-7492 2478

5. **1 Utama Shopping Centre**
Lot F128 & F129, 1st Floor
1 Utama Shopping Centre
No.1, Lebuh Bandar Utama Damansara
47800 Petaling Jaya
Selangor
Tel: 03-7725 3478

6. **The Curve Mutiara Damansara**
Lot G59 & G60, Ground Floor
The Curve, Jalan PJU 7/3
Mutiara Damansara
47800 Petaling Jaya
Selangor
Tel: 03-7728 2478

7. **AEON Bukit Tinggi Shopping Centre**
Lot G60, Ground Floor
Aeon Bukit Tinggi Shopping Centre
No.1, Persiaran Batu Nilam, 1/KS6
Bandar Bukit Tinggi
41200 Klang
Selangor
Tel: 03-3326 2478

8. **Subang Parade**
Lot G18,Ground Floor, Subang Parade
No 5, Jalan SS16/1
47500 Subang Jaya
Selangor
Tel: 03-5635 3478

9. **Setia City Mall**
UG-13 Setia City Mall
No.7 Persiaran Setia Dagang
Sek U13, 40170 Setia Alam
Selangor
Tel: 03-3345 6478

Directory of DeGem Group Showrooms (cont'd)

Diamond & Platinum

www.diamondnplatinum.com

Johor

10. **Paradigm Mall**
UG-41A, Paradigm Mall Johor Bahru
Jalan Skudai
81200 Johor Bahru, Johor
Tel: 07-234 0478

Penang

11. **Queensbay Mall**
Lot 107 & 108, Ground Floor
Queensbay Mall
100 Persiaran Bayan Indah
Sungai Nibong
11900 Penang
Tel: 04-642 2478

12. **Gurney Plaza**
170-G-47B, Ground Floor
Plaza Gurney
Persiaran Gurney
10250 Penang
Tel: 04-226 3478

Perak

13. **Ipoh Parade**
Lot G32, Ground Floor
Ipoh Parade
105 Jalan Sultan Abdul Jalil
Greentown
30450 Ipoh, Perak
Tel: 05-242 3478

Sarawak

14. **Vivacity Megamall**
G-0578, Ground Floor
Vivacity Megamall
Jalan Wan Alwi
93350 Kuching, Sarawak
Tel: +6082-263648

Brunei

15. **Abdul Razak Complex**
Lot G-05 & 06, Ground Floor
The Mall, Abdul Razak Complex
Gadong BE3519
Brunei Darussalam
Tel: +673-242 8478

JEOEL
www.jeoel.com

www.jeoel.com

Kuala Lumpur

1. **Sunway Velocity Mall**
Unit G-46, Ground Floor
Sunway Velocity Mall
Lingkaran SV, Sunway Velocity
55100 Kuala Lumpur
Tel: 03-9286 7210

Selangor

2. **1 Utama Shopping Centre**
Lot F213a, First Floor
1 Utama Shopping Centre
Lebuh Bandar Utama, Bandar Utama
47800 Petaling Jaya
Selangor
Tel: 03-7733 1650

3. **Sunway Pyramid**
Lot LG1.02A, Lower Ground One
Sunway Pyramid Shopping Mall
No 3, Jalan PJS11/15 Bandar Sunway
46150 Petaling Jaya
Selangor
Tel: 03-5613 0080

4. **IPC Shopping Center**
G.25, Ground Floor
IPC Shopping Center
No. 2, Jalan PJU 7/2, Mutiara Damansara
47800 Petaling Jaya
Selangor
Tel: 03-7731 8031

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DEGEM BERHAD (415726-T)
(Incorporated in Malaysia)

Proxy Form

I/We ____
(FULL NAME AS PER NRIC / CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

Company No./NRIC No.(new)______________________(old)______________________

of____
(FULL ADDRESS)

being a member(s) of DEGEM BERHAD hereby appoint:

______________________NRIC No (new).______________(old).______________

or failing him/her,______________________NRIC No. (new) ______________(old).______________

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 21st Annual General Meeting ("AGM") of the Company to be held at Banyan Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 7 June 2018 at 10.30 a.m. and at any adjournment thereof.
(strike out whichever is not desired)*

The proportions of my/our holdings to be represented by my/our proxy(ies) are as-follows :-
Proxy 1 %
Proxy 2 _______ %
_______ %

(Should you desire to direct your Proxy as to how to vote on the Resolutions set out in the Notice of Meeting, please indicate an "X" in the appropriate space. Unless otherwise instructed, the proxy may vote or abstain from voting at his discretion.)

NO.	RESOLUTIONS	FOR	AGAINST
1.	Ordinary Resolution 1- Re-election of Dato' Hasan bin M. Taib as Director		
2.	Ordinary Resolution 2- Re-election of Mr. Choong Khoi Onn as Director		
3.	Ordinary Resolution 3- Re-election of Mr. Leou Thiam Lai as Director		
4.	Ordinary Resolution 4-To approve the payment of Directors' fees for the financial year ended 31 December 2017		
5.	Ordinary Resolution 5- To approve the payment of Directors' benefits from the 21st AGM until the 22nd AGM		
6.	Ordinary Resolution 6- To re-appoint Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration		
7.	Ordinary Resolution 7 - Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
8.	Ordinary Resolution 8 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
9.	Ordinary Resolution 9 - Proposed Renewal of Authority For Share Buy-Back		
10.	Ordinary Resolution 10 - Continuing in Office of Mr. Leou Thiam Lai as Independent Non-Executive Director		
11.	Ordinary Resolution 11 - Continuing in Office of Datuk Zainun Aishah binti Ahmad as Independent Non-Executive Director		

Dated this............................day of..........................., 2018

No. of Shares Held:	
CDS Account No.:	
Tel. No. (during office hours):	

....
Signature/Common Seal of Member(s)

Notes:
1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint up to 2 proxies to attend and vote instead of him/her. Where a member appoints 2 proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.
2. Where a member of the Company is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
3. In the case of a corporate body, the proxy appointed must be in accordance with the Memorandum and Articles of Association, and the instrument appointing a proxy shall be given under the Company's Common Seal or under the hand of an officer or attorney duly authorised.
4. The Form of Proxy must be deposited at the Share Registrar's Office, Symphony Share Registrar Sdn. Bhd., Pusat Dagangan Dana 1, Jalan PJU Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor not less than 48 hours before the time set for the meeting or any adjournment thereof.
5. **General Meeting Record of Depositors**
For purposes of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 54(c) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 31 May 2018 and a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his stead.

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Affix
Stamp
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Share Registrar

Symphony Share Registrars Sdn Bhd
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor.

Please fold here

DeGem Berhad (415726-T)

No. 42 First Floor,
Jalan Maarof, Bangsar Baru,
59000 Kuala Lumpur.
Tel : 603 2284 4794
Fax : 603 2284 4864
Email : info@degembhd.com

www.degembhd.com