DeGem Berhad (415726-T)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER ENDED 31.03.2018 **RM'000**	PRECEDING YEAR CORRESPONDING QUARTER ENDED 31.03.2017 **RM'000**	CURRENT YEAR TO DATE ENDED 31.03.2018 **RM'000**	PRECEDING YEAR CORRESPONDING YEAR TO DATE ENDED 31.03.2017 **RM'000**
Revenue	37,804	43,286	37,804	43,286
Cost of sales	(22,200)	(23,526)	(22,200)	(23,526)
Gross Profit	15,604	19,760	15,604	19,760
Other Income	1,434	975	1,434	975
Administrative expenses	(7,660)	(8,359)	(7,660)	(8,359)
Other operating expenses	(9,003)	(8,501)	(9,003)	(8,501)
Finance costs	(235)	(336)	(235)	(336)
Profit before tax	140	3,539	140	3,539
Tax expense *(Note B5)*	(1,004)	(974)	(1,004)	(974)
(Loss)/Profit for the period	(864)	2,565	(864)	2,565
Profit attributable to:				
Owners of the Company	(876)	3,005	(876)	3,005
Non-controlling interests	12	(440)	12	(440)
(Loss)/Profit for the period	(864)	2,565	(864)	2,565
Basic earnings per ordinary share (sen) *(Note B11)*	(0.67)	2.30	(0.67)	2.30

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017)

DeGem Berhad (415726-T)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER ENDED 31.03.2018 **RM'000**	PRECEDING YEAR CORRESPONDING QUARTER ENDED 31.03.2017 **RM'000**	CURRENT YEAR TO DATE ENDED 31.03.2018 **RM'000**	PRECEDING YEAR CORRESPONDING YEAR TO DATE ENDED 31.03.2017 **RM'000**
(Loss)/Profit for the period	(864)	2,565	(864)	2,565
Other comprehensive income, net of tax:				
Foreign currency translation differences for foreign operations	(928)	543	(928)	543
Total comprehensive income for the period	(1,792)	3,108	(1,792)	3,108
Total comprehensive income attributable to:				
Owners of the Company	(1,804)	3,304	(1,804)	3,304
Non-controlling interests	12	(196)	12	(196)
Total comprehensive income for the period	(1,792)	3,108	(1,792)	3,108

(The Condensed Consolidated Statements of Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017)

DeGem Berhad (415726-T)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	As at 31.03.2018 RM'000 *(Unaudited)*	As at 31.12.2017 RM'000 *(Audited)*
ASSETS		
Non-current assets		
Property, plant and equipment	28,892	29,563
Investment properties	29,265	29,493
Goodwill	-	-
Deferred tax assets	917	1,713
	59,074	60,769
Current assets		
Inventories	212,100	215,308
Trade and other receivables	25,167	38,578
Prepayments and other assets	1,290	2,128
Current tax assets	2,493	1,898
Cash and cash equivalents	31,403	35,767
	272,453	293,679
TOTAL ASSETS	**331,527**	**354,448**
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	77,435	77,455
Reserves	170,054	171,858
	247,489	249,313
Non-controlling interests	1,225	1,213
Total equity	**248,714**	**250,526**
LIABILITIES		
Non-current liabilities		
Loans and borrowings	37,099	38,035
Deferred tax liabilities	601	582
	37,700	38,617
Current liabilities		
Loans and borrowings	6,105	5,785
Trade and other payables	37,290	57,599
Deferred revenue	1,478	1,440
Current tax liabilities	240	501
	45,113	65,325
Total liabilities	**82,813**	**103,942**
TOTAL EQUITY AND LIABILITIES	**331,527**	**354,468**
Net assets per share (RM)	1.90	1.91

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017)

DeGem Berhad (415726-T)

CONDESED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018

	<------------------------ Attributable to owners of the Company					------------------------>		
	< ---------- Non-distributable			------------->	Distributable			
	Share capital RM'000	Share premium RM'000	Other reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018	77,435	-	4,211	(3,202)	170,849	249,293	1,213	250,506
Total comprehensive income for the period	-	-	(928)	-	(876)	(1,804)	12	(1,792)
Shares repurchased	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-
At 31 March 2018	**77,435**	**-**	**3,283**	**(3,202)**	**169,973**	**247,489**	**1,225**	**248,714**
At 1 January 2017	67,000	10,435	16,048	(3,194)	155,457	245,746	13,906	259,652
Total comprehensive income for the period	-	-	299	-	3,005	3,304	(196)	3,108
Shares repurchased	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-
At 31 March 2017	**67,000**	**10,435**	**16,347**	**(3,194)**	**158,462**	**249,050**	**13,710**	**262,760**

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017)

DeGem Berhad (415726-T)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR-TO-DATE ENDED 31 MARCH 2018
These figures have not been audited

	31.03.2018 RM'000	31.03.2017 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	140	3,539
Adjustments for:		
Depreciation	839	854
Interest expense	235	336
Provision for slow moving inventory	171	55
Property, plant and equipment written off	140	3
Gain on disposal of property, plant and equipment	(48)	-
Interest income	(34)	(78)
Unrealised foreign exchange loss / (gain)	1,096	(383)
Operating profit before working capital changes	2,539	4,326
Inventories	3,037	(6,765)
Receivables	14,250	2,221
Payables	(21,366)	(4,067)
Cash used in operations	(1,540)	(4,285)
Interest paid	(235)	(336)
Income tax paid	(959)	(771)
Interest received	34	78
Net cash used in operating activities	(2,700)	(5,314)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(390)	(14)
Proceeds from disposal of property, plant and equipment	51	-
Net cash used in investing activities	(339)	(14)
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment from borrowings	(713)	(2,620)
Payment of finance lease liabilities	(54)	(97)
Share repurchased		
Net cash used in financing activities	(767)	(2,717)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,806)	(8,045)
Effects of foreign exchange rate changes	(811)	988
CASH AND CASH EQUIVALENTS AT 1 JANUARY	31,940	47,325
CASH AND CASH EQUIVALENTS AT 31 MARCH	**27,323**	**40,268**

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2018
A. EXPLATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

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

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

The accounting policies applied by the Group in these interim financial statements are consistent with those applied by the Group in its annual audited financial statements for the year ended 31 December 2017 except for the adoption of the following Amendments to Standards during the current financial period:

A2. Changes in Accounting Policies

The significant accountig policies adopted by the Group are consistent with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of the following new Malaysian Financial Reporting Standards("MFRSs") and Amendments to MFRSs with effect from 1 January 2018.

		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (2014)	01-Jan-18
MFRS 15	Revenue from Contracts with Customers	01-Jan-18
Clarifications to MFRS 15	Revenue from Contracts with Customers	01-Jan-18
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	01-Jan-18
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	01-Jan-18
Amendments to MFRS 2	Share-based Payment - Classification and Measurement of Share-based Payment Transactions	01-Jan-18
Amendments to MFRS 128	Investments in Associates and Joint Ventures	01-Jan-18
Amendments to MFRS 140	Investment Property - Transfers of Invetment Property Leases	01-Jan-18
MFRS 16		01-Jan-19
IC Interpretation 23	Uncertainty over Income Tax Treatments	01-Jan-19
Amendments to MFRS 3	Business Combinations	01-Jan-19
Amendments to MFRS 9	Financial Instruments - Prepayment Features with Negative Compensation	01-Jan-19
Amendments to MFRS 11	Joint Arrangements	01-Jan-19
Amendments to MFRS 112	Income Taxes	01-Jan-19
Amendments to MFRS 119	Employee Benefits - Plan amendment, Curtailment and Settlement	01-Jan-19
Amendments to MFRS 123	Borrowing Costs	01-Jan-19
Amendments to MFRS 128	Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Yet to be determined

A3. Audit Qualification

There was no audit qualification in the auditors' report of the Company's previous financial statements for the financial year ended 31 December 2017.

A4. Seasonality or Cyclicality of Operations

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

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

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

A6. Changes in Estimates

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

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

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

During the current quarter, there was no share repurchased. As at 31 March 2018, a total of 3,167,900 shares repurchased were held at a total cost of RM3,201,991.22 The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. None of the treasury shares held were resold or cancelled during the quarter under review and up to the date of this report.

A8. Dividend Paid

There was no dividend paid in respect of the current quarter ended 31 March 2018.

A9. Segmental Information

	Retail RM'000	Manufacturing RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
3 months period ended 31 March 2018					
Revenue					
External	35,097	1,829	878	-	37,804
Inter-segment revenue	7,710	7,961	564	(16,235)	-
Total revenue	42,807	9,790	1,442	(16,235)	37,804
Segment results					
Profit before tax	(648)	483	305	-	140
Tax expense					(1,004)
Loss for the period					(864)
Profit attributable to:					
- Owners of the Company					(876)
- Non-controlling interests					12
Profit for the period					(864)

	Retail RM'000	Manufacturing RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
3 months period ended 31 March 2017					
Revenue					
External	40,907	1,599	780	-	43,286
Inter-segment revenue	17,745	8,102	583	(26,430)	-
Total revenue	58,652	9,701	1,363	(26,430)	43,286
Segment results					
Profit before tax	2,138	1,183	218	-	3,539
Tax expense					(974)
Profit for the period					2,565
Profit attributable to:					
- Owners of the Company					3,005
- Non-controlling interests					(440)
Profit for the period					2,565

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The values of property, plant and equipment have been brought forward without amendments from the previous financial statements for the year ended 31 December 2017.

A11. Material Events Subsequent To The Financial Period

There were no subsequent material events as at the date of this report.

A12. Changes in the Composition of the Company

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

A13. Contingent Liabilities

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

A14. Capital Commitments

The Group did not have any capital commitments which were contracted but not provided for as at 31 March 2018

A15. Significant Related Party Transactions

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

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

B1. Review of Performance

	Current Year Quarter Ended 31/03/2018 RM'000	Preceding Year Quarter Ended 31/03/2017 RM'000	Current Year 31/03/2018 RM'000	Preceding Year 31/03/2017 RM'000
Revenue	37,804	43,286	37,804	43,286
Profit before tax	140	3,539	140	3,539
(Loss)/Profit after tax	(864)	2,565	(864)	2,565

Quarter results

For the quarter under review, the Group recorded a revenue of RM37.8 million and a profit before tax ("PBT") of RM0.14 million as compared with a revenue of RM43.3 million and PBT of RM3.5million respectively for the preceding year corresponding quarter. The decrease in profit was mainly due to the lower sales volume in the retail segment and loss arising from foreign exchange.

Performance for the respective operating business segments for the current year to date as at 31 March 2018 as compared to the previous year's corresponding period is analysed as follows:

1) Retail operations – Segmental revenue decreased by 14% to RM35.1 million compared to RM40.9 million due to lower sales volume. As a result, it reported loss before tax ("LBT") of RM0.65 million as compared to PBT of RM2.1 million in the previous year's corresponding quarter.

2) Manufacturing operations – Segmental revenue at RM1.8 million compared to RM1.6million in the previous year's corresponding quarter due to higher volume of work done during the respective periods. PBT decreased by RM0.7 million in the current quarter mainly due to higher selling and distribution expenses.

3) Others – Segmental revenue at RM0.88 million was comparable to previous year's corresponding period. Hence, segmental profit increased marginally to RM0.3 million from RM0.2 million during the current quarter.

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

	Current Quarter Ended 31/03/2018 RM'000	**Preceding Quarter Ended 31/12/2017 RM'000**
Revenue	37,804	53,281
(Loss)/Profit after tax	(864)	8,495

For the current quarter under review, the Group recorded revenue and Loss after tax of RM37.8 million and RM(0.86) million as compared to RM53.3 million and Profit after tax of RM8.5 million respectively reported in the immediate preceding quarter. The lower revenue mainly was due to lower sales volume from retail operations and loss arising from foreign exchange.

B3. Prospects For Financial Year 2018

Uncertainties arising from the financial issues of global economies will continue to be a challenge. Domestically, the Malaysian economy is projected to grow by 5.5% - 6.0% in 2018, driven mainly by domestic demand. However, the Group's perfomance is also affected by festive seasons, with performance for the first quarter of the year being historically less robust than that of the second half. The Group is cautiously optimistic that the outlook of the Group's operations will remain positive for the remaining financial year. The Group will continue with its efforts to strengthen its brands.

B4. Profit Forecast and Profit Guarantee

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

B5. Taxation

	Individual Quarter		**Cumulative Quarter**	
	Current Year Quarter 31.03.2018 **RM'000**	Preceding Year Quarter 31.03.2017 **RM'000**	Current Year To date 31.03.2018 **RM'000**	Preceding Year Corresponding 31.03.2017 **RM'000**
Income Tax				
- Current period	248	974	248	974
- (Over)/Under provision in prior period	-	-	-	-
Deferred Taxation				
- Current period	-	-	0	0
- Prior period	756	-	756	-
	1,004	974	1,004	974

B6. Status of Corporate Proposals

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

B7. Borrowings and Debt Securities

The Group's borrowings as at 31 March 2018 are as follows:-

	Secured **RM'000**	Total **RM'000**
Current		
Finance lease liabilities	329	329
Bank overdraft	4,081	4,081
Term loans (in RM)	1,590	1,590
Term loans (in SGD)	105	105
	6,105	6,105
Non-current		
Finance lease liabilities	399	399
Term loans (in RM)	33,607	33,607
Term loans (in SGD)	3,093	3,093
	37,099	37,099
Total	43,204	43,204

B8. Material Litigation

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

B9. Dividend

The Board proposed to declare an interim single tier dividend of 1.0 sen per share in respect of the financial year ending 31 December 2018.

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

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

B11. Earnings Per Share

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

	Individual Quarter		**Cumulative Quarter**	
	Current Year Quarter 31.03.2018	Preceding Year Corresponding Quarter 31.03.2017	Current Year To date 31.03.2018	Preceding Year Corresponding Year To Date 31.03.2017
Profit attributable to the owners (RM'000)	(876)	3,005	(876)	3,005
Weighted average number of ordinary shares in issue ('000)	130,832	130,840	130,832	130,840
Basic earnings per share (sen)	-0.67	2.30	-0.67	2.30

Diluted earnings per share is not applicable for the Group.

DeGem Berhad (415726-T)

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

	Individual Quarter		**Cumulative Quarter**	
	Current Year Quarter 31.03.2018 RM'000	Preceding Year Corresponding Quarter 31.03.2017 RM'000	Current Year To date 31.03.2018 RM'000	Preceding Year Corresponding Year To Date 31.03.2017 RM'000
After crediting :-				
Interest Income	34	78	34	78
Foreign exchange gain - unrealised	-	-	-	383
Gain on disposal of property, plant and equipment	48	99	48	99
After charging :-				
Interest Expense	235	336	235	336
Depreciation	839	854	839	854
Allowance on slow moving inventories	171	55	171	55
Property, plant and equipment written off	140	3	140	3
Foreign exchange loss - unrealised	1,096	-	1,096	-

BY ORDER OF THE BOARD

ANDREA HUONG JIA MEI
Company Secretary
MIA 36347

Dated: 25 May 2018