

DeGem Berhad (415726-T)**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER ENDED 31.03.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER ENDED 31.03.2018 RM'000	CURRENT YEAR YEAR TO DATE ENDED 31.03.2019 RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE ENDED 31.03.2018 RM'000
Revenue	33,869	37,804	33,869	37,804
Cost of sales	(18,914)	(22,200)	(18,914)	(22,200)
Gross Profit	14,955	15,604	14,955	15,604
Other Income	460	1,434	460	1,434
Administrative expenses	(6,157)	(7,660)	(6,157)	(7,660)
Other operating expenses	(8,014)	(9,003)	(8,014)	(9,003)
Finance costs	(490)	(235)	(490)	(235)
Profit before tax	754	140	754	140
Tax expense (Note B5)	(246)	(1,004)	(246)	(1,004)
Profit/(Loss) for the period	508	(864)	508	(864)
Profit/(Loss) attributable to:				
Owners of the Company	503	(876)	503	(876)
Non-controlling interests	5	12	5	12
Profit/(Loss) for the period	508	(864)	508	(864)

DeGem Berhad (415726-T)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER ENDED 31.03.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER ENDED 31.03.2018 RM'000	CURRENT YEAR YEAR TO DATE ENDED 31.03.2019 RM'000	PRECEDING YEAR CORRESPONDING YEAR TO DATE ENDED 31.03.2018 RM'000
Profit/(Loss) for the period	508	(864)	508	(864)
Other comprehensive income net of tax				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(140)	(928)	(140)	(928)
Other comprehensive loss for the financial year	(140)	(928)	(140)	(928)
Total comprehensive income/(loss) for the financial year	368	(1,792)	368	(1,792)
Profit/(Loss) attributable to:				
Owners of the Company	363	(1,804)	363	(1,804)
Non-controlling interests	5	12	5	12
Profit/(Loss) for the period	368	(1,792)	368	(1,792)
Basic earnings/(loss) per ordinary share (sen) (Note B11)	0.38	(0.67)	0.38	(0.67)

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018.)

DeGem Berhad (415726-T)**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	As at 31.03.2019 RM'000 (Unaudited)	As at 31.12.2018 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	28,289	29,047
Investment properties	29,035	29,126
Right of use assets	9,894	-
Deferred tax assets	606	634
	<u>67,824</u>	<u>58,807</u>
Current assets		
Inventories	201,796	205,510
Trade and other receivables	13,905	14,039
Current tax assets	2,070	2,066
Other investments	4,438	5,396
Fixed deposits placed with licensed banks	413	1,212
Cash and cash equivalents	34,106	27,182
	<u>256,728</u>	<u>255,405</u>
TOTAL ASSETS	<u>324,552</u>	<u>314,212</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	77,435	77,435
Reserves	170,467	170,104
	<u>247,902</u>	<u>247,539</u>
Non-controlling interests	1,335	1,330
Total equity	<u>249,237</u>	<u>248,869</u>
LIABILITIES		
Non-current liabilities		
Loans and borrowings	35,998	36,619
Right of use - lease liability	4,503	-
Deferred tax liabilities	626	605
	<u>41,127</u>	<u>37,224</u>
Current liabilities		
Loans and borrowings	6,230	3,910
Right of use - lease liability	5,344	-
Trade and other payables	20,619	22,287
Contract liability	1,660	1,631
Current tax liabilities	335	291
	<u>34,188</u>	<u>28,119</u>
Total liabilities	<u>75,315</u>	<u>65,343</u>
TOTAL EQUITY AND LIABILITIES	<u>324,552</u>	<u>314,212</u>
Net assets per share (RM)	1.91	1.90

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018.)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-TO-DATE ENDED 31 MARCH 2019**

	Attributable to owners of the Company ----->					
	< ----->			----->		
	Share capital RM'000	Share premium RM'000	Other reserve RM'000	Exchange reserve RM'000	Treasury shares RM'000	Distributable retained earnings RM'000
At 1 January 2019	77,435	-	2,500	1,274	(3,202)	169,532
Profit for the period, representing the total comprehensive income for the period	-	-	-	-	-	503
Foreign currency translation differences	-	-	-	(140)	-	-
At 31 March 2019	77,435	-	2,500	1,134	(3,202)	170,035
						247,902
						1,335
						249,237
At 1 January 2018	77,435	-	2,500	1,711	(3,202)	170,849
Profit for the period, representing the total comprehensive income for the period	-	-	-	(928)	-	(876)
At 31 March 2018	77,435	-	2,500	783	(3,202)	169,973
						246,999
						1,225
						248,224

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018.)

DeGem Berhad (415728-T)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR-TO-DATE ENDED 31 MARCH 2019***These figures have not been audited*

	31.03.2019 RM'000	31.03.2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	754	140
Adjustments for:		
Depreciation	2,314	839
Interest expense	490	235
Provision for slow moving inventories	348	171
Property, plant and equipment written off	32	140
Loss/(Gain) on disposal of property, plant and equipment	54	(48)
Interest income	(59)	(34)
Unrealised foreign exchange loss	123	1,096
Operating profit before working capital changes	4,056	2,539
Inventories	3,367	3,037
Receivables	(1,490)	14,250
Payables	(1,762)	(21,366)
Cash generated from/(used in) operations	4,171	(1,540)
Interest paid	(8)	(235)
Income tax paid	(159)	(959)
Interest received	59	34
Net cash generated from/(used in) operating activities	4,063	(2,700)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(252)	(390)
Proceeds from disposal of property, plant and equipment	250	51
Withdrawal/(Placement) of fixed deposits	799	(544)
Withdrawal of other investments	959	2,503
Net cash generated from investing activities	1,756	1,620
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment from borrowings	(811)	(713)
Net repayment of finance lease liabilities	(85)	(54)
Interest paid	(482)	-
Net cash used in financing activities	(1,378)	(767)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,441	(1,847)
Effects of foreign exchange rate changes	(134)	(811)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	26,534	28,865
CASH AND CASH EQUIVALENTS AT 31 MARCH	30,841	26,207
Represented by:		
Fixed deposits with licensed banks	413	1,115
Cash and bank	34,106	30,288
	34,519	31,403
Less: Fixed deposits pledged with licensed banks	(413)	(1,115)
Less: Bank overdrafts	(3,265)	(4,081)
	30,841	26,207

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2019**A. EXPLANATORY NOTES PURSUANT TO MFRS 134****A1. Basis of Preparation**

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

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

The accounting policies applied by the Group in these interim financial statements are consistent with those applied by the Group in its annual audited financial statements for the year ended 31 December 2018 except for the adoption of the following Amendments to Standards during the current financial period.

A2. Changes in Accounting Policies**Adoption of new MFRS, amendments / improvements to MFRS and new IC Interpretation ("IC Int")**

The Group and the Company have adopted the following new MFRS, amendments and new IC Int that are mandatory for the current financial year.	-8014.119304 -490.4184561
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New MFRS

MFRS 16 Leases

Amendments/Improvements to MFRSs

MFRS 3 Business Combinations

MFRS 9 Financial Instruments

MFRS 11 Joint Arrangements

MFRS 112 Income Taxes

MFRS 119 Employee Benefits

MFRS 123 Borrowing Cost

MFRS 128 Investments in Associates and Joint Ventures

New IC Int

IC Int 23 Uncertainty over Income Tax Treatments

The adoption of the above new MFRSs, amendments/improvements to MFRS and new IC Int 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.

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

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

* Amendments to References to the Conceptual Framework in MFRS Standards

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

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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 2018.

A4. Seasonality or Cyclicalities 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 2019, 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 2019.

A9. Segmental Information

	Retail, design and distribution	Manufacturing	Investment holding and property investment	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
3 months period ended 31 March 2019					
Revenue					
External	32,655	1,214	-	-	33,869
Inter-segment revenue	6,124	5,638	270	(12,032)	-
Total revenue	38,779	6,852	270	(12,032)	33,869
Segment results					
Profit/(Loss) after tax	158	341	(0.3)	9	508
Profit attributable to:					
- Owners of the Company					503
- Non-controlling interests					5
Profit for the period					508

	Retail, design and distribution	Manufacturing	Investment holding and property investment	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
3 months period ended 31 March 2018					
Revenue					
External	35,975	1,829	-	-	37,804
Inter-segment revenue	7,710	7,961	275	(15,946)	-
Total revenue	<u>43,685</u>	<u>9,790</u>	<u>275</u>	<u>(15,946)</u>	<u>37,804</u>
Segment results					
(Loss)/Profit after tax	<u>(1,123)</u>	<u>338</u>	<u>492</u>	<u>(571)</u>	<u>(864)</u>
Loss attributable to:					
- Owners of the Company					(876)
- Non-controlling interests					<u>12</u>
Loss for the period					<u>(864)</u>

A10. Revenue

Revenue is recognised at point in time.

A11. Valuations of property, plant and equipment

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

A12. Material Events Subsequent To The Financial Period

On 1 April 2019, a foreign subsidiary in Singapore has disposed an investment property for a sale consideration of SGD 2.1 million equivalent to approximately RM 6.3 million.

A13. Changes in the Composition of the Company

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

A14. Contingent Liabilities

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

A15. Capital Commitments

The Group did not have any capital commitments which were contracted but not provided for as at 31 March 2019.

A16. 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 31/03/2019 RM'000	Preceding Year Corresponding Quarter 31/03/2018 RM'000	Current Year To date 31/03/2019 RM'000	Preceding Year Corresponding Year To Date 31/03/2018 RM'000
Revenue	33,869	37,804	33,869	37,804
Profit before tax	754	140	754	140
Profit/(Loss) after tax	508	(864)	508	(864)

Quarter results

For the quarter under review, the Group recorded a revenue of RM33.9 million and a profit after tax of RM0.5 million as compared with a revenue of RM37.8 million and a loss after tax of RM0.9 million for the preceding year corresponding quarter. The increase in profit was mainly due to lower operating cost resulted from the closure of retail outlets in 2018.

Performance for the respective operating business segments for the current quarter ended 31 March 2019 as compared to the previous year's corresponding quarter is analysed as follows:

- 1) Retail operations – Segmental revenue decreased to RM32.7 million in current quarter compared to RM36.0 million in previous year corresponding quarter due to lower sales volume. However it reported a profit after tax of RM0.2 million in the current quarter as compared to a loss after tax of RM1.1 million mainly due to lower operating cost resulted from the closure of retail outlets in 2018.
- 2) Manufacturing operations – Segmental revenue decreased to RM1.2 million in current quarter compared to RM1.8 million in previous year corresponding quarter due to lower sales volume. The profit after tax of RM0.3 million during the current quarter was comparable to previous year's corresponding quarter.
- 3) Investment holding and property investment – There was no segmental revenue recognised in the current quarter and previous year corresponding quarter. Marginal loss was incurred in the current quarter as compared to profit after tax of RM0.5 million in previous year corresponding quarter mainly due to foreign exchange gain recognised in previous year's corresponding quarter.

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

	Current Quarter Ended 31/03/2019 RM'000	Preceding Quarter Ended 31/12/2018 RM'000
Revenue	33,869	44,300
Profit after tax	508	271

For the current quarter under review, the Group recorded a revenue and a profit after tax of RM33.9 million and RM0.5 million respectively as compared to revenue of RM44.3 million and profit after tax of RM0.3 million, reported in the immediate preceding quarter.

B3. Prospects For Financial Year 2019

The Malaysian economy is expected to experience moderate growth in 2019 emanating mostly from challenging global economic growth. The Group will continue to be vigilant and actively undertake to streamline its operations, enhance product innovation, develop talent and implement new marketing strategies to boost sales and ensure sustainable growth.

B4. Profit Forecast and Profit Guarantee

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

B6. Taxation

	Current Year Quarter 31.03.2019 RM'000	Preceding Year Corresponding Quarter 31.03.2018 RM'000	Current Year To date 31.03.2019 RM'000	Preceding Year Corresponding Year To Date 31.03.2018 RM'000
Income Tax				
- Current period	294	248	294	248
- Overprovision in prior period	(96)	-	(96)	-
Deferred Taxation				
- Prior period	48	756	48	756
	<u>246</u>	<u>1,004</u>	<u>246</u>	<u>1,004</u>

B7. Status of Corporate Proposals

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

B8. Borrowings and Debt Securities

The Group's borrowings as at 31 March 2019 are as follows:-

	Secured RM'000	Total RM'000
Current		
Finance lease liabilities	1,160	1,160
Bank overdraft	3,265	3,265
Term loans (in RM)	1,795	1,795
Term loans (in SGD)	10	10
	<u>6,230</u>	<u>6,230</u>
Non-current		
Finance lease liabilities	243	243
Term loans (in RM)	32,639	32,639
Term loans (in SGD)	3,116	3,116
	<u>35,998</u>	<u>35,998</u>
Total	<u>42,228</u>	<u>42,228</u>

B9. Material Litigation

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

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B10. Dividend

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

B11. Qualification of Audit Report of the Preceding Annual Financial Statements

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

B12. Listing requirements

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

B13. 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.

	Current Year Quarter 31.03.2019	Preceding Year Corresponding Quarter 31.03.2018	Current Year To date 31.03.2019	Preceding Year Corresponding Year To Date 31.03.2018
Profit/(Loss) attributable to the owners (RM'000)	503	(876)	503	(876)
Weighted average number of ordinary shares in issue ('000)	130,832	130,832	130,832	130,832
Basic earnings/(loss) per share (sen)	0.38	(0.67)	0.38	(0.67)

Diluted earnings per share is not applicable for the Group.

B14. Notes To Condensed Consolidated Income Statements For The Quarter And Year-To-Date

	Current Year Quarter 31.03.2019 RM'000	Preceding Year Corresponding Quarter 31.03.2018 RM'000	Current Year To date 31.03.2019 RM'000	Preceding Year Corresponding Year To Date 31.03.2018 RM'000
<i>After crediting :-</i>				
Interest income	59	34	59	34
(Loss)/Gain on disposal of property, plant and equipment	(54)	48	(54)	48
<i>After charging :-</i>				
Interest expense	490	235	490	235
Depreciation	2,314	839	2,314	839
Provision for slow moving inventories	348	171	348	171
Property, plant and equipment written off	32	140	32	140
Unrealised foreign exchange loss	123	1,096	123	1,096

BY ORDER OF THE BOARD

ANDREA HUONG JIA MEI

Company Secretary
MIA 36347

Dated: 23 May 2019