

**DeGem Berhad**  
415726-T



Annual Report | **2014**



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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Eighteenth Annual General Meeting of the members of the Company will be held at the Banyan Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 27 May 2015, at 10.30 a.m. for the purpose of transacting the following businesses:-

1. To receive the Audited Financial Statements for the year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of a first and final single tier dividend of 3% in respect of the year ended 31 December 2014. **Resolution 1**
3. To approve the payment of Directors' fees of RM380,480/- (2013 RM380,480/-) in respect of the year ended 31 December 2014. **Resolution 2**
4. To re-elect the following Directors who retire by rotation pursuant to Article 100 of the Company's Articles of Association and, being eligible, offer themselves for re-election :-
  - (a) Dato' Hasan bin M. Taib **Resolution 3**
  - (b) Mr. Choong Khoi Onn **Resolution 4**
  - (c) Mr. Leou Thiam Lai **Resolution 5**
5. To consider and, if thought fit, to pass the following resolution pursuant to Section 129 of the Companies Act, 1965:-

"That Mr. Chuah Teong Aung, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting."

**Resolution 6**
6. To re-appoint Messrs. KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**
7. As Special Business:-

To consider and, if thought fit, to pass the following Ordinary Resolutions:-

  - (a) **Ordinary Resolution 1** **Resolution 8**  
**Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

"THAT subject always to the Companies Act 1965, Articles of Association of the Company and approvals of the relevant governmental/regulatory bodies where such approvals shall be necessary, the Directors be and are hereby authorised and empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next annual general meeting and 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 pursuant to this resolution does not exceed 10% of the issued capital 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 Malaysia Securities Berhad."

**(b) Ordinary Resolution 2**  
**Proposed Renewal of Authority For Share Buy-Back**

**Resolution 9**

“THAT, subject to compliance with the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), all other applicable laws, regulations and guidelines and the approvals of all relevant governmental and/or regulatory authorities, 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 of RM0.50 each in the Company (“Proposed Purchase”) as may be determined by the Directors of the Company from time to time through Bursa Securities 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 resolution does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at the point of purchase;

AND THAT upon completion of the purchase by the Company of its own shares (“DeGem Shares”), the Directors are authorised to retain the DeGem Shares as treasury shares or cancel the DeGem Shares or retain part of the DeGem Shares so purchased as treasury shares and cancel the remainder. The Directors are further authorised to resell the treasury shares on Bursa Securities or distribute the treasury shares as dividends to the Company’s shareholders or subsequently cancel the treasury shares or any combination of the three;

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:

- (i) the conclusion of the next Annual General Meeting of the Company following the General Meeting at which this resolution was passed at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next Annual General Meeting after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders in General Meeting,

whichever is the earliest but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and 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.”

**(c) Ordinary Resolution 3**  
**Continuing In Office As Independent Non-Executive Director**

**Resolution 10**

“THAT, subject to the passing of Resolution 5, authority 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 nine years, to continue to act as an Independent Non-Executive Director of the Company.”



## Notice of Annual General Meeting (Cont'd)

### (d) **Ordinary Resolution 4** **Continuing In Office As Independent Non-Executive Director**

### **Resolution 11**

“THAT, subject to the passing of Resolution 6, authority be and is hereby given to Mr. Chuah Teong Aung who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company.”

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

### **BY ORDER OF THE BOARD,**

### **CHOW CHOOI YOONG (MAICSA 0772574)**

Company Secretary

Kuala Lumpur  
5 May 2015

### **Notes:**

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint up to two proxies to attend and vote instead of him/her. Where a member appoints two (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 Company’s Registered Office at No. 42, 1st Floor, Jalan Maarof, Bangsar Baru, 59100 Kuala Lumpur not less than forty eight (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 (“LR”), a Record of Depositors as at 20 May 2015 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.
6. **Explanatory Notes on Ordinary and Special Business:**
  - (a) **Audited Financial Statements for financial year ended 31 December 2014**  
The audited financial statements are for discussion only under Agenda 1, as it does not require shareholders’ approval under the provisions of Section 169(1) and (3) of the Companies Act, 1965. Hence, it will not be put for voting.



**(b) Resolution pursuant to Section 132D of the Companies Act, 1965**

Resolution No. 8 proposed under item 7(a) is to seek a renewal of the general mandate for the issue of new ordinary shares pursuant to Section 132D of the Companies Act, 1965 which was approved by shareholders at the last year's AGM. There was no issuance of new shares during the year.

The proposed Resolution No. 8, 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 10% of the issued share capital of the Company without convening a general meeting. This authority unless revoked or varied at a general meeting will expire at the next AGM.

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.

**(c) Resolution pursuant to Proposed Renewal of Authority For Share Buy-Back**

Resolution No. 9 proposed under item 7(b), if passed, will empower the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting. For further information, please refer to the Circular to Shareholders dated 5 May 2015 which is circulated together with this Annual Report.

**(d) Resolution Nos. 10 & 11**

In line with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, the Nomination Committee ("NC") has assessed the independence of Mr. Leou Thiam Lai and Mr. Chuah Teong Aung, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, and upon its recommendation, the Board of Directors has assessed and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

- (i) Mr. Leou Thiam Lai and Mr. Chuah Teong Aung have fulfilled the criteria under the definition of Independent Director as stated in the LR of Bursa Securities, and hence, they would be able to provide an element of objectivity, independent judgment and balance to the Board.
- (ii) Mr. Leou Thiam Lai is a Chartered Accountant of the Malaysian Institute of Accountants, a fellow member of the Chartered Association of Certified Accountants (UK) and a fellow member of the Chartered Tax Institute of Malaysia and thus, he is able to fulfill the financial expertise requisite under the LR in relation to the composition of the Audit Committee. Being the Chairman of the Audit Committee, his knowledge, skills and experience in finance and audit would enable him to ensure the effectiveness of the Audit Committee in providing independent, objective and effective oversight to the Board.
- (iii) Mr. Chuah Teong Aung's vast experience in electrical, mechanical and engineering services and business would enable him to provide the Board with a diverse set of experience, expertise and independent judgment to better manage the Group.
- (iv) Their length of service on the Board of more than nine years does not in any way interfere with their exercise of objective judgment or their ability to act in the best interests of the Company and Group. In fact, both Mr. Leou Thiam Lai and Mr. Chuah Teong Aung, having been with the Company for more than nine years, are familiar with the Group's business operations and have devoted sufficient time and commitment to their role and responsibilities as Independent Directors for informed and balance decision making.
- (v) Both of them have exercised due care during their tenure as Independent Non-Executive Directors of the Company and have carried out their professional duties in the interest of the Company and shareholders.

Resolution Nos. 10 and 11 proposed under item 7(c) and (d), if passed, will authorise Mr. Leou Thiam Lai and Mr. Chuah Teong Aung to continue in office as Independent Non-Executive Directors of the Company.



## Corporate Information



Diamond & Platinum  
My First Love Collection

### Directors:

Dato' Hasan bin M. Taib (Chairman)

Datuk Zainun Aishah binti Ahmad

Choong Kai Soon

Choong Kai Fatt

Choong Khoi Onn

Choong Kay Cheong

Leou Thiam Lai

Chuah Teong Aung

### Secretaries:

Chow Chooi Yoong  
(MAICSA 0772574)

### Registered Office:

No. 42, 1st Floor,  
Jalan Maarof,  
Bangsar Baru,  
59100 Kuala Lumpur.  
Tel: 03-2282 3618  
Fax: 03-2282 4960  
Email: [info@degembhd.com](mailto:info@degembhd.com)  
Website: <http://www.degembhd.com>

### Principal Place of Business:

No. 42, 1st Floor,  
Jalan Maarof,  
Bangsar Baru,  
59100 Kuala Lumpur.

### Solicitors:

#### Arifin & Partners

Unit A-3-8, Block A  
Megan Avenue 1  
No.189, Jalan Tun Razak,  
50400 Kuala Lumpur

#### Chris Koh & Chew

22nd Floor, Menara TA One,  
22, Jalan P. Ramlee  
50250 Kuala Lumpur

### Principal Bankers:

Malayan Banking Berhad  
No. 66, 68 & 70,  
Jalan Maarof,  
Bangsar Baru,  
59100 Kuala Lumpur.

OCBC Bank (Malaysia) Berhad  
Ground Floor  
Menara Great Eastern  
303 Jalan Ampang  
50450 Kuala Lumpur  
Malaysia

### Stock Exchange Listing:

Bursa Malaysia Securities Berhad  
Main Market Stock Code 7119


### Auditors:

KPMG  
Level 8, KPMG Tower  
8, First Avenue  
Bandar Utama  
47800 Petaling Jaya  
Selangor, Malaysia

### Share Registrars:

Symphony Share Registrars Sdn Bhd  
Pusat Dagangan Dana 1,  
Jalan PJU 1A/46,  
47301 Petaling Jaya  
Selangor  
Tel: 03-7841 8000  
Fax: 03-7841 8008

# DeGem

Three DeGem Canary Diamond rings are displayed on a piece of weathered driftwood. The rings feature large, square-cut yellow diamonds with brilliant facets, set in a bezel of smaller white diamonds. The driftwood is a light brown color with a rough, textured surface, contrasting with the dark, pebbly background.

A timeless collection using perfectly cut natural Canary Diamonds, beautifully handcrafted to accentuate its brilliance.

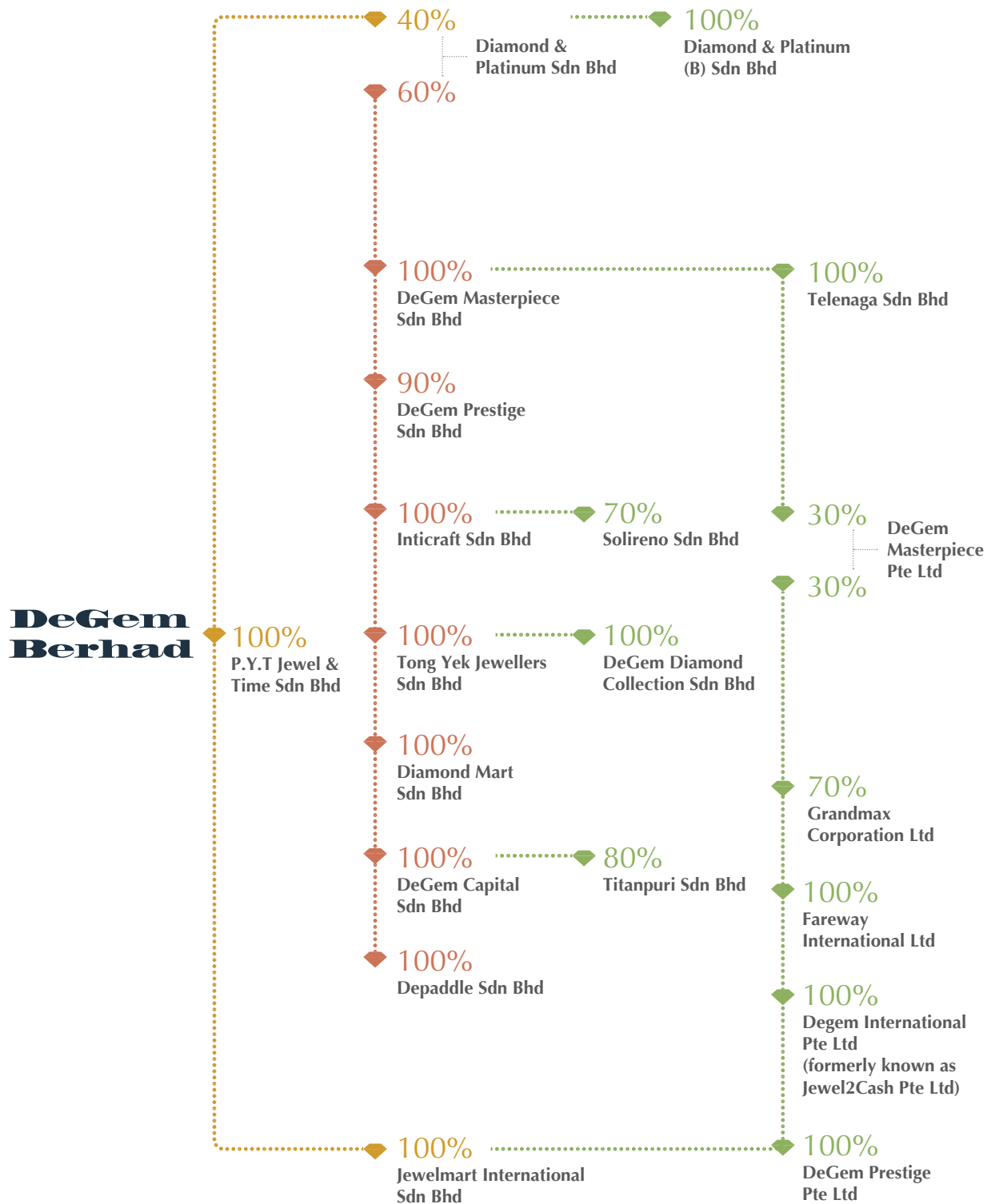
## Created for Greatness. Signed with Passion.

At DeGem, every jewel tells a story. Every masterpiece was dreamt into existence, expertly crafted to life with passion. Every piece is unique. It forms a bond with the one who wears it – a legacy that will live on forever.





## Group Structure

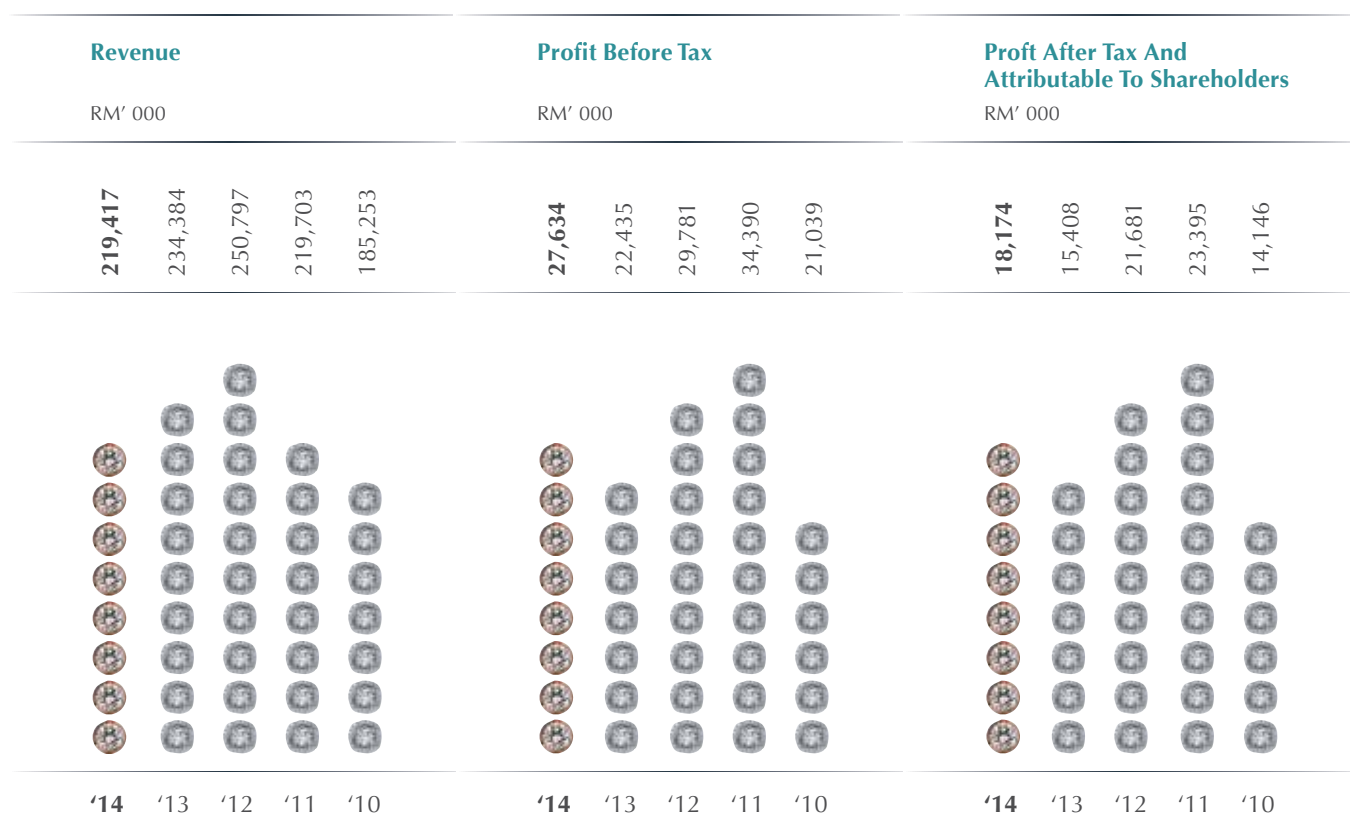


# Financial Highlights for the Past 5 Years



Year Ended 31 December	2014 (RM'000)	2013 (RM'000) Restated	2012 (RM'000)	2011 (RM'000)	2010 (RM'000)
Revenue	<b>219,417</b>	234,384	250,797	219,703	185,253
Profit Before Tax	<b>27,634</b>	22,435	29,781	34,390	21,039
Taxation	<b>(8,241)</b>	(5,935)	(6,968)	(9,577)	(6,586)
Profit After Tax	<b>19,393</b>	16,500	22,813	24,813	14,453
Minority Interests	<b>(1,219)</b>	(1,092)	(1,132)	(1,418)	(307)
Profit After Tax And Attributable To Shareholders	<b>18,174</b>	15,408	21,681	23,395	14,146
Net Tangible Assets Per Share (Sen)	◆ <b>176.2</b>	◆160.9	◆149.0	◆131.9	◆114.5

◆ Based on weighted average no. of shares in issued during the year.





## Directors' Profile

### **Dato' Hasan bin M. Taib**

Chairman

(Independent Non-Executive Director)

Dato' Hasan bin M. Taib, aged 61, Malaysian, was appointed to the Board of Directors of Degem Berhad ("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, aged 59, 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, aged 54, Malaysian, was appointed to the Board on 6 April 2001. He is a member of the Remuneration Committee. He has more than 20 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, aged 56, 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, aged 52, 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.



Diamond & Platinum  
My First Love Collection

**Mr Leou Thiam Lai**

(Independent Non-Executive Director)

Mr Leou Thiam Lai, aged 59, Malaysian, was appointed to the Board on 21 May 2001. He is the Chairman of the Audit Committee and 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 firms. Currently, he also sits on the board of Sern Kou Resources Berhad and Masterskill Education Group Berhad.

**Datuk Zainun Aishah binti Ahmad**

(Independent Non-Executive Director)

Datuk Zainun Aishah binti Ahmad, aged 69, 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 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 also a Director of Tenaga Nasional Berhad, Kulim Hi-Tech Park and Malayan Banking Berhad. She is currently the Chairman of Scmi Engineering Berhad, a director of Berjaya Food Berhad, British American Tobacco (Malaysia) Berhad and Shell Refinery Company (Federation of Malaysia) Berhad, all public listed companies.



**DeGem**

Enchanted Garden  
Collection – Ferris Ring

**Mr Chuah Teong Aung**

(Independent Non-Executive Director)

Mr Chuah Teong Aung, aged 76, Malaysian, was appointed to the Board on 21 May 2001. He is a Chairman of Remuneration Committee and a member of the Audit and Nomination Committees. He graduated with a Bachelor of Science (Electrical Engineering) degree from Taiwan University, Taiwan and a Masters in Science (Electrical Engineering) from the University of Manchester, United Kingdom in 1963 and 1965 respectively. He is a first grade engineer certified by Tenaga Nasional Berhad and also a chartered engineer certified by the Institute of Electrical Engineering, United Kingdom. He was attached with ABB, Sweden as an engineer in 1965 and was promoted to project manager before he left in 1973. From 1973 to 2012, he was a director and shareholder of TEG Engineering Sdn Bhd, a company that is principally involved in electrical, mechanical and civil engineering activities. From early 1970 until to date, he is also a director and shareholder of Vonjun Sdn. Bhd., a company dealing in the trading of chemical and related products. Mr Chuah Teong Aung does not hold any directorships in any other public corporation other than DeGem Berhad.





## Other Disclosure Information

### 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

Save as disclosed in Note 28 to the Financial Statements, none of the Directors has any conflict of interest with the Company.

### CONVICTION OF OFFENCES

None of the Directors has been convicted for any offences within the past ten years other than traffic offences.

### UTILISATION OF PROCEEDS

The Company did not make any corporate proposal to raise proceed during the financial year ended 31 December 2014.

### OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

No options, warrants or convertible securities were exercised in the financial year ended 31 December 2014.

### AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

During the financial year ended 31 December 2014, the Company did not sponsor any ADR or GDR programme.

### IMPOSITION OF SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

### NON AUDIT FEE

The total amount of non-audit fees payable to external auditors by the Company and its subsidiaries for the financial year ended 31 December 2014 amounted to RM15,000.00.

### VARIATION IN RESULTS

There was no material variance between the audited results for the financial year ended 31 December 2014 and the unaudited results previously announced.

### PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year ended 31 December 2014.

### MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiary company which involve Directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2014 or entered into since the end of the previous financial year.

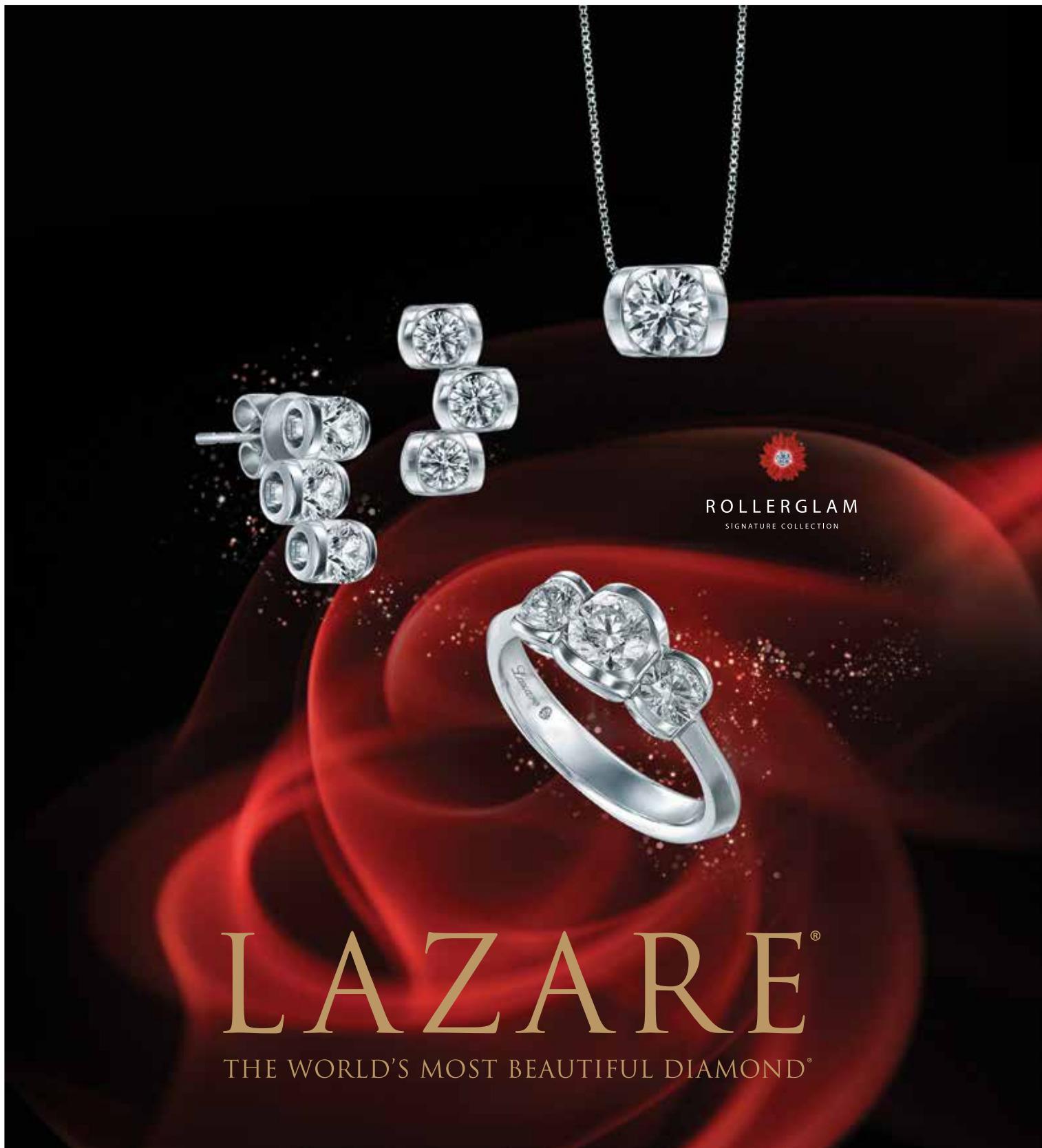
### SHARE BUY-BACK

Mandate for the share buy-back of the Company's shares was approved by the shareholders at the last Annual General Meeting held on 27 May 2014. During the financial year ended 31 December 2014, the Company bought back a total of 505,200 of its ordinary shares of RM0.50 each ("DeGem shares") which are listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") in the open market.

The details of the DeGem Shares bought back during the financial year showing the monthly breakdown are as follows:

Month of purchase	No. of Shares Purchased	Purchase Price Per Share (RM)			Total Consideration Paid (RM)
		Lowest	Highest	Average	
<b>2014</b>					
March	465,000	1.04	1.05	1.05	489,890.60
May	25,200	1.00	1.00	1.00	25,309.16
November	15,000	0.96	0.96	0.96	14,462.52

All the DeGem Shares bought back during the financial year are held as treasury shares in accordance with Section 67A(3A)(b) of the Companies Act, 1965. As at 31 December 2014, a total of 3,128,900 DeGem Share were held as treasury shares. None of the treasury shares held were resold or cancelled during the financial year.



DeGem



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THE GARDENS MALL +603-2283 2618 • 1 UTAMA ( NEW WING ) +603-7725 8218 • AMPANG POINT +603-4256 2227

Lazare Kaplan International Inc., the manufacturer of LAZARE DIAMONDS®, fully supports the Kimberly Process protocols and follows a "zero tolerance" policy for conflict diamonds. We are a founding member of the United Nations Global Compact and a certified member of the Responsible Jewelry Council.

For more details visit: [www.lazarediamonds.com](http://www.lazarediamonds.com) | [www.lazarediamonds-sea.com](http://www.lazarediamonds-sea.com)  [TheLazareDiamond.SEAAsia](https://www.facebook.com/TheLazareDiamond.SEAAsia)





## Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of DeGem Berhad ("the Group") for the financial year ended 31 December 2014.

### Performance Review

The Group recorded revenue of 219.4 million for the financial year 2014, compared to RM234.4 million in the financial year 2013.

Profit before taxation for the financial year 2014 improved by 23.2% to RM27.6 million, from RM22.4 million in 2013. Better sales mix of products in its retail segment during the year yielded higher profit margins for the Group in 2014. In addition, the Group is reaping the benefits of streamlining its operations at the end of 2013, which improved efficiency and reduced the cost of operations; and cutting out non-performing units in the Group.

DeGem  
CLASSIC FOREVERMARK  
Diamond Necklace

As at 31 December 2014, the Group's shareholders fund had increased by 8.4% to RM219.9 million, while net debt to equity ratio stood at 0.03 times.

The year 2014 also marks the Group's first foray into e-commerce, with the launch of JEOEL, a new business unit. In addition, the Group also completed its makeovers of retail units under the DeGem brand with the completion of renovations at its Ampang, Pavilion and The Gardens showrooms.

### Review of Operations

Overall, the Group had performed well for the financial year 2014. Despite a marginal drop in revenue due to management's decision to streamline its foreign operations, profit margin had improved markedly. Spending sentiments was steady for the first three quarters but softened in the fourth quarter, affected by a sharp fall in oil prices and the strengthening US Dollar.

### Industry Trend

While the price of precious metals was generally lackluster, prices of gemstones and diamonds have held steady.

We have seen a consistent strong demand for low to mid-range price jewellery during the year. Demand for higher range price jewellery was also favored in branded products for their quality, workmanship and design. General demand for jewellery was resilient and healthy.

### Prospects

The year 2015 is expected to be challenging for the Malaysian economy. As a retailer of luxury products, the Group expects its performance to be affected in the initial months of the implementation of the Goods and Services Tax with effect from 1st April, 2015; as studies in other countries had shown. The Group is also concerned that the continued strengthening of the US Dollar will further erode the buying power of Ringgit Malaysia in the long run.

With the lower crude oil price, traditional markets in oil producing countries will be affected and this will pose a challenge for the wholesale market. However, its active participation in international trade fairs will help to find other markets for its products.

The Group has taken steps to weather such challenging times, such as streamlining its operations, redistributing its resources for increased efficiency and close monitoring of expenses. The Group expects satisfactory results only if the above factors showed improvements.

### Dividend

The Board of Directors recommends a first and final single tier dividend of 3% (1.50 sen per share), subject to the approval of the shareholders at the Eighteenth Annual General Meeting.

### Acknowledgement

On behalf of the Board, I would like to extend my heartfelt gratitude to our shareholders, bankers, customers, business partners and regulatory authorities for their continued support, guidance and assistance extended to the Group. The Board would like to express its appreciation to the management and employees of the Group for their hard work and dedication.

**Dato' Hasan bin M. Taib**  
**Chairman**



[ soleluna ]™  
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# Corporate Governance Statement

The Board of Directors of DeGem Berhad (“Board”) recognizes the importance of corporate governance. To this end, the Board is pleased to report the manner in which the Company has applied the principles of the corporate governance and the extent of its compliances with the best practices as set out in the Malaysian Code on Corporate Governance (“2012 Code”) during the financial year ended 31 December 2014.

## 1. Establish clear roles and responsibilities

### 1.1 Clear Functions of the Board and Management

The Group continues to be led and managed by an effective Board. The Board is responsible for the corporate governance and the overall performance of the Group.

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

In addition, the Board is guided by the Board Charter which sets out a list of specific functions that are reserved for the Board. Key matters reserved for the Board’s approval includes financial results, dividend policy, related party transactions, new ventures and investments, material acquisitions and disposal of assets not in the ordinary course of business, authority levels and treasury policies.

### 1.2 Clear Roles and Responsibilities

The Board assumes the primary responsibilities prescribed under the 2012 Code. These include, amongst others, the review of the Group’s overall strategic plans, overseeing and evaluating the business operations of the Group, reviewing adequacy of the internal control, identifying principal risks and ensuring that the risks are properly managed, establishing a succession plan and developing an investor relations program.



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### 1.3 Formalised Ethical Standards through Code of Ethics

The Group has established a Whistle Blowing Policy which provides a framework for direction and procedure to deal with fraud and related matters including theft and corruption and defines the rights of the informants and the protection accorded to them. During the financial year under review, the Board has adopted a Code of Ethics and Conduct which sets out the principles and standards of business ethics and conduct of the Group.

### 1.4 Strategies Promoting Sustainability

The Group is committed to sustainability development. Employees' welfare, environment as well as community responsibilities are integral to the way in which the Company conducts its business. Report on such activities is set out in its Corporate Social Responsibility Statement on page 36 of this Annual Report.

### 1.5 Access to Information and Advice

The Directors have unrestricted access to timely and appropriate information and the services of the Company Secretary to enable them to discharge their duties. Board papers and minutes of meetings are circulated in advance of each meeting so that the Directors have a comprehensive understanding of the matters to be deliberated upon to enable them

to arrive at an informed decision. All scheduled meetings held during the year were preceded with a formal agenda issued by the Company Secretary.

In addition, the Directors are also empowered to seek independent professional advice at the Company's expense, should they consider it necessary in their course of duties.

### 1.6 Company Secretary

Directors are regularly updated by the Company Secretary on new statutory as well as regulatory requirements relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company. The Company Secretary attends all board meetings and ensures that accurate and adequate records of the proceedings of board meetings and decisions made are properly kept.

### 1.7 Board Charter

The Company's Board Charter sets out the role, functions, composition, operation and processes of the Board. The Board will periodically review and update its charter in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

## 2. Strengthen Composition

### 2.1 Nomination Committee

The Nomination Committee ("NC") is established and maintained to ensure that there is a formal and transparent procedure for the appointment of new directors to the Board and assessing the effectiveness of the Board, its Committees and the contribution of each individual Director on an annual basis. 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)
- Members : Leou Thiam Lai  
(Independent Non-Executive Director)
- : Chuah Teong Aung  
(Independent Non-Executive Director)

The duties and responsibilities of the NC are as follows:-

- (a) To consider, evaluate and recommend to the Board any new Board appointments.
- (b) To recommend to the Board, Directors to fill the seats on Board Committees;
- (c) To review annually and recommend to the Board with regard to the structure, size, balance and composition of the Board and Committees including the required mix of skills and experience, core competencies which non-executive directors should bring to the Board and other qualities to function effectively and efficiently;
- (d) To evaluate on an annual basis, the effectiveness of the Board as a whole, the Board Committees and each Director's ability to contribute to the effectiveness of the Board and the relevant Board Committees;
- (e) To recommend to the Board whether Directors who are retiring by rotation should be put forward for re-election/re-appointment at annual general meetings;
- (f) To review the Board's succession plans;
- (g) To review and recommend training to new Directors as well as continuous training for all Directors during the year; and
- (h) To consider other matters as referred to the Committee by the Board.

### 2.2. Develop, Maintain And Review Criteria For Recruitment And Annual Assessment Of Directors

#### (a) Recruitment or New Appointment of Directors

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 members, level of commitment, resources and time that the recommended candidate can contribute to the 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 Main Market Listing Requirements 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 one-third of the membership of the Board and in the case where the Chairman of the Board is not an Independent Director, a majority of the Board should comprise Independent Directors.

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.

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### (b) Gender Diversity Policy

The Board has no immediate plans to implement a gender diversity policy. In its selection for Board appointment, the Board believes in, and provides equal opportunity to candidates who have the skills, experience, core competencies and other qualities regardless of gender. 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 will, nevertheless, give consideration to the gender diversity objectives.

### (c) Re-election and Re-appointment of Directors

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 three (3) years or at least one-third (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. In addition, Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

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.

### (d) Annual Assessment

During the financial year, the NC had one (1) meeting and this meeting was attended by all members. In this meeting which was held in November 2014, 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 annual appraisal was conducted via questionnaires.

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 NC, upon the review carried out, is satisfied that the size of the Board is optimum and that there is an appropriate mix of experience and expertise in the composition of the Board and its Committees.

### 2.3 Directors' Remuneration

The Board has established a Remuneration Committee ("RC") comprising the following Directors, a majority of whom are Independent Non-Executive Directors:-



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- Chairman : Chuah Teong Aung  
(Independent Non-Executive Director)
- Members : Datuk Zainun Aishah Binti Ahmad  
(Independent Non-Executive Director)
- : Leou Thiam Lai  
(Independent Non-Executive Director)
- : Choong Kai Fatt  
(Executive Director)
- : 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 by linking rewards to corporate and individual performance. The 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. In the case of Non-Executive Directors, the level of remuneration is determined in accordance with their experience and the level of responsibilities assumed and is determined by the Board as a whole.

Meetings of the RC are held as and when necessary, and at least once a year. The RC had held one (1) meeting during the financial year ended 31 December 2014 which was attended by all the members.

The number of Directors whose income falls within the following bands is set out as follows:

Remuneration Bands	Executive Directors	Non-Executive
RM50,000 and below		3
RM100,001-RM150,000		1
RM700,001-RM750,000	1	
RM1,000,001-RM1,050,000	1	
RM1,150,001-RM1,200,000	1	
RM1,400,001-RM1,450,000	1	

An analysis of the aggregate remuneration received by the Directors of the Company 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	4,156,995	-	-	4,335,195
Non-Executive Directors	202,280	-	-	-	202,280



### 3. Reinforce Independence

#### 3.1 Annual Assessment of Independence

The Board, through the NC, assess the independence of the Independent Directors on the Board, including new appointments.

During the financial year, the NC conducted the annual appraisal on the independence of the Independent Directors using the peer evaluation questionnaire for assessing the performance of the Independent Directors and the Independent Director questionnaire. Based on results of the appraisal, it was concluded that each of the three (3) Independent Directors continues to remain objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees.

Additionally, each of these three (3) Independent Non-Executive Directors has provided an annual confirmation of their independence to the Nomination Committee and the Board.

#### 3.2 Tenure of Independent Directors

In line with the 2012 Code, the Board has agreed that upon the completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Non-Executive Director. However, the Board must justify and seek shareholders' approval in the event it retains an Independent Director, a person who has served in that capacity for more than nine (9) years.

As at the date of this statement, two of its existing Independent Directors namely Mr. Leou Thiam Lai and Mr. Chuah Teong Aung have served for more than nine years. The Nomination Committee and the Board have assessed, reviewed and determined that they have both remain objective and independent. As such, the Company would be seeking shareholders' approval at the coming AGM for them to continue in office as Independent Directors.

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### 3.3. Separation of positions of the Chairman and Chief Executive Officer ("CEO")

The roles and responsibilities of the Chairman and CEO are separated to ensure balance of authority. The Chairman is responsible for the orderly conduct and working of the Board. The CEO is responsible for the running of the Group's operation and execution of the Board's overall direction and strategy.

### 3.4 Composition of the Board

For the financial year ended 31 December 2014, the Board has eight (8) members comprising four (4) Executive Directors and four (4) Independent Non-Executive Directors. The composition of the Board is well balance and complies with the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") that require at least two (2) directors or one-third of the total number of directors, whichever is the higher, to 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.



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The role of the Independent Non-Executive Directors is particularly important in providing 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 process.

Members of the Board comprise professionals from diverse backgrounds, bringing with them depth and diversity of expertise, with 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 10 to 11 of this Annual Report.

## 4. Foster Commitment

### 4.1 Time Commitment

The Directors' commitment in carrying out their duties and responsibilities is affirmed by their full attendance at the Board and Board Committee Meetings held during the financial year ended 31 December 2014, as reflected below:-

	Attendance At Meetings of			
	Board Committee	Audit	NC	RC
Dato' Hasan bin M. Taib	5/*5	N/A	N/A	N/A
Datuk Zainun Aishah binti Ahmad	5/*5	5/*5	1/*1	1/*1
Choong Kai Soon	5/*5	N/A	N/A	N/A
Choong Kai Fatt	5/*5	N/A	N/A	1/*1
Choong Khoi Onn	5/*5	#5/5	N/A	1/*1
Choong Kay Cheong	5/*5	N/A	N/A	N/A
Leou Thiam Lai	5/*5	5/*5	1/*1	1/*1
Chuah Teong Aung	5/*5	5/*5	1/*1	1/*1

\* Reflect the number of meetings held during the director's tenure of office

# Attended by invitation

### 4.2 Directors' Training

The Board views continuous learning and training as an integral part of directors' development. All Board members have completed the Mandatory Accreditation Programme in accordance with the Listing Requirements. During the financial year ended 31 December 2014, all the Directors have attended training programmes as follows:-

Name of Directors	Title of Programmes
Dato' Hasan bin M. Taib	<ul style="list-style-type: none"> <li>Managing New Regulatory Changes &amp; Compliance Standards for Effective Reporting.</li> </ul>
Choong Khoi Onn	<ul style="list-style-type: none"> <li>Managing New Regulatory Changes &amp; Compliance Standards for Effective Reporting.</li> </ul>
Choong Kai Fatt	<ul style="list-style-type: none"> <li>Managing New Regulatory Changes &amp; Compliance Standards for Effective Reporting.</li> </ul>
Choong Kai Soon	<ul style="list-style-type: none"> <li>Managing New Regulatory Changes &amp; Compliance Standards for Effective Reporting.</li> </ul>
Choong Kay Cheong	<ul style="list-style-type: none"> <li>Managing New Regulatory Changes &amp; Compliance Standards for Effective Reporting.</li> </ul>
Datuk Zainun Aishah binti Ahmad	<ul style="list-style-type: none"> <li>Board Chairman Series: The Role of the Chairman</li> <li>Nominating Committee Programme 2: Effective Board Evaluation</li> <li>Managing Business Risk and Creating Opportunities with GST Implementation</li> <li>Directors CEP Training 2014.</li> </ul>
Leou Thiam Lai	<ul style="list-style-type: none"> <li>GST Mastering Course (Understanding and Application of Goods &amp; Services Tax)</li> <li>National Tax Conference 2014</li> <li>Seminar Percukaian Kebangsaan 2014.</li> </ul>
Chuah Teong Aung	<ul style="list-style-type: none"> <li>Managing New Regulatory Changes &amp; Compliance Standards for Effective Reporting.</li> </ul>

## 5. Uphold Integrity In Financial Reporting

### 5.1 Financial Reporting

The Board is committed to present a balanced and understandable assessment of the Group's financial position and prospects in the public release of



financial results. These results are contained in the quarterly financial results, audited financial statements and Annual Reports.

Quarterly financial results and annual financial statements are reviewed and deliberated upon by the Audit Committee to ensure the quality and adequacy of such information, prior to submission the Board for its approval. The Audit Committee also reviews the appropriateness of the Company's accounting policies and the changes to these policies.

The Statement of Directors' Responsibility in relation to the financial statements is presented on the appropriate section of this Annual Report.

### 5.2 Assessment Of Suitability And Independence of External Auditors

To maintain a transparent and formal relationship with the Company's external auditors, the Audit Committee reviews the appointment, performance, independence and remuneration of the external auditors. The Audit Committee had met with the external auditors once during the financial year under review without the presence of executive members of the Board. The Audit Committee Report covering its terms of reference, composition, activities and attendance of the members are reported separately on pages 31 to 34.



## 6. Recognise And Manage Risks

### 6.1 Sound Framework to Manage Risks

The Board is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. Risk management is embedded in the Group's management systems. The Board with the assistance of the in-house internal audit function has established processes for identifying, evaluating and managing the significant risks faced by the core business of the Group. The outcome of the process is reviewed by the Board and is guided by the Statement on Risk Management & Internal Control Guidelines for Directors of Public Listed Companies issued by Bursa Securities.

### 6.2 Internal Audit Function

The internal audit function is carried out by the internal audit department which reports directly to the Audit Committee on its activities based on the approved annual internal audit plan. Audit reviews were carried out and audit findings were reported on quarterly basis to the Audit Committee. Further details of the activities of the internal audit function are set out in the Audit Committee Report on page 34 of this Annual Report.

The Statement on Risk Management and Internal Control furnished on pages 28 to 30 of this Annual Report provides an overview on the state of internal controls within the Group.

## 7. Ensure Timely and High Quality Disclosure

### 7.1 Corporate Disclosure Policy

The Company is guided by the Corporate Disclosure Guide issued by Bursa Securities and the Board adheres strictly to the Bursa Securities' disclosure framework to provide investors and the public with accurate and complete information on a timely basis. 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.

### 7.2 Leverage on Information Technology For Effective Dissemination of Information

The Board endeavours 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 Securities which includes the quarterly financial results, audited financial statements and Annual Reports. This information is electronically published at the Bursa Securities' and the Company's websites at <http://www.bursamalaysia.com> and <http://www.degebhd.com> respectively and it is accessible by public.

## 8. Strengthen Relationship Between Company and Shareholders

### 8.1 Encourage Shareholder Participation At General Meetings

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 21 days prior to the meeting. At each AGM, the Board presents the performance and progress of the Company and provides shareholders with the opportunity to raise questions pertaining to the Company. 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.

### 8.2 Poll Voting

In line with Recommendation 8.2 of the 2012 Code, the Board would encourage and facilitate poll voting at general meetings in the case of substantive resolutions which require shareholders' approval. At the 17th AGM of the Company held on 27 May 2014, no substantive resolutions were put forth for shareholders' approval and, as such, the resolutions at the last AGM were voted by a show of hands instead of a poll.

### 8.3 Effective Communication And Proactive Engagement

Besides the key channels of communication through the Annual Report, the general meetings and announcements to the Bursa Securities, the Company's website at <http://www.degembhd.com> provides corporate, financial and non-financial information. Through the website, shareholders are able to direct enquiries to the Company.

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

The CEO and the Executive Directors also hold briefings with the press and analysts, when necessary, to provide information on the Group's strategy and performance. Nevertheless, in conducting briefing and dialogue, the Board and the management are mindful of the share price sensitive information and the fair opportunity of information to shareholders and investors.

### Statement of Directors' Responsibility for Preparation of the 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, 1965 and the Main Market Listing Requirements of the Bursa Securities so as to give a true and fair view of the financial

position of the Group and of the Company as at 31 December 2014 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:

- applied appropriate and relevant accounting policies consistently;
- complied with all applicable approved accounting standards; and
- prepared the financial statements 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 statement was made in accordance with a resolution of the Board dated 16 April 2015.



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# Statement on Risk Management and Internal Control



## INTRODUCTION

In line with the Malaysian Code on Corporate Governance which requires companies listed on the Bursa Malaysia Securities Berhad to maintain a sound system of risk management and internal control, the Board of Directors of DeGem Berhad ("The Board"), in compliance with the Bursa Securities Listing Requirements ("BSLR"), Para 15.26(b), is pleased to present the following statement.

## BOARD RESPONSIBILITIES

The Board acknowledges the importance of a system of risk management and internal control and acknowledges that it is the Board's responsibility to maintain a sound system of risk management and internal control to safeguard the Group's assets. In this respect, the Board assumes its responsibility for identifying principal risks and reviewing the adequacy and integrity of the Group's systems of risk management and internal control.

In any case, it shall be noted that all risk management systems and systems of internal control could only minimize rather than eliminate risks of failure to achieve business objectives. Therefore, a system of internal control and risk management of the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

## RISK MANAGEMENT

The Group has ongoing processes for identifying, evaluating and managing significant risks faced by the Group and the Company in its achievement of objectives and strategies. These processes are embedded as part of the Group's business management processes and form the functional responsibility of all executive directors and the management.

The Group's risk management process is used as a basis to continuously monitor risks within the subsidiaries. The key risk profile and the significant risks that could affect the achievement of the Group's objectives, corresponding controls and mitigating action plans have been presented to the Audit Committee during the year. These assessments are performed by management with the assistance and facilitation of the internal auditors. The Audit Committee obtains assurance on the adequacy of the Group's internal control systems through reviews of reports it receives from the internal auditors.

The quarterly announcements, annual reports and audited financial statements are reviewed by the Audit Committee and approved by the Board. Ongoing controls are in place to address financial controls issues or risks which include strengthening the financial reporting of the Group.

The Board has received assurance from the CEO and the CFO that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

## INTERNAL AUDIT FUNCTION

The presence of an internal audit function supports the Audit Committee's review of the system of internal control. The Group's internal audit is made up of in-house internal auditors who assist the Board and the Audit Committee in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. On a quarterly basis, the internal audit function reports its audit findings and recommendations to the Audit Committee.

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#### OTHER KEY INTERNAL CONTROL PROCESSES

The key processes of the Group's internal control system include the following:

- a. Defined lines of accountability and delegated authority;
- b. Management reporting covering operating and financial performance;
- c. Monthly monitoring of sales budget and target;
- d. Operations review meetings are held periodically by the respective divisions to monitor the progress of the operations, deliberate significant issues and formulate corrective measures;
- e. 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; and
- f. ISO 9001:2000 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 9001:2000 Quality Management System.

#### CONCLUSIONS

The Board is of the view that the existing level of the Group's systems of risk management and internal control for the year under review and up to the date of issuance of the financial statements is adequate to enable the Group to achieve its business objectives and safeguard shareholders' investments and the Group's assets. However, the Board recognizes that the Group's system of risk management and internal control processes must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will put in place appropriate action plans to strengthen its systems of risk management and internal control progressively.

# 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 2014, the Audit & Risk Management Committee (“the Committee”) comprises the following three Directors:-

Chairman : Leou Thiam Lai  
(Independent Non-Executive Director)

Member : Chuah Teong Aung  
(Independent Non-Executive Director)

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

## SUMMARY OF THE TERMS OF REFERENCE

### 1. MEMBERSHIP

- 1.1) The Committee shall be appointed by the Board from amongst the Directors of the Company and shall be composed exclusively of Non-Executive Directors of no fewer than three members, of whom the majority shall be independent.
- 1.2) The Committee shall include at least one person who is a member of the Malaysian Institute of Accountants or alternatively a person who must have at least 3 years' working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or is a member of one of the associations of accountants specified in Part II of the said Schedule or alternatively a person who has fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- 1.3) No alternate director shall be appointed as a member of the Committee.
- 1.4) The members of the Committee shall elect from among their number a chairman who is non-executive and independent, as defined above.



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## Audit & Risk Management Committee Report (Cont'd)

- 1.5) If one or more members of the Committee resign, die or for any other reason cease to be a member with the result that the Listing Requirements of the Bursa Securities are breached, the Board shall, within three months of the event, appoint such number of new members as may be required to correct the breach.
- 1.6) The Board shall review the term of office of Committee members no less than once every three years.

### 2. AUTHORITY

2.1) The Committee is authorised by the Board, in accordance with the procedures to be determined by the Board (if any) and at the cost of the Company, to:

- (a) investigate any activity within the Committee's terms of reference;
- (b) have resources which are reasonably required to enable it to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company or the Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- (f) convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

### 3. FUNCTIONS AND RESPONSIBILITIES

3.1) The functions of the Committee shall be, amongst others, to review the following and report the same to the Board:-

- (a) the scope of the audit and the audit plan of the external auditors, the results of the annual audit, their audit report and management letter together with management's response;
- (b) the evaluation of the adequacy and effectiveness of the risk management and internal control systems and to review regular risk management reports from management for risk identification, assessment and management;

- (c) the assistance given by the employees to the external auditors;
- (d) the nomination or re-appointment of the external auditors and their audit fees as well as matters pertaining to resignation or change of the external auditors;
- (e) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
  - (i) any changes in or implementation of major accounting policy changes;
  - (ii) significant adjustments arising from the audit;
  - (iii) significant and unusual events;
  - (iv) the going concern assumption; and
  - (v) compliance with accounting standards and other legal requirements;
- (h) any related party transaction and conflict of interest situation that may arise within the Company or the group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- (i) any other matters as directed by the Board.

3.2) The Committee shall establish an internal audit function which is independent of the activities it audits.

3.3) The Committee shall oversee all internal audit functions and is authorised to commission investigations to be conducted by internal audit as it deems fit.

3.4) The internal auditor shall report directly to the Committee and shall have direct access to the Chairman of the Committee.

3.5) All proposals by management regarding the appointment, transfer or dismissal of the internal

auditor shall require the prior approval of the Committee.

## 4) QUORUM, ATTENDANCE AND FREQUENCY OF MEETINGS

- 4.1) The quorum shall be formed only if there is a majority of members present at the meeting who are independent directors.
- 4.2) The Head of Finance, the Head of Internal Audit, and a representative of the External Auditors shall normally attend meetings by invitation of the Committee. Other Board members and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting. However, at least once a year the Committee shall meet with the External Auditors without executive Board members present.
- 4.3) The Chairman shall call for meetings, to be held not less than four times a year. The External Auditors may request a meeting if they consider one necessary.

## COMMITTEE MEETINGS

The Committee met five (5) times during the financial year ended 31 December 2014. 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*
<b>Chairman:</b> Leou Thiam Lai (Independent Non-Executive Director)	5/5
<b>Members:</b> Chuah Teong Aung (Independent Non-Executive Director)	5/5
Datuk Zainun Aishah binti Ahmad (Independent Non-Executive Director)	5/5

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



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## Audit & Risk Management Committee Report (Cont'd)

### SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The Committee carried out its duties in accordance with its Terms of Reference. During the financial year ended 31 December 2014, the activities of the Committee included the following:-

- (a) Reviewed the unaudited quarterly financial results and announcements of the Company and the Group prior to submission to the Board of Directors for consideration and approval;
- (b) Reviewed the audited financial statements for the financial year ended 31 December 2013 with the external auditors prior to presentation to the Board of Directors for consideration and approval;
- (c) Reviewed the external auditors' reports for the financial year ended 31 December 2013 in relation to audit and accounting issues arising from the audit and the management's response;
- (d) Reviewed the assistance given by the employees to the external auditors in respect of the audit for the financial year ended 31 December 2013;
- (e) Reviewed the external auditors' audit plan and scope of audit for the financial year ended 31 December 2014;
- (f) Met with the external auditors once during the financial year ended 31 December 2014 without presence of any executive members of the Board;
- (g) Considered the nomination of external auditors for recommendation to the Board of Directors for re-appointment and reviewed the audit fees;
- (h) Reviewed the internal audit reports of the Company and its operating subsidiaries prepared by the internal auditor, the audit findings, recommendations made and management's implementation of audit recommendations;
- (i) Reviewed the Internal Audit Plan for the financial year ending 31 December 2015, the scope and focus of the internal audit;

- (j) Reviewed the disclosure statements on Corporate Governance, Audit Committee Report and the Statement on Risk Management and Internal Control for the financial year ended 31 December 2013 and recommended their adoption to the Board; and
- (k) Considered the impact of any unusual transactions including related party transactions.

### INTERNAL AUDIT FUNCTION

The Group has an in-house Internal Audit Department which assists the Audit Committee in the discharge of its duties and responsibilities. The cost incurred for the internal audit function in respect of the financial year ended 31 December 2014 is RM196,842.00.

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.

During the financial year under review, the Internal Auditor has conducted audit on the operating functions and procedures of key operating subsidiaries and recommended action plans for management improvement. The final reports containing the audit findings and recommendations together with responses by management were circulated to all members of the Committee. Areas of improvement identified were communicated to the management for further action. All internal audit reports were reviewed by the Committee and discussed at Committee 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.



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# Corporate Social Responsibility Statement



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DeGem Berhad and its subsidiary companies (“the Group”) views the fulfilment of its social responsibilities as seriously as its corporate responsibilities. Therefore, in addition to creating value for its investors, the Group also tries to ensure the wellbeing of factors that made it possible for them to operate effectively.

## *Welfare of Employees*

The Group recognizes that its employees form the foundation of its continuing success. As such, the Group continues to groom its employees towards realizing their fullest potential. To encourage employees in their professional skills development, a scholarship awards and interest-free education loan program was launched during the year. In addition, several team-building and training getaways were organized to improve team work and synergy among the departments.

The Group also recognizes the need for a balanced lifestyle in their employees to improve productivity. As such, several sports tournaments were organized as a way of encouraging employees to embrace a healthier lifestyle and to foster better rapport amongst co-workers.

## *Protection of Environment*

As a responsible manufacturer, the Group ensures that the processes in its factories do not leave an adverse impact in the environment they operate. Wastes from the factories are treated properly prior to release. Where that is not possible, procedures to ensure safe disposal of the waste are in place.

The Group also ensures that a safe and healthy environment is in place for the wellbeing of its employees, customers, visitors and the general public at its premises.

## *Contributions to Community*

The Group made numerous cash contributions and sponsorships of charitable events in support of charitable organizations and causes. During the year, the Group also undertook the renovation and extension of a property used as a shelter for orphans and single mothers by a charitable organization.

In addition, as part of its efforts to educate those interested in the Group’s industry, the Group continues to provide sponsorship and training to students of certain colleges that introduced industry-related courses.

## *Responsibility to Marketplace*

The Group requires assurances from their suppliers of diamonds that their sources are certified under the Kimberley Process Certification Scheme (“KPCS”). KPCS is a process introduced by United Nations General Assembly Resolution 55/56 to prevent diamond sales from financing rebellious movements. The certification scheme aims to prevent “blood diamonds” from entering the mainstream rough diamond market. KPCS was set up to assure consumers that by purchasing diamonds they were not financing war and human rights abuses.



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# Financial Statements

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# Directors' report for the year ended 31 December 2014

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

## Principal activities

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

## Results

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

## Reserves and provisions

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

## Dividends

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

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

## Directors of the Company

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

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

### Directors' interests in shares

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
Shareholdings in which the Directors have interests				
The Company				
Dato' Hasan bin M. Taib				
- direct interest	3,000,000	-	-	3,000,000
Choong Kai Soon				
- deemed interest*	69,300,002	-	-	69,300,002
Choong Kai Fatt				
- deemed interest*	69,300,002	-	-	69,300,002
Choong Khoi Onn				
- direct interest	760,000	-	-	760,000
- deemed interest*	69,300,002	-	-	69,300,002
Choong Kay Cheong				
- direct interest	2,000,000	-	-	2,000,000
- deemed interest*	69,300,002	-	-	69,300,002
* Deemed to have interests by virtue of their direct shareholdings in the ultimate holding company, Legion Master Sdn. Bhd..				

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



## Directors' report for the year ended 31 December 2014 (Cont'd)

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

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

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

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

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

### Directors' benefits

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

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

### Issue of shares and debentures

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

There were no debentures issued during the financial year.

**Options granted over unissued shares**

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

**Other statutory information**

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

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

## Directors' report for the year ended 31 December 2014 (Cont'd)

### Auditors

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

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

.....  
**Choong Kay Cheong**

.....  
**Choong Khoi Onn**

Kuala Lumpur,

Date:

# Statements of financial position as at 31 December 2014

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

The notes set out on pages 51 to 107 are an integral part of these financial statements.



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

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

The notes set out on pages 51 to 107 are an integral part of these financial statements.

# Consolidated statement of changes in equity

for the year ended 31 December 2014

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

# Consolidated statement of changes in equity for the year ended 31 December 2014 (Cont'd)

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

# Statement of changes in equity

for the year ended 31 December 2014

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

The notes set out on pages 51 to 107 are an integral part of these financial statements.



# Statements of cash flows for the year ended 31 December 2014

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

# Statements of cash flows for the year ended 31 December 2014 (Cont'd)

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

## Statements of cash flows for the year ended 31 December 2014 (Cont'd)

### i) *Cash and cash equivalents*

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

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

### ii) *Acquisition of property, plant and equipment*

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

The notes set out on pages 51 to 107 are an integral part of these financial statements.

# Notes to the financial statements

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

## **Registered office/Principal place of business**

No. 42, 1st Floor  
Jalan Maarof  
Bangsar Baru  
59100 Kuala Lumpur  
Malaysia

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

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

The ultimate holding company during the financial year is Legion Master Sdn. Bhd., a company incorporated in Malaysia. These financial statements were authorised for issue by the Board of Directors on 16 April 2015.

## **1. Basis of preparation**

### **(a) Statement of compliance**

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

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

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

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

## Notes to the financial statements (Cont'd)

### 1. Basis of preparation (continued)

#### (a) Statement of compliance (continued)

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

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, *Financial Instruments: Disclosures* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits* (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting* (Annual Improvements 2012-2014 Cycle)

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

- MFRS 15, *Revenue from Contracts with Customers*

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

- MFRS 9, *Financial Instruments* (2014)

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

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 2 and Amendments to MFRS 138 which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 5, Amendments to MFRS 11, MFRS 14, Amendments to MFRS 128, Amendments to MFRS 138 and Amendments to MFRS 141 which are not applicable to the Group and Company.
- from the annual period beginning on 1 January 2017 for the accounting standard that is effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for the accounting standard that is effective for annual periods beginning on or after 1 January 2018.



**1. Basis of preparation (continued)**

**(a) Statement of compliance (continued)**

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

**MFRS 15, *Revenue from Contracts with Customers***

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

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

**MFRS 9, *Financial Instruments***

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

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

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

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

**(d) Use of estimates and judgements**

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

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

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

## Notes to the financial statements (Cont'd)

### 2. Significant accounting policies

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

#### (a) Basis of consolidation

##### (i) Subsidiaries

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

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

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

##### (ii) Business combinations

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

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

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

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

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

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

**2. Significant accounting policies (continued)****(a) Basis of consolidation (continued)****(iii) Acquisitions of non-controlling interests**

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

**(iv) Loss of control**

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

**(v) Non-controlling interests**

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

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

**(vi) Transactions eliminated on consolidation**

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

**(b) Foreign currency****(i) Foreign currency transactions**

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

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

## Notes to the financial statements (Cont'd)

### 2. Significant accounting policies (continued)

#### (b) Foreign currency (continued)

##### (i) Foreign currency transactions (continued)

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

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

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

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

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

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

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

#### (c) Financial instruments

##### (i) Initial recognition and measurement

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

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

**2. Significant accounting policies (continued)**

**(c) Financial instruments**

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

The Group and the Company categorise financial instruments as follows:

***Financial assets***

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

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

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

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

**(b) *Loans and receivables***

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

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

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

***Financial liabilities***

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

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

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



## Notes to the financial statements (Cont'd)

### 2. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (iii) Financial guarantee contracts

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

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

##### (iv) Derecognition

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

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

#### (d) Property, plant and equipment

##### (i) Recognition and measurement

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

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

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

## 2. Significant accounting policies (continued)

### (d) Property, plant and equipment (continued)

#### (i) Recognition and measurement (continued)

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

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

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

#### (ii) Subsequent costs

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

#### (iii) Depreciation

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

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

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

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

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

## Notes to the financial statements (Cont'd)

### 2. Significant accounting policies (continued)

#### (e) Leased assets

##### (i) Finance lease

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

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

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

##### (ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased 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.

#### (f) Investment properties

##### (i) Investment property carried at cost

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

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

**2. Significant accounting policies (continued)****(f) Investment properties (continued)****(i) Investment property carried at cost (continued)**

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

- Leasehold land                      60 years
- Buildings                              50 years

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

**(ii) Reclassification to/from investment property**

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

**(iii) Determination of fair value**

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

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

**(g) Inventories**

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

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

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

**(h) Cash and cash equivalents**

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

**2. Significant accounting policies (continued)**

**(i) Impairment**

**(i) Financial assets**

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

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

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

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

**(ii) Other assets**

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

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

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

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

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



**2. Significant accounting policies (continued)****(i) Impairment (continued)****(ii) Other assets (continued)**

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

**(j) Equity instruments**

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

**(i) Issue expenses**

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

**(ii) Ordinary shares**

Ordinary shares are classified as equity.

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

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

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

**(k) Employee benefits****(i) Short-term employee benefits**

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

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

## Notes to the financial statements (Cont'd)

### 2. Significant accounting policies (continued)

#### (k) Employee benefits

##### (ii) State plans

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

#### (l) Deferred revenue

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

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

#### (m) Provisions

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

#### (n) Revenue and other income

##### (i) Goods sold

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

##### (ii) Revenue on reward points

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

**2. Significant accounting policies (continued)**

**(n) Revenue and other income**

**(iii) Rental income**

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

**(iv) Dividend income**

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

**(v) Interest income**

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

**(o) Borrowing costs**

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

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

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

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

**(p) Income tax**

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

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

## Notes to the financial statements (Cont'd)

### 2. Significant accounting policies (continued)

#### (p) Income tax (continued)

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

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

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

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

#### (q) Earnings per ordinary share

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

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

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

#### (r) Operating segments

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

## 2. Significant accounting policies (continued)

### (s) Contingent liabilities

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

### (t) Fair value measurement

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

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

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

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

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



## Notes to the financial statements (Cont'd)

### 3. Property, plant and equipment

Group	Land RM'000	Buildings RM'000	Plant, equipment and fittings RM'000	Renovations RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>						
1 January 2013	10,276	10,135	13,532	4,436	4,347	42,726
Additions	-	10,087	1,622	1,202	2,007	14,918
Disposals	-	-	(366)	-	(1,124)	(1,490)
Written off	-	-	(876)	(1,049)	-	(1,925)
Exchange differences	-	157	33	34	6	230
At 31 December 2013/						
1 January 2014	10,276	20,379	13,945	4,623	5,236	54,459
Additions	-	6,586	380	1,097	-	8,063
Disposals	-	-	(3)	-	(171)	(174)
Written off	-	-	(284)	(223)	-	(507)
Exchange differences	-	106	13	12	4	135
At 31 December 2014	10,276	27,071	14,051	5,509	5,069	61,976
<b>Accumulated depreciation</b>						
At 1 January 2013	153	1,246	6,838	2,423	2,045	12,705
Depreciation for the year	22	221	1,456	740	800	3,239
Disposals	-	-	(247)	-	(1,094)	(1,341)
Written off	-	-	(671)	(703)	-	(1,374)
Exchange differences	-	6	27	27	4	64
At 31 December 2013/						
1 January 2014	175	1,473	7,403	2,487	1,755	13,293
Depreciation for the year	22	355	1,382	863	1,004	3,626
Disposals	-	-	(3)	-	(171)	(174)
Written off	-	-	(142)	(195)	-	(337)
Exchange differences	-	6	2	8	3	19
At 31 December 2014	197	1,834	8,642	3,163	2,591	16,427
<b>Carrying amounts</b>						
At 1 January 2013	10,123	8,889	6,694	2,013	2,302	30,021
At 31 December 2013/						
1 January 2014	10,101	18,906	6,542	2,136	3,481	41,166
At 31 December 2014	10,079	25,237	5,409	2,346	2,478	45,549

**3. Property, plant and equipment (continued)**

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

**3.1 Land**

Included in the total carrying amount of land are:

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

**3.2 Security**

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

## Notes to the financial statements (Cont'd)

### 3. Property, plant and equipment (continued)

#### 3.3 Property, plant and equipment under finance lease arrangements

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

#### 3.4 Building held in trust

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

### 4. Investment properties

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

**4. Investment properties (continued)**

Included in the above are:

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

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

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

**4.1 Security**

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

**4.2 Title**

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

**4.3 Fair value information**

Fair value of investment properties are categorised at level 3.

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

## Notes to the financial statements (Cont'd)

### 4. Investment properties (continued)

#### 4.3 Fair value information (continued)

##### Policy on transfer between levels

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

##### Level 3 fair value

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

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

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
(i) Capitalised net rental income: In the income capitalisation approach, capitalisation rates are applied to the income of the investment properties to determine the value of the investment properties.	<ul style="list-style-type: none"> <li>Expected market rental growth (5%)</li> <li>Occupancy rate (85%)</li> <li>Capitalisation rate (6%)</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>net rental income were higher/(lower);</li> <li>capitalisation rate were lower/(higher);</li> <li>occupancy rate were higher/(lower).</li> </ul>
(ii) The group estimates the fair value of investment properties based on the following key assumptions:  - Comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities.	<ul style="list-style-type: none"> <li>Market price of property in vicinity compared.</li> </ul>	<p>The estimated fair value would increase/ (decrease) if market prices of property were higher/(lower).</p>

### 5. Investments in subsidiaries

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



**5. Investments in subsidiaries (continued)**

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest	
			2014 %	2013 %
<b><i>Subsidiaries of DeGem Berhad</i></b>				
P.Y.T. Jewel & Time Sdn. Bhd.	Investment holding and trading in gold and jewellery	Malaysia	100	100
Diamond & Platinum Sdn. Bhd.	Trading in diamonds and jewellery	Malaysia	100	100
Jewelmart International Sdn. Bhd.	Investment holding	Malaysia	100	100
DeGem Masterpiece Pte. Ltd.*	Dormant	Singapore	60	60
<b><i>Subsidiaries of P.Y.T. Jewel &amp; Time Sdn. Bhd.</i></b>				
DeGem Masterpiece Sdn. Bhd.	Investment holding and trading in gold and jewellery	Malaysia	100	100
DeGem Prestige Sdn. Bhd.	Trading in gold and jewellery	Malaysia	90	90
Inticraft Sdn. Bhd.	Manufacturing and trading in gold and jewellery	Malaysia	100	100
Tong Yek Jewellers Sdn. Bhd.	Investment holding and provision of management service	Malaysia	100	100
Diamond Mart Sdn. Bhd.*	Property investment	Malaysia	100	100
DeGem Capital Sdn. Bhd.	Investment holding and trading in gold medals and badges	Malaysia	100	100
DeGem Diamond Collection Sdn. Bhd.	Trading in diamonds and jewellery	Malaysia	100	100
Telenaga Sdn. Bhd.*	Property investment	Malaysia	100	100
Titanpuri Sdn. Bhd.*	Trading in gold medals and badges	Malaysia	80	80
Solireno Sdn. Bhd.*	Trading and manufacture of gold and jewellery	Malaysia	70	70
Depaddle Sdn.Bhd.*	Trading in diamonds and jewellery	Malaysia	100	100

## Notes to the financial statements (Cont'd)

### 5. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest	
			2014 %	2013 %
<b><i>Subsidiaries of Diamond &amp; Platinum Sdn. Bhd.</i></b>				
D Rewards Services Sdn. Bhd.*	Dormant	Malaysia	100	100
Diamond & Platinum (B) Sdn. Bhd.*	Trading in diamonds and jewellery	Brunei	100	100
<b><i>Subsidiaries of Jewelmart International Sdn. Bhd.</i></b>				
Grandmax Corporation Limited*	Trading in gold and jewellery	Hong Kong	70	70
Fareway International Limited*	Trading in gold and jewellery	Hong Kong	100	100
Jewel2cash Pte. Ltd.*	Trading in gold and jewellery and investment holding	Singapore	100	100
DeGem Prestige Pte. Ltd.*	Trading in diamond and jewellery	Singapore	100	100

\* Not audited by member firms of KPMG International.

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

## 5. Investments in subsidiaries (continued)

## Non-controlling interests in subsidiaries

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

	2014			
	Grandmax Corporation Limited RM'000	DeGem Masterpiece Pte. Ltd. RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
<b>NCI percentage of ownership</b>				
<b>interest and voting interest</b>	30%	40%		
Carrying amount of NCI	7,288	2,654	984	10,926
Profit/ (Loss) allocated to NCI	1,288	(106)	37	1,219
<b>Summarised financial information before intra-group elimination</b>				
<b>As at 31 December</b>				
Current assets	33,290	6,803		
Current liabilities	(8,995)	(168)		
Net assets	24,295	6,635		
<b>Year ended 31 December</b>				
Revenue	33,190	212		
Profit/(Loss) for the year	4,292	(266)		
Total comprehensive income/ (expense)	4,292	(266)		
Cash flows from/ (used in) operating activities	124	(331)		
Cash flows used in financing activities	(492)	-		
Net decrease in cash and cash equivalents	(368)	(331)		

## Notes to the financial statements (Cont'd)

### 5. Investments in subsidiaries (continued)

#### Non-controlling interests in subsidiaries (continued)

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

	2013			
	Grandmax Corporation Limited RM'000	DeGem Masterpiece Pte. Ltd. RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
<b>NCI percentage of ownership</b>				
<b>interest and voting interest</b>	30%	40%		
Carrying amount of NCI	5,542	2,703	948	9,193
Profit/ (Loss) allocated to NCI	1,218	(148)	22	1,092
<b>Summarised financial information before intra-group elimination</b>				
<b>As at 31 December</b>				
Current assets	28,387	7,160		
Current liabilities	(9,913)	(403)		
Net assets	18,474	6,757		
<b>Year ended 31 December</b>				
Revenue	32,587	13,685		
Profit/(Loss) for the year	4,060	(370)		
Total comprehensive income/ (expense)	4,060	(370)		
Cash flows from/ (used in) operating activities	1,893	(750)		
Cash flows from investing activities	-	20		
Cash flows used in financing activities	(897)	-		
Net increase/ (decrease) in cash and cash equivalents	996	(730)		

**6. Deferred tax assets/(liabilities)****Recognised deferred tax assets/(liabilities)**

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

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

**Unrecognised deferred tax assets**

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

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

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

## Notes to the financial statements (Cont'd)

### 7. Inventories

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

### 8. Trade and other receivables

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

#### 8.1 Amount due from subsidiaries

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



**9. Prepayments and other assets**

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

**10. Cash and cash equivalents**

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

**11. Capital and reserves****Share capital**

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

**11.1 Ordinary shares**

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

## Notes to the financial statements (Cont'd)

### 11. Capital and reserves (continued)

#### 11.2 Share premium

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

#### 11.3 Other capital reserve

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

#### 11.4 Translation reserve

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

#### 11.5 Treasury shares

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

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

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

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

**12. Loans and borrowings**

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

**Security**

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

Finance lease liabilities are payable as follows:

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

## Notes to the financial statements (Cont'd)

### 13. Trade and other payables, including derivatives

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

#### 13.1 Deposits received

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

#### 13.2 Other payables

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

### 14. Deferred revenue

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

**14. Deferred revenue (continued)**

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

*D Rewards customer loyalty programme*

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

**15. Revenue**

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

**16. Finance income**

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

**17. Finance costs**

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

## Notes to the financial statements (Cont'd)

### 18. Profit before tax

	Note	Group 2014 RM'000	2013 RM'000	Company 2014 RM'000	2013 RM'000
<b>Profit before tax is arrived at after charging:</b>					
Auditors' remuneration					
- Audit fees KPMG Malaysia		203	180	48	43
- Other auditors		83	75	-	-
- Non-audit fees KPMG Malaysia		15	15	15	15
Depreciation of investment properties	4	151	150	-	-
Depreciation of property, plant and equipment	3	3,626	3,239	-	-
Impairment loss on trade receivables		391	-	-	-
Impairment on amount due from a subsidiary		-	-	529	-
Inventories written down		191	56	-	-
Net realised foreign exchange loss		-	72	-	-
Net unrealised foreign exchange loss		531	160	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		2,804	2,912	-	-
- Wages, salaries and others (including key management personnel)		22,533	22,471	380	380
Property, plant and equipment written off		170	551	-	-
Rental of premises		10,979	10,743	60	60
Sales commission		8,780	8,370	-	-
Fair value gain on derivatives		46	83	-	-
Gain on disposal of property, plant and equipment		79	313	-	-
Net unrealised foreign exchange gain		677	-	28	-
Rental income in respect of:					
- Investment properties		374	410	-	-
- Operating leases other than those relating to investment properties		812	873	-	-
Reversal of inventories written down		10	94	-	-



**19. Key management personnel compensation**

The key management personnel compensation are as follows:

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

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

**20. Tax expense**

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current tax expense</b>				
Malaysian - current	6,569	4,987	227	409
- prior year	609	48	14	68
	7,178	5,035	241	477
Overseas - current	1,049	858	-	-
- prior year	(40)	39	-	-
	1,009	897	-	-
	8,187	5,932	241	477
<b>Deferred tax expense</b>				
Origination of temporary differences	228	140	-	-
Over provision in prior year	(174)	(137)	-	-
	54	3	-	-
Total income tax expense	8,241	5,935	241	477

## Notes to the financial statements (Cont'd)

### 20. Tax expense (continued)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Reconciliation of tax expense</b>				
Profit before tax	27,634	22,435	(73)	1,170
Income tax calculated Malaysian tax rate of 25% (2013 : 25%)	6,909	5,609	(18)	293
Effect of different tax rate in foreign jurisdictions	(446)	(455)	-	-
Non-deductible expenses	1,302	662	245	116
Effect of deferred tax assets not recognised	6	12	-	-
Effect of changes in tax rate	(39)	-	-	-
Others	114	157	-	-
	7,846	5,985	227	409
Under/(Over) provision in prior year	395	(50)	14	68
	8,241	5,935	241	477

### 21. Earnings per ordinary share

#### Basic earnings per ordinary share

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

	Group	
	2014 RM'000	2013 RM'000
Profit for the year attributable to ordinary shareholders at 31 December	18,174	15,408
Weighted average number of issued ordinary shares at 1 January	134,000	134,000
Effect of treasury shares held	(3,005)	(2,146)
Weighted average number of issued ordinary shares at 31 December	130,995	131,854
	Group	
	2014 Sen	2013 Sen
Basic earnings per ordinary share	13.87	11.69

**22. Dividends**

Dividends recognised by the Company :

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

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

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

**23. Operating segments**

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

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

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

Inter-segment pricing is determined based on negotiated terms.

**Segment assets**

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

## Notes to the financial statements (Cont'd)

### 23. Operating segments (continued)

#### Segment liabilities

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

#### Segment capital expenditure

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

#### Major customers

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

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

## 23. Operating segments (continued)

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

## Notes to the financial statements (Cont'd)

### 23. Operating segments (continued)

#### *Geographical segments*

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

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

### 24. Financial instruments

#### 24.1 Categories of financial instruments

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

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

	Carrying amount RM'000	L&R (FL) RM'000	FVTPL RM'000
<b>2014</b>			
<b>Financial assets</b>			
<b>Group</b>			
Trade and other receivables	18,684	18,684	-
Cash and cash equivalents	31,815	31,815	-
	50,499	50,499	-
<b>Company</b>			
Trade and other receivables	33,774	33,774	-
Cash and cash equivalents	934	934	-
	34,708	34,708	-



**24. Financial instruments (continued)****24.1 Categories of financial instruments (continued)**

	Carrying amount RM'000	L&R (FL) RM'000	FVTPL RM'000
<b>2014</b>			
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	(38,481)	(38,481)	-
Trade and other payables, including derivatives	(31,132)	(31,132)	(39)
	(69,613)	(69,574)	(39)
<b>Company</b>			
Loans and borrowings	(10,784)	(10,784)	-
Trade and other payables	(178)	(178)	-
	(10,962)	(10,962)	-
<b>2013</b>			
<b>Financial assets</b>			
<b>Group</b>			
Trade and other receivables	14,752	14,752	-
Cash and cash equivalents	26,445	26,445	-
	41,197	41,197	-
<b>Company</b>			
Trade and other receivables	35,571	35,571	-
Cash and cash equivalents	1,376	1,376	-
	36,947	36,947	-
<b>Financial liabilities</b>			
<b>Group</b>			
Loans and borrowings	(37,069)	(37,069)	-
Trade and other payables, including derivatives	(34,081)	(33,996)	(85)
	(71,150)	(71,065)	(85)
<b>Company</b>			
Loans and borrowings	(10,899)	(10,899)	-
Trade and other payables	(136)	(136)	-
	(11,035)	(11,035)	-

## Notes to the financial statements (Cont'd)

### 24. Financial instruments (continued)

#### 24.2 Net gains and losses arising from financial instruments

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

#### 24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

#### 24.4 Credit risk

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

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

##### Receivables

*Risk management objectives, policies and processes for managing the risk*

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

**24. Financial instruments (continued)****24.4 Credit risk (continued)****Receivables (continued)***Exposure to credit risk and credit quality*

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

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

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

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

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

*Impairment losses*

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

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

## Notes to the financial statements (Cont'd)

### 24. Financial instruments (continued)

#### 24.4 Credit risk (continued)

##### Receivables (continued)

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

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

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

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

##### Financial guarantees

###### *Risk management objectives, policies and processes for managing the risk*

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

###### *Exposure to credit risk, credit quality and collateral*

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

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

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

**24. Financial instruments (continued)**

**24.4 Credit risk (continued)**

**Cash and cash equivalents**

*Risk management objectives, policies and processes for managing the risk*

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

*Exposure to credit risk, credit quality and collateral*

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

**Inter company balances**

*Risk management objectives, policies and processes for managing the risk*

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

*Exposure to credit risk, credit quality and collateral*

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

*Impairment losses*

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

**24.5 Liquidity risk**

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

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

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

## Notes to the financial statements (Cont'd)

### 24. Financial instruments (continued)

#### 24.5 Liquidity risk (continued)

##### *Maturity analysis*

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

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

**24. Financial instruments (continued)****24.5 Liquidity risk (continued)***Maturity analysis (continued)*

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

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

**24.6 Market risk**

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



## Notes to the financial statements (Cont'd)

### 24. Financial instruments (continued)

#### 24.6 Market risk (continued)

##### 24.6.1 Currency risk

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

*Risk management objectives, policies and processes for managing the risk*

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

*Exposure to foreign currency risk*

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

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

*Currency risk sensitivity analysis*

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

**24. Financial instruments (continued)****24.6 Market risk (continued)****24.6.1 Currency risk (continued)**

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

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

**24.6.2 Interest rate risk**

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

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

*Risk management objectives, policies and processes for managing the risk*

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

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

*Exposure to interest rate risk*

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

## Notes to the financial statements (Cont'd)

### 24. Financial instruments (continued)

#### 24.6 Market risk (continued)

##### 24.6.2 Interest rate risk (continued)

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

#### **Interest rate risk sensitivity analysis**

##### *Fair value sensitivity analysis for fixed rate instruments*

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

##### *Cash flow sensitivity analysis for variable rate instruments*

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

**24. Financial instruments (continued)****24.6 Market risk (continued)****24.6.2 Interest rate risk (continued)**

	<b>Profit or (loss)</b>	
	<b>100 bp increase RM'000</b>	<b>100 bp increase RM'000</b>
<b>Group</b>		
<b>2014</b>		
Floating rate instruments	(281)	281
<b>2013</b>		
Floating rate instruments	(268)	268
<b>Company</b>		
<b>2014</b>		
Floating rate instruments	(81)	81
<b>2013</b>		
Floating rate instruments	(82)	82

**24.6.3 Fair value of information**

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

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

## Notes to the financial statements (Cont'd)

### 24. Financial instruments (continued)

#### 24.6 Market risk (continued)

##### 24.6.3 Fair value of information (continued)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	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		
<b>2014</b>										
<b>Group</b>										
<b>Financial liabilities</b>										
Interest rate swap	-	-	39	39	-	-	-	-	39	39
Term loan - secured	-	-	34,439	34,439	-	-	-	-	34,439	34,439
Finance lease	-	-	-	-	-	-	972	972	972	1,042
liabilities	-	-	34,478	34,478	-	-	972	972	35,450	35,520
<b>Company</b>										
<b>Financial liabilities</b>										
Term loan - secured	-	-	7,784	7,784	-	-	-	-	7,784	7,784
<b>2013</b>										
<b>Group</b>										
<b>Financial liabilities</b>										
Interest rate swap	-	-	85	85	-	-	-	-	85	85
Term loan - secured	-	-	34,612	34,612	-	-	-	-	34,612	34,612
Finance lease	-	-	-	-	-	-	1,327	1,327	1,327	1,327
liabilities	-	-	34,697	34,697	-	-	1,327	1,327	36,024	36,154
<b>Company</b>										
<b>Financial liabilities</b>										
Term loan - secured	-	-	9,899	9,899	-	-	-	-	9,899	9,899

**24. Financial instruments (continued)****24.6 Market risk (continued)****24.6.3 Fair value of information (continued)****Policy on transfer between levels**

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

**Level 1 fair value**

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

**Level 2 fair value**

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

***Non-derivative financial liabilities***

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

***Transfers between Level 1 and Level 2 fair values***

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

**Level 3 fair value**

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

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

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

## Notes to the financial statements (Cont'd)

### 24. Financial instruments (continued)

#### 24.6 Market risk (continued)

##### 24.6.3 Fair value of information (continued)

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

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

###### *Financial instruments carried at fair value*

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

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

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

##### 24.6.4 Precious metals and stones risk

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

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



**25. Capital management**

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

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

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

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

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

**26. Capital commitment****Capital expenditure commitments**

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Property</b>		
Contracted but not provided for	349	5,469

## Notes to the financial statements (Cont'd)

### 27. Operating leases

#### Leases as lessee

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

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

### 28. Related parties

#### Identity of related parties

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

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

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

**28. Related parties (continued)****Significant related party transactions**

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

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

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

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

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

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

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

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

# Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 43 to 107 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 29 on page 107 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

.....  
**Choong Kay Cheong**

.....  
**Choong Khoi Onn**

Kuala Lumpur,

Date:

# Statutory declaration

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

I, **Choong Khoi Onn**, the Director primarily responsible for the financial management of DeGem Berhad, do solemnly and sincerely declare that the financial statements set out on pages 43 to 107 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

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

.....  
**Choong Khoi Onn**

Before me:

# Independent auditors' report to the members of DeGem Berhad

## **Report on the Financial Statements**

We have audited the financial statements of DeGem Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 107.

### *Directors' Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

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

### Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 29 on page 107 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

### Other Matters

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

#### KPMG

Firm Number: AF 0758  
Chartered Accountants

Petaling Jaya, Malaysia

Date:

#### Chong Dee Shiang

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



# Analysis of Shareholdings as at 15 April 2015

## SHARE CAPITAL

Authorised Share Capital	:	RM100,000,000/-
Issued and fully paid-up capital	:	RM67,000,000/-
Class of Shares	:	Ordinary shares of RM0.50 each
No. of Shareholders	:	957
Voting rights	:	1 vote per ordinary share
No. of Treasury Shares held	:	3,128,900 ordinary shares of RM0.50 each

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Share Held	%
Less than 100 shares	10	1.04	320	0.00
100 - 1,000 shares	489	51.10	118,900	0.09
1,001 - 10,000	349	36.47	1,465,480	1.12
10,001 - 100,000	81	8.46	2,268,700	1.73
100,001 to less than 5% of issued shares	24	2.51	27,608,350	21.10
5% and above of issued shares	4	0.42	99,409,350	75.96
	957	100.00	130,871,100	100.00

## LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Legion Master Sdn. Bhd.	40,425,734	30.89
2.	CIMB Group Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Legion Master Sdn. Bhd.)	31,500,000	24.06
3.	HSBC Nominees (Asing) Sdn. Bhd. (Exempt an for BSI SA (BSI BK SG-NR)	15,103,600	11.54
4.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. (Exempt an for Deutsche Bank AG Singapore (PWM Asing)	12,380,016	9.46
5.	Kenanga Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Teh Yean Teong (021)	5,892,600	4.50
6.	Amsec Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Cherie Sumana Weerasena)	4,326,000	3.30
7.	Amsec Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Teh Yean Teong)	4,000,000	3.06
8.	Dato' Hasan bin M. Taib	3,000,000	2.29
9.	Choong Kay Cheong	2,000,000	1.53

**LIST OF THIRTY LARGEST SHAREHOLDERS (continued)**

<b>No.</b>	<b>Name</b>	<b>No. of Shares Held</b>	<b>%</b>
10.	Choong Sin Cheong	2,000,000	1.53
11.	Amsec Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account – Ambank (M) Berhad for Teh Yean Teong (SMART))	1,432,800	1.09
12.	Atlas Gain Sdn. Bhd.	1,013,000	0.77
13.	Choong Khoi Onn	640,000	0.49
14.	Peninsular Logistic Sdn. Bhd. Clearcal Sdn. Bhd.	591,150	0.45
15.	Lai Moi Foong	512,700	0.39
16.	Green Place Sdn. Bhd.	328,800	0.25
17.	Yeoh Moi Hoea	274,600	0.21
18.	Yeoh Phek Leng	225,000	0.17
19.	Amanahraya Trustees Berhad Public Strategic Smallcap Fund	211,100	0.16
20.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Lim Bee Ying)	165,100	0.13
21.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Lau Eng Quang)	162,000	0.12
22.	Onn Kok Puay (Weng Guopei)	148,800	0.11
23.	Yeoh Mooi Geck	124,000	0.09
24.	Choong Khoi Onn	120,000	0.09
25.	Onn Ping Lan	119,300	0.09
26.	Yap Lim Sen	114,400	0.09
27.	Liau Nge Moi @ Leo Mee Chong	105,000	0.08
28.	Yeoh Pei Kee	102,000	0.08
29.	Nik Anida binti Nik Nanshor	75,000	0.06
30.	Nik Awang @ Wan Azmi bin Wan Hamzah	75,000	0.06

# Substantial Shareholders

(As shown in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct	No. of ordinary Shares of RM0.50 Each		%
		%	Indirect	
Legion Master Sdn. Bhd.	71,925,734	54.96	-	-
Choong Kai Soon	-	-	71,925,734*	54.96
Choong Kai Fatt	-	-	71,925,734*	54.96
Choong Khoi Onn	760,000	0.58	71,925,734*	54.96
Choong Sin Cheong	2,000,000	1.53	71,925,734*	54.96
Choong Kay Cheong	2,000,000	1.53	71,925,734*	54.96

\* Deemed interested by virtue of his direct/indirect shareholdings in Legion Master Sdn. Bhd.

# Statement of Directors' Shareholdings

Directors' Name	No. of ordinary Shares of RM0.50 Each			
	Direct	%	Indirect	%
Dato' Hasan bin M. Taib	3,000,000	2.29	-	-
Choong Kai Soon	-	-	71,925,734*	54.96
Choong Kai Fatt	-	-	71,925,734*	54.96
Choong Khoi Onn	760,000	0.58	71,925,734*	54.96
Choong Kay Cheong	2,000,000	1.53	71,925,734*	54.96
Leou Thiam Lai	-	-	-	-
Chuah Teong Aung	-	-	-	-
Datuk Zainun Aishah binti Ahmad	-	-	-	-

\* Deemed interested by virtue of his direct/indirect shareholdings in Legion Master Sdn. Bhd.

# Properties of The Group

The Landed Properties of DeGem Group are as follows:

Registered	Description Owner	Location	Date of Acquisition	Exixting Use	Tenure	Total Area sq.ft	Age Building (Years)	NBV @ 31.12.2014
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	Leasehold	20,303	7	6,072,000
Diamond Mart Sdn Bhd	Two Continuous Three Storeys Mid Terraced Shop Offices	No. 40 & 42, Jalan Maarof, Bangsar Baru, 59100 KL	21.02.2001	Shop Office	Freehold	2,040 each	21	6,943,024
	One Single Storey Bungalow	No.20,Jalan 1/4 Old Town, 46000 Petaling Jaya, Selangor.	30.11.2011	Investment Property	Leasehold	4,168	50	184,125
Telenaga Sdn Bhd	Two Continuous Three Storeys Mid Terraced Shop Offices	No. 44 & 46, Jalan Maarof, Bangsar Baru, 59100 KL	19.11.1998	Shop Office	Freehold	2,040 each	21	4,186,905
DeGem Prestige Sdn Bhd	4 1/2 Storey Shophouse Leasehold Land - 70% Leasehold Buildings - 30%	No.100, Lrg Mamanda 2, Tmn Dato Ahmad Razali 68000 Ampang, Selangor	30.04.2006	Shop	Leasehold	1,650	26	2,223,946
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	29	1
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	5	966,000
	One Single Storey Bungalow	47, Jalan Maarof, Bangsar, 59100 Kuala Lumpur	01.04.2014	Investment Property	Freehold	6,458	23	6,586,000
Degem International Pte Ltd (formerly known as Jewel2Cash Pte Ltd)	One unit of Condominium	806, Thomson Road, #15-09, Singapore 298189	28.07.2011	Investment Property	Freehold	1399	15	4,456,236

## Properties of The Group (Cont'd)

Registered	Description Owner	Location	Date of Acquisition	Exixting Use	Tenure	Total Area sq.ft	Age Building (Years)	NBV @ 31.12.2014
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	Leasehold	8379	2	4,410,104
	3-Storey Apartment with 8 units	Lot 303, (No.6) Lengkok Abdullah Off Jalan Abdullah, Bangsar, 59000 Kuala Lumpur	15.05.2013	Apartment	Freehold	10,086	2	5,528,871
								41,557,211

# Directory of Degem Group Showrooms

## DeGem

[www.degemdiamond.com](http://www.degemdiamond.com)

### • Kuala Lumpur

#### **Bangsar Baru**

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

#### **Pavilion**

Lot 3.02 Level 3  
The Pavillion Kuala Lumpur  
168 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel: 03-2141 1199  
Fax: 03-2142 8180

#### **The Gardens**

G213B, Ground Floor  
The Gardens Mall  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel: 03-2283 2618  
Fax: 03-2282 9618

### • Selangor

#### **1 Utama Shopping Complex**

G302, Ground Floor  
1 Utama Shopping Centre (Phase 2A)  
No.1, Lebuhr Bandar Utama  
47800 Petaling Jaya  
Selangor  
Tel: 03-7725 8218  
Fax: 03-7725 8217

#### **Ampang**

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

### • Singapore

#### **The Shoppes At Marina Bay Sands**

01-03/04, 1 Bayfront Avenue  
Marina Bay Hotel Tower  
Singapore 018971  
Tel: 02-6688 7032  
Fax: 02-6688 7033



• **Kuala Lumpur**

**Mid Valley Megamall**

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

**Sungei Wang Plaza**

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

• **Selangor**

**Sunway Pyramid**

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

**1 Utama Shopping Complex**

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

**The Curve Mutiara Damansara**

Lot G59 & G60, Ground Floor  
The Curve, Jalan PJU 7/3  
Mutiara Damansara, 47810 Petaling Jaya  
Selangor  
Tel: 03-7728 2478

**SACC Mall**

GF20, Ground Floor, SACC Mall  
Jalan Perbadanan 14/9  
Pusat Bandar Shah Alam, 40000 Shah Alam  
Selangor  
Tel: 03-5510 3478

**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

**Subang Parade**

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

**Setia City Mall**

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

## Directory of Degem Group Showrooms (Cont'd)

### • Johor

#### **AEON Tebrau City**

F50, 1st Floor, AEON  
Tebrau City Shopping Centre  
No.1 Jalan Desa Tebrau  
Taman Desa Tebrau  
81100 Johor Bahru  
Tel: 07-355 8478

#### **Sutera Mall**

L2-018, Sutera Mall  
No.1, Jalan Sutera Tanjung 8/4  
Taman Sutera Utama  
81300 Skudai, Johor Bahru  
Tel: 07-557 8478

### • Penang

#### **Queensbay Mall**

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

#### **Gurney Plaza**

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

### • Perak

#### **Ipoh Parade**

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

#### **AEON Station 18**

Lot G45, Ground Floor  
Aeon Station 18 Shopping Centre  
No.2 Susuran Stesen 18  
Station 18, 31650 Ipoh  
Perak  
Tel: 05-323 3478

### • Sarawak

#### **City One Mega Mall**

GK09 & GK10, Ground Floor  
City One Mega Mall  
Jalan Song  
93350 Kuching  
Sarawak  
Tel: +6082-532 678

### • Brunei

#### **Abdul Razak Complex**

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

**DEGEM BERHAD (415726-T)**

(Incorporated in Malaysia)

**PROXY FORM**

I/We \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

being a member(s) of DEGEM BERHAD hereby appoint \_\_\_\_\_  
(FULL NAME)

(NRIC NO.: \_\_\_\_\_) of \_\_\_\_\_  
(ADDRESS)

or failing him/her, \_\_\_\_\_  
(FULL NAME)

(NRIC NO.: \_\_\_\_\_) of \_\_\_\_\_  
(ADDRESS)

or failing him/her, the Chairman of the Meeting as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at the Banyan Room, Ground Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 27 May 2015, at 10.30 a.m. and at any adjournment thereof.

(\* strike out whichever is not desired)

(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.	Payment of a First and Final Single Tier Dividend		
2.	Approval of Directors' fees		
3.	Re-election of Dato' Hasan bin M. Taib as Director		
4.	Re-election of Mr. Choong Khoi Onn as Director		
5.	Re-election of Mr. Leou Thiam Lai as Director		
6.	Re-appointment of Mr. Chuah Teong Aung as Director		
7.	Re-appointment of Messrs. KPMG as Auditors		
8.	Ordinary Resolution 1 - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		
9.	Ordinary Resolution 2 - Proposed Renewal of Authority For Share Buy-Back		
10.	Ordinary Resolution 3 - Continuing in Office for Mr. Leou Thiam Lai as Independent Non-Executive Director		
11.	Ordinary Resolution 4 - Continuing in Office for Mr. Chuah Teong Aung as Independent Non-Executive Director		

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

Dated this ..... day of ..... , 2015 .....

Signature

**Notes:**

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint up to two proxies to attend and vote instead of him/her. Where a member appoints two (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 Company's Registered Office at No. 42, 1st Floor, Jalan Maarof, Bangsar Baru, 59100 Kuala Lumpur not less than forty eight (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 20 May 2015 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.

Fold this flap for sealing



The Company Secretary

**DeGem Berhad (415726-T)**  
No. 42 First Floor,  
Jalan Maarof,  
Bangsar Baru,  
59100 Kuala Lumpur

Fold here

**DeGem Berhad** (415726-T)

No. 42 First Floor,  
Jalan Maarof,  
Bangsar Baru,  
59100 Kuala Lumpur.

Tel: 603 2284 4794

Fax: 603 2284 4864

E-mail: [info@degembhd.com](mailto:info@degembhd.com)

[www.degembhd.com](http://www.degembhd.com)

