

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2011**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|---|---|--|---|
| | CURRENT QUARTER ENDED 31.12.2011 RM'000 | CORRESPONDING QUARTER ENDED 31.12.2010 RM'000 | CURRENT YEAR TO DATE ENDED 31.12.2011 RM'000 | CORRESPONDING YEAR TO DATE ENDED 31.12.2010 RM'000 (audited) |
| Revenue | 62,849 | 59,746 | 219,703 | 185,253 |
| Cost of sales | (39,062) | (39,591) | (137,200) | (117,786) |
| Gross Profit | 23,787 | 20,155 | 82,503 | 67,467 |
| Other Income | 1,162 | 1,854 | 3,986 | 4,396 |
| Administrative expenses | (4,508) | (6,667) | (22,897) | (22,875) |
| Selling and marketing expenses | (5,135) | (6,031) | (24,494) | (23,444) |
| Other expenses | (661) | (1,039) | (3,110) | (3,017) |
| Finance costs | (416) | (417) | (1,597) | (1,489) |
| Profit before taxation | 14,229 | 7,855 | 34,391 | 21,038 |
| Taxation | (4,191) | (2,406) | (9,578) | (6,586) |
| Profit for the year | 10,038 | 5,449 | 24,813 | 14,452 |
| Profit attributable to: | | | | |
| Equity holders of the Company | 9,802 | 5,308 | 23,395 | 14,145 |
| Minority interests | 236 | 141 | 1,418 | 307 |
| Profit for the year | 10,038 | 5,449 | 24,813 | 14,452 |
| Earnings per share attributable to equity holders of the Company (Note B14) | 7.42 | 4.02 | 17.71 | 10.67 |

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

DeGem Berhad (Company No : 415726 - T)

**NOTES TO CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2011**

INDIVIDUAL QUARTER

| CURRENT QUARTER ENDED 31.12.2011 RM'000 | CURRENT YEAR TO DATE ENDED 31.12.2011 RM'000 |
|---|--|
|---|--|

After crediting :-

| | | |
|--|-------|-------|
| Interest Income | 60 | 226 |
| Allowance on slow moving finished goods-reversal | 5,212 | 4,036 |
| Foreign exchange Gain / (Loss) - realised | 73 | 1,747 |
| Gain or (loss) on disposal of properties | - | 548 |
| Other income including investment income | (147) | 1,465 |

After charging :-

| | | |
|--|-------|---------|
| Interest Expense | (452) | (1,721) |
| Depreciation & amortisation | (252) | (2,170) |
| Provision for and write off of receivables | - | - |
| (Gain) or loss on disposal of quoted investments | - | - |
| Gain or (loss) on disposal of unquoted investments | - | - |
| Impairment of assets | - | - |
| Foreign exchange Gain / (Loss) - unrealised | (324) | (457) |
| Gain or (loss) on derivatives | (90) | (90) |
| Exceptional items | - | - |

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2011**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|---|---|--|--|
| | CURRENT QUARTER ENDED 31.12.2011 RM'000 | CORRESPONDING QUARTER ENDED 31.12.2010 RM'000 | CURRENT YEAR TO DATE ENDED 31.12.2011 RM'000 | CORRESPONDING YEAR TO DATE ENDED 31.12.2010 RM'000 |
| Profit for the year | 10,038 | 5,449 | 24,813 | 14,452 |
| <i>Other comprehensive income for the year, net of tax</i> | | | | |
| Foreign currency translation differences for foreign operations | (140) | 160 | 566 | (589) |
| Total comprehensive income for the year | 9,898 | 5,609 | 25,379 | 13,863 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Company | 9,705 | 5,545 | 23,817 | 13,408 |
| Minority interests | 193 | 64 | 1,562 | 455 |
| Total comprehensive income for the year | 9,898 | 5,609 | 25,379 | 13,863 |

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

| | As at 31.12.2011 RM'000 (Unaudited) | As at 31.12.2010 RM'000 (Audited) As restated |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, Plant and Equipment | 27,190 | 26,975 |
| Investment Properties | 6,468 | - |
| Goodwill | 7,888 | 7,888 |
| Deferred tax assets | 1,548 | 2,540 |
| | <u>43,094</u> | <u>37,403</u> |
| Current assets | | |
| Inventories | 184,938 | 144,654 |
| Trade Receivables | 10,519 | 7,869 |
| Asset held for sale | - | 1,230 |
| Other Receivables, Deposits & Prepayments | 5,575 | 6,758 |
| Tax Recoverable | 568 | 966 |
| Cash and Bank Balances | 21,936 | 20,229 |
| | <u>223,536</u> | <u>181,706</u> |
| TOTAL ASSETS | <u>266,630</u> | <u>219,109</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the Company | | |
| Share Capital | 67,000 | 67,000 |
| Share Premium | 10,436 | 10,436 |
| Other Reserves | (124) | (546) |
| Treasury Shares | (1,922) | (1,914) |
| Retained Earnings | 100,109 | 79,685 |
| | <u>175,499</u> | <u>154,661</u> |
| Minority interest | <u>6,621</u> | <u>5,059</u> |
| Total equity | <u>182,120</u> | <u>159,720</u> |
| Non-current liabilities | | |
| Hire Purchase Creditors | 641 | 284 |
| Long Term Borrowings | 26,332 | 19,761 |
| Deferred Taxation | 63 | 138 |
| | <u>27,036</u> | <u>20,183</u> |
| Current liabilities | | |
| Trade Payables | 29,038 | 16,978 |
| Other Payables & Accruals | 18,347 | 14,574 |
| Short Term Borrowings | 6,606 | 5,940 |
| Hire Purchase Creditors | 187 | 239 |
| Derivative financial instruments | 90 | - |
| Provision for Taxation | 3,206 | 1,475 |
| | <u>57,474</u> | <u>39,206</u> |
| Total liabilities | <u>84,510</u> | <u>59,389</u> |
| TOTAL EQUITY AND LIABILITIES | <u>266,630</u> | <u>219,109</u> |
| Net Assets Per Share (sen) | 138 | 119 |

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

DeGem Berhad (Company No : 415726 - T)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-TO-DATE ENDED 31 DECEMBER 2011**

| | Share Capital RM'000 | Share Premium RM'000 | Other Reserve RM'000 | Treasury Shares RM'000 | Distributable Retained Earnings RM'000 | Total RM'000 | Minority Interest RM'000 | Total RM'000 |
|---|----------------------------|----------------------------|----------------------------|------------------------------|---|-----------------|--------------------------------|-----------------|
| At 1 January 2010 | 67,000 | 10,436 | 191 | (403) | 67,524 | 144,748 | 4,494 | 149,242 |
| Total comprehensive income for the year | - | - | (737) | - | 14,145 | 13,408 | 455 | 13,863 |
| Shares repurchased | - | - | - | (1,511) | - | (1,511) | - | (1,511) |
| Increased of investment in a subsidiary company | - | - | - | - | - | - | 110 | 110 |
| Dividend | - | - | - | - | (1,984) | (1,984) | - | (1,984) |
| At 31 December 2010 | 67,000 | 10,436 | (546) | (1,914) | 79,685 | 154,661 | 5,059 | 159,720 |
| At 1 January 2011 | 67,000 | 10,436 | (546) | (1,914) | 79,685 | 154,661 | 5,059 | 159,720 |
| Total comprehensive income for the year | - | - | 422 | - | 23,395 | 23,817 | 1,562 | 25,379 |
| Shares repurchased | - | - | - | (8) | - | (8) | - | (8) |
| Increased of investment in a subsidiary company | - | - | - | - | - | - | - | - |
| Dividend | - | - | - | - | (2,971) | (2,971) | - | (2,971) |
| At 30 December 2011 | 67,000 | 10,436 | (124) | (1,922) | 100,109 | 175,499 | 6,621 | 182,120 |

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR-TO-DATE ENDED 31 DECEMBER 2011**

These figures have not been audited

| | 31.12.11 | 31.12.10 |
|---|-----------------|-----------------|
| | RM'000 | RM'000 |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 34,391 | 21,038 |
| Adjustments for: | | |
| Amortisation of investment properties | 132 | 35 |
| Depreciation of property, plant & equipment | 2,038 | 2,219 |
| Loss on derivative financial instruments | 90 | - |
| Interest expense | 1,721 | 1,489 |
| Provision for slow moving inventory | (4,036) | 651 |
| Property, plant and equipment written off | 128 | 765 |
| Gain on disposal of property, plant and equipment | (250) | (98) |
| Interest income | (226) | (177) |
| Gain on disposal of asset held for sale | (548) | - |
| Loss on disposal of a subsidiary company | - | 109 |
| Unrealised foreign exchange (gain)/loss | 457 | 248 |
| Operating profit before working capital changes | 33,897 | 26,279 |
| Inventories | (36,105) | (6,565) |
| Debtors | (1,467) | (3,060) |
| Creditors | 15,235 | 1,046 |
| Cash generated from operations | 11,560 | 17,700 |
| Interest paid | (1,721) | (1,489) |
| Income tax paid | (6,532) | (6,880) |
| Interest received | 226 | 177 |
| Net cash generated from operating activities | 3,533 | 9,508 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (9,039) | (3,392) |
| Proceeds from disposal of property, plant and equipment | 115 | 342 |
| Proceeds from disposal of asset held for sale | 1,778 | - |
| Proceeds from disposal of a subsidiary company | - | 163 |
| Net cash used in investing activities | (7,146) | (2,887) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Dividend payment | (2,971) | (1,984) |
| Drawdown from borrowings | 10,432 | - |
| Repayment of hire purchase creditors | (295) | (235) |
| Proceeds from hire purchase creditors | 600 | - |
| Repayment of borrowings | (2,544) | (6,529) |
| Share repurchased | (8) | (1,511) |
| Net cash generated from / (used in) financing activities | 5,214 | (10,259) |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,601 | (3,638) |
| Effects of foreign exchange rate changes | 708 | (731) |
| OPENING CASH AND CASH EQUIVALENTS | 19,614 | 23,983 |
| CLOSING CASH AND CASH EQUIVALENTS | 21,923 | 19,614 |
| Cash and cash equivalents comprise the following: | | |
| Cash and bank balances | 21,936 | 20,229 |
| Bank overdraft | (13) | (615) |
| | 21,923 | 19,614 |

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

**Quarterly Report On Consolidated Results
For The Year-To-Date Ended 31 December 2011**

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Accounting Policies and Methods of Computation

The interim financial report has been prepared in accordance with Financial Reporting Standard (“FRS”) 134: “Interim Financial Reporting” and Chapter 9, Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements, and should be read in conjunction with the annual audited financial statements for the year ended 31 December 2010.

Except as disclosed below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current year compared with the audited financial statements of the Group for the year ended 31 December 2010.

For the current financial year, the Group has adopted the following revised Financial Reporting Standards (“FRS”) issued by the Malaysian Accounting Standards Board (“MASB”), which are relevant to its operations:-

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions
- FRS 3, Business Combinations
- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments.
- Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- IC Interpretation 4, Determining whether an Arrangement contains a Lease
- IC Interpretation 18, Transfers of Assets from Customers
- Improvements to FRSs (2010)

The adoption of the abovementioned FRS, Amendments to FRS and Interpretations will have no material impact on the financial statements of the Group except for the following:

(i) FRS 3, Business Combinations (revised)

FRS 3 (revised) incorporates the following changes that are likely to be relevant to the Group’s operations:

The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.

Contingent consideration will be measured at fair value, with subsequent changes therein recognised in the income statements.

Transaction costs, other than share and debt issue costs, will be expensed as incurred.

Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in the income statements.

Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

FRS 3 (revised), which becomes mandatory for the Group’s 2011 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group’s consolidated financial statements.

**Quarterly Report On Consolidated Results
For The Year-To-Date Ended 31 December 2011**

A1. Accounting Policies and Methods of Computation (continued)

(ii) FRS 127, Consolidated and Separate Financial Statements (revised)

The amendments to FRS 127 (revised) require changes in group composition to be accounted for as equity transactions between the group and its minority (will be known as non-controlling) interest holders.

The amendments to FRS 127 (revised) require all losses attributable to minority interest to be absorbed by minority interest i.e., the excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest.

A2. Audit Report

The audit report of the preceding annual financial statements of the Group and the Company were reported without any qualification.

A3. Seasonality or Cyclicity of Operations

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

A4. Unusual Items

There were no unusual and extraordinary items for the current interim period and the financial year.

A5. Changes in Estimates

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

A6. Issuance, Cancellation or Repayments of Debt and Equity Securities.

Save as disclose below, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current financial period-to-date:-

During the current quarter, the Company repurchased 6,000 of its issued ordinary shares from the open market at an average price of RM1.02 per share. The total consideration paid for the repurchase including transaction costs was RM 6,108.82 and this was financed by internally generated funds. As at 31 December 2011, a total of 1,942,800 shares repurchased were held at a total cost of RM1,922,668.42. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965. None of the treasury shares held were resold or cancelled during the quarter under review and up to the date of this report.

A7. Dividend

No dividend was paid during the quarter under review.

**Quarterly Report On Consolidated Results
For The Year-To-Date Ended 31 December 2011**

A8 Segmental Information

Business Segment

Results for 12 Months Ended 31 December 2011

| | Segment revenue | | Segment profit before tax RM '000 |
|---|---------------------|-------------------------|---|
| | External RM '000 | Intersegment RM '000 | |
| Retail | 215,699 | 41,825 | 26,564 |
| Manufacturing | 634 | 41,591 | 4,775 |
| Others | 3,370 | 9,252 | 3,052 |
| Total | 219,703 | 92,668 | 34,391 |
| Consolidation adjustments: Intersegment transactions | - | (92,668) | - |
| Consolidated Total | 219,703 | - | 34,391 |

Business Segment

Results for 12 Months Ended 31 December 2010

| | Segment revenue | | Segment profit before tax RM '000 |
|---|---------------------|-------------------------|---|
| | External RM '000 | Intersegment RM '000 | |
| Retail | 179,077 | 21,878 | 15,784 |
| Manufacturing | 611 | 29,790 | 4,117 |
| Others | 5,564 | 9,741 | 1,137 |
| Total | 185,253 | 61,409 | 21,038 |
| Consolidation adjustments: Intersegment transactions | - | (61,409) | - |
| Consolidated Total | 185,253 | - | 21,038 |

A9. Valuations of Property, Plant & Equipment

The Group did not carry out any valuations on its property, plant & equipment.

A10. Material Events Subsequent To The Financial Period

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

A11. Changes in the Composition of the Company

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

A12. Contingent Liabilities

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

**Quarterly Report On Consolidated Results
For The Year-To-Date Ended 31 December 2011**

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

B1. Review of Performance

For the financial year ended 31 December 2011, the Group registered a revenue of RM219.7 million compared to RM185.3 million in the preceding year, an increase of 18.6%. The increase was contributed mainly by the retail segment. Profit before taxation was RM34.4 million compared to RM21.0 million in the preceding year.

In the fourth quarter of year 2011, the Group registered a revenue of RM62.8 million and profit before taxation of RM14.2 million versus a revenue of RM59.7 million and profit before taxation of RM7.9 million recorded in the corresponding quarter of year 2010.

The improved performance of the retail segment was mainly due to a combination of increase in demand, higher prices and increased number of outlets. At the end of the year, the Group revised its estimates in respect of the allowance on slow moving finished goods in light of the higher raw material prices. Therefore, the profit before taxation of the retail segment during the year includes an amount of RM4.2 million being reversal of the allowance on slow moving finished goods.

The manufacturing segment of the Group caters mainly to the retail segment of the Group. Hence, improved performance of the retail segment will result in better performance for the manufacturing segment as well.

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

In the fourth quarter of year 2011, the Group registered a revenue of RM62.8 million and profit before taxation of RM14.2 million versus a revenue of RM57.0 million and profit before taxation of RM8.1 million recorded in the immediate preceding quarter.

B3. Prospects For Financial Year 2012

The outlook for the Group's operations is positive for the financial year 2012.

B4. Profit Forecast and Profit Guarantee

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

B5. Taxation

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | Current Year Quarter 31.12.11 RM'000 | Preceding Year Quarter 31.12.10 RM'000 | Current Year To date 31.12.11 RM'000 | Preceding Year Corresponding 31.12.10 RM'000 |
| Income Taxation | | | | |
| - Current period | 3,214 | 2,745 | 8,680 | 6,482 |
| - (Over)/Underprovision in prior period | (6) | 90 | (85) | 448 |
| Deferred Taxation | | | | |
| - Current period | 821 | (734) | 821 | (734) |
| - Prior period | 162 | 305 | 162 | 390 |
| | 4,191 | 2,406 | 9,578 | 6,586 |

**Quarterly Report On Consolidated Results
For The Year-To-Date Ended 31 December 2011**

B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.

B7. Borrowings and Debt Securities

The Group's borrowings (all denominated in Malaysian currency) as at 31 December 2011 are as follows:-

| | Secured RM'000 |
|------------------------------|--------------------|
| Short Term Borrowings | |
| Hire purchase creditors | 187 |
| Bank overdraft | 13 |
| Term loans (in RM) | 5,256 |
| Term loans (in SGD) | 119 |
| Term loans (in USD) | 1,218 |
| | <hr/> 6,793 |
| Long Term Borrowings | |
| Hire purchase creditors | 641 |
| Term loans (in RM) | 18,539 |
| Term loans (in SGD) | 3,274 |
| Term loans (in USD) | 4,519 |
| Total | <hr/> <hr/> 33,766 |

B8. Realised and Unrealised Profits and Losses

The breakdown of the Retained Profits of the Group as at the reporting date, into realised and unrealised losses, as disclosed pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:

| | Cumulative | |
|--|-----------------------------|-----------------------------|
| | Group 31.12.11 RM'000 | Group 31.12.10 RM'000 |
| Total Retained Profits/(Accumulated Losses) of the Group | | |
| - Realised | 100,763 | 80,569 |
| - Unrealised | 2,473 | 2,153 |
| Consolidation Adjustment | (3,127) | (3,037) |
| Total retained profits of the Group | <hr/> <hr/> 100,109 | <hr/> <hr/> 79,685 |

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

**Quarterly Report On Consolidated Results
For The Year-To-Date Ended 31 December 2011**

B9. Material Litigation

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

B10. Dividend

During the quarter under review, no dividend was declared.

B11. Earnings Per Share

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

| | Individual Quarter | | Cumulative Quarter | |
|---|--|--|--|--|
| | Current Year Quarter 31.12.11 | Preceding Year Quarter 31.12.10 | Current Year To date 31.12.11 | Preceding Year Corresponding 31.12.10 |
| Profit attributable to shareholders (RM'000) | 9,802 | 5,308 | 23,395 | 14,145 |
| Adjusted weighted average number of ordinary shares in issue ('000) | 132,057 | 132,065 | 132,069 | 132,555 |
| Basic earnings per share (sen) | 7.42 | 4.02 | 17.71 | 10.67 |

BY ORDER OF THE BOARD

CHOW CHOOI YOONG

Company Secretary
MAICSA 0772574

Dated: 23 February 2012