

# DeGem Berhad (415726-T)

## CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2012

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 31.12.2012 RM'000	CORRESPONDING QUARTER ENDED 31.12.2011 RM'000	CURRENT YEAR TO DATE ENDED 31.12.2012 RM'000	CORRESPONDING YEAR TO DATE ENDED 31.12.2011 RM'000
Revenue	67,440	62,849	250,797	219,703
Cost of sales	(41,677)	(39,062)	(162,305)	(137,200)
<b>Gross Profit</b>	<b>25,763</b>	<b>23,787</b>	<b>88,492</b>	<b>82,503</b>
Other Income	1,474	1,162	4,775	3,986
Administrative expenses	(7,492)	(4,508)	(27,978)	(22,897)
Selling and marketing expenses	(7,889)	(5,135)	(30,532)	(24,494)
Other expenses	(807)	(661)	(3,266)	(3,110)
Finance costs	(423)	(416)	(1,710)	(1,597)
<b>Profit before taxation</b>	<b>10,626</b>	<b>14,229</b>	<b>29,781</b>	<b>34,391</b>
Taxation	(2,545)	(4,191)	(6,968)	(9,578)
<b>Profit for the year</b>	<b>8,081</b>	<b>10,038</b>	<b>22,813</b>	<b>24,813</b>
<b>Profit attributable to:</b>				
Equity holders of the Company	7,637	9,802	21,681	23,395
Minority interests	444	236	1,132	1,418
<b>Profit for the year</b>	<b>8,081</b>	<b>10,038</b>	<b>22,813</b>	<b>24,813</b>
Earnings per share attributable to equity holders of the Company (Note B11)	5.81	7.42	16.37	17.71

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011)

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2012

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER ENDED 31.12.2012 RM'000	CORRESPONDING QUARTER ENDED 31.12.2011 RM'000	CURRENT YEAR TO DATE ENDED 31.12.2012 RM'000	CORRESPONDING YEAR TO DATE ENDED 30.12.2011 RM'000
<b>Profit for the year</b>	8,081	10,038	22,813	24,813
<i>Other comprehensive income for the year, net of tax</i>				
Foreign currency translation differences for foreign operations	20	(140)	(209)	566
<b>Total comprehensive income for the year</b>	<b>8,101</b>	<b>9,898</b>	<b>22,604</b>	<b>25,379</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	7,647	9,705	21,556	23,817
Minority interests	454	193	1,048	1,562
<b>Total comprehensive income for the year</b>	<b>8,101</b>	<b>9,898</b>	<b>22,604</b>	<b>25,379</b>

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011)

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	As at 31.12.2012 RM'000 <i>(Unaudited)</i>	As at 31.12.2011 RM'000 <i>(Audited)</i> As restated	As at 01.01.2011 RM'000 <i>(Audited)</i> As restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	30,021	27,190	26,975
Investment Properties	6,557	6,468	-
Goodwill	-	-	-
Deferred tax assets	1,172	1,548	2,540
	<u>37,750</u>	<u>35,206</u>	<u>29,515</u>
<b>Current assets</b>			
Inventories	180,024	184,938	144,654
Trade Receivables	9,042	10,519	7,869
Asset held for sale	-	-	1,230
Other Receivables, Deposits & Prepayments	5,732	5,575	6,758
Tax Recoverable	186	568	966
Cash and Bank Balances	30,421	21,936	20,229
	<u>225,405</u>	<u>223,536</u>	<u>181,706</u>
<b>TOTAL ASSETS</b>	<b><u>263,155</u></b>	<b><u>258,742</u></b>	<b><u>211,221</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share Capital	67,000	67,000	67,000
Share Premium	10,436	10,436	10,436
Other Reserves	(249)	(124)	(546)
Treasury Shares	(1,938)	(1,922)	(1,914)
Retained Earnings	113,902	92,221	71,797
	<u>189,151</u>	<u>167,611</u>	<u>146,773</u>
<b>Minority interest</b>	<u>7,669</u>	<u>6,621</u>	<u>5,059</u>
<b>Total equity</b>	<b><u>196,820</u></b>	<b><u>174,232</u></b>	<b><u>151,832</u></b>
<b>Non-current liabilities</b>			
Hire Purchase Creditors	1,098	641	284
Long Term Borrowings	27,053	26,332	19,761
Deferred Taxation	178	63	138
	<u>28,329</u>	<u>27,036</u>	<u>20,183</u>
<b>Current liabilities</b>			
Trade Payables	11,008	29,038	16,978.00
Other Payables & Accruals	17,819	18,347	14,574.00
Short Term Borrowings	7,913	6,606	5,940.00
Hire Purchase Creditors	276	187	239.00
Derivative financial instruments	168	90	-
Provision for Taxation	822	3,206	1,475
	<u>38,006</u>	<u>57,474</u>	<u>39,206</u>
<b>Total liabilities</b>	<b><u>66,335</u></b>	<b><u>84,510</u></b>	<b><u>59,389</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>263,155</u></b>	<b><u>258,742</u></b>	<b><u>211,221</u></b>
Net Assets Per Share (sen)	149	132	119

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR-TO-DATE ENDED 31 DECEMBER 2012**

	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
<b>At 1 January 2011</b>								
- as previously reported	67,000	10,436	(546)	(1,914)	79,685	154,661	5,059	159,720
- effects of MFRS adoption	-	-	-	-	(7,888)	(7,888)	-	(7,888)
<b>At 1 January 2011, as restated</b>	<b>67,000</b>	<b>10,436</b>	<b>(546)</b>	<b>(1,914)</b>	<b>71,797</b>	<b>146,773</b>	<b>5,059</b>	<b>151,832</b>
Total comprehensive income for the year	-	-	422	-	23,395	23,817	1,562	25,379
Shares repurchased	-	-	-	(8)	-	(8)	-	(8)
Dividend	-	-	-	-	(2,971)	(2,971)	-	(2,971)
<b>At 31 December 2011</b>	<b>67,000</b>	<b>10,436</b>	<b>(124)</b>	<b>(1,922)</b>	<b>92,221</b>	<b>167,611</b>	<b>6,621</b>	<b>174,232</b>
<b>At 1 January 2012</b>								
- as previously reported	67,000	10,436	(124)	(1,922)	100,109	175,499	6,621	182,120
- effects of MFRS adoption	-	-	-	-	(7,888)	(7,888)	-	(7,888)
<b>At 1 January 2012, as restated</b>	<b>67,000</b>	<b>10,436</b>	<b>(124)</b>	<b>(1,922)</b>	<b>92,221</b>	<b>167,611</b>	<b>6,621</b>	<b>174,232</b>
Total comprehensive income for the year	-	-	(125)	-	21,681	21,556	1,048	22,604
Shares repurchased	-	-	-	(16)	-	(16)	-	(16)
<b>At 31 December 2012</b>	<b>67,000</b>	<b>10,436</b>	<b>(249)</b>	<b>(1,938)</b>	<b>113,902</b>	<b>189,151</b>	<b>7,669</b>	<b>196,820</b>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR-TO-DATE ENDED 31 DECEMBER 2012***These figures have not been audited*

	<b>31.12.2012</b>	<b>31.12.2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	29,781	34,391
Adjustments for:		
Amortisation of investment properties	-	132
Depreciation of property, plant & equipment	2,627	2,038
Loss on derivative financial instruments	78	90
Interest expense	1,710	1,721
Provision for slow moving inventory	(72)	(4,036)
Property, plant and equipment written off	373	128
Gain on disposal of property, plant and equipment	(354)	(250)
Gain on disposal of asset held for sale	-	(548)
Interest income	(142)	(226)
Unrealised foreign exchange (gain)/loss	184	457
<b>Operating profit before working capital changes</b>	<b>34,185</b>	<b>33,897</b>
Inventories	4,986	(36,105)
Debtors	1,319	(1,467)
Creditors	(18,745)	15,235
<b>Cash generated from operations</b>	<b>21,745</b>	<b>11,560</b>
Interest paid	(1,710)	(1,721)
Income tax paid	(8,561)	(6,532)
Interest received	142	226
<b>Net cash generated from operating activities</b>	<b>11,616</b>	<b>3,533</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(5,789)	(9,039)
Proceeds from disposal of property, plant and equipment	362	115
Proceeds from disposal of asset held for sale	-	1,778
<b>Net cash used in investing activities</b>	<b>(5,427)</b>	<b>(7,146)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend Payment	-	(2,971)
Drawdown from borrowings	6,080	10,432
Repayment of hire purchase creditors	(384)	(295)
Proceeds from hire purchase creditors	930	600
Repayment of borrowings	(3,339)	(2,544)
Share repurchased	(16)	(8)
<b>Net cash generated from financing activities</b>	<b>3,271</b>	<b>5,214</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>9,460</b>	<b>1,601</b>
Effects of foreign exchange rate changes	(962)	708
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>21,923</b>	<b>19,614</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>30,421</b>	<b>21,923</b>
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	30,421	21,936
Bank overdraft	-	(13)
	<b>30,421</b>	<b>21,923</b>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011)

## A. NOTES TO THE INTERIM FINANCIAL REPORT

### A1. Basis of Preparation

The condensed consolidated interim financial statements has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) 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 2011. This condensed consolidated interim financial statements also complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards.

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 2011.

The Group has adopted the MFRS framework and MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards for the first time in this condensed consolidated interim financial statements. The transition to MFRS framework does not have any material financial impact to the financial statements of the Group, except as disclosed below.

Based on MFRS 1 Appendix C1, if the first-time adopter restates any business combination to comply with MFRS 3: Business Combinations, it shall restate all later business combinations and shall also apply MFRS 127: Consolidated and Separate Financial Statements from the same date. The Group has elected to apply MFRS 3 retrospectively to past business combination since the acquisition of remaining 40% interest in Diamond & Platinum Sdn Bhd was on 1 March 2005. With the adoption, the Group has reversed its goodwill amounting to RM7.89 million to the retained earnings.

### 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 15,000 of its issued ordinary shares from the open market at an average price of RM0.87 per share. The total consideration paid for the repurchase including transaction costs was RM 13,107.92 and this was financed by internally generated funds. As at 31 December 2012, a total of 1,959,800 shares repurchased were held at a total cost of RM1,937,819. 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.

## A8 Segmental Information

### Business Segment

Results for 12 Months Ended 31 December 2012

	Segment revenue		Segment profit before tax RM '000
	External RM '000	Intersegment RM '000	
Retail	233,664	44,490	24,870
Manufacturing	5,586	32,700	2,610
Others	11,547	12,868	2,301
Total	250,797	90,058	29,781
Consolidation adjustments:			
Intersegment transactions	-	(90,058)	-
<b>Consolidated Total</b>	<b>250,797</b>	<b>-</b>	<b>29,781</b>

### 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	43,352	26,564
Manufacturing	634	41,591	4,775
Others	3,370	9,252	3,052
Total	219,703	94,195	34,391
Consolidation adjustments:			
Intersegment transactions	-	(94,195)	-
<b>Consolidated Total</b>	<b>219,703</b>	<b>-</b>	<b>34,391</b>

## 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

On 16 January 2013, MECA JEWELLERY LIMITED (“MECA”), a 60.0% owned subsidiary of Jewelmart International Sdn. Bhd., which in turn is a wholly-owned subsidiary of DeGem Berhad, had proceeded with an application for de-registration from the Register of the Hong Kong Companies Registry (“De-Registration”).

MECA was incorporated in Hong Kong on 10 September 2007. The authorised share capital of MECA is HK\$1,000,000.00 divided into 1,000,000 ordinary shares of HK\$1.00 each of which 10,000 shares of HK\$1.00 are issued and fully paid-up. The principal activity of MECA was design and distribution of jewellery. MECA has ceased business operations since 30 September 2012.

The de-registration of MECA will not have any material impact on the business of the Group.

## 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.

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

### B1. Review of Performance

For the financial quarter ended 31 December 2012, the Group registered a revenue of RM67.4 million compared to RM62.8 million in the preceding period, an increase of 7.3%. Profit before taxation was RM10.6 million compared to RM14.2 million in the corresponding period of the preceding year.

For the year ended 31 December 2012, the Group registered a revenue of RM250.8 million compared to RM219.7 million in 2011, an increase of 14.2%. Profit before taxation was RM29.8 million compared to RM34.4 million in 2011.

The revenue and profit before taxation achieved by the Group was mainly attributable to the performance of the retail segment. Revenue was higher due to increase in demand and an increased number of outlets. However, current year's profit before taxation was lower due to overhead expenses of the new outlets.

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

In the fourth quarter of 2012, the Group registered a revenue of RM67.4 million and profit before taxation of RM10.6 million versus a revenue of RM68.1 million and profit before taxation of RM7.9 million recorded in the immediate preceding quarter. The improved performance is in line with the cyclical trend of the business of the Group.

### B3. Prospects For Financial Year 2013

Uncertainties arising from the financial issues of major global economies will continue to be a challenge. Domestically, the Malaysian economy is expected to grow between 4.5% and 5.5% in 2013, driven mainly by domestic demand. However, the Group's performance is also affected by festive seasons, with performance for the first half of the year being historically less robust than that of the second half.

The Group is cautiously optimistic that the outlook of the Group's operations will remain positive for the coming financial year. The Group will continue with its efforts to strengthen its brands and gain wider recognition both locally and regionally.

### 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 31.12.2012 RM'000	Preceding Year Quarter 31.12.2011 RM'000	Current Year To date 31.12.2012 RM'000	Preceding Year Corresponding 31.12.2011 RM'000
Income Taxation				
- Current period	2,226	3,214	7,251	8,680
- Overprovision in prior period	(18)	(6)	(614)	(85)
Deferred Taxation				
- Current period	337	821	337	821
- Prior period	-	162	(6)	162
	<b>2,545</b>	<b>4,191</b>	<b>6,968</b>	<b>9,578</b>

### 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 2012 are as follows:-

	Unsecured RM'000	Secured RM'000	Total RM'000
<b>Current</b>			
Hire purchase creditors	-	276	276
Term loans (in RM)	3,000	2,383	5,383
Term loans (in SGD)	-	124	124
Term loans (in USD)	-	2,406	2,406
	<u>3,000</u>	<u>5,189</u>	<u>8,189</u>
<b>Non-current</b>			
Hire purchase creditors	-	1,098	1,098
Term loans (in RM)	-	16,159	16,159
Term loans (in SGD)	-	3,239	3,239
Term loans (in USD)	-	7,655	7,655
	<u>3,000</u>	<u>33,340</u>	<u>36,340</u>

## 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 31.12.2012 RM'000	Group 31.12.2011 RM'000
Total Retained Profits/(Accumulated Losses) of the Group		
- Realised	116,904	92,875
- Unrealised	468	2,473
Consolidation Adjustment	(3,470)	(3,127)
<b>Total retained profits of the Group</b>	<b><u>113,902</u></b>	<b><u>92,221</u></b>

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.

## 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.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	Current Year Quarter 31.12.2012	Preceding Year Quarter 31.12.2011	Current Year To date 31.12.2012	Preceding Year Corresponding 31.12.2011
Profit attributable to shareholders (RM'000)	7,637	9,802	21,681	23,395
Adjusted weighted average number of ordinary shares in issue ('000)	131,376	132,057	132,436	132,069
Basic earnings per share (sen)	5.81	7.42	16.37	17.71

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	Current Year Quarter 31.12.2012 RM'000	Preceding Year Quarter 31.12.2011 RM'000	Current Year To date 31.12.2012 RM'000	Preceding Year Corresponding 31.12.2011 RM'000
<i>After crediting :-</i>				
Interest Income	48	60	142	226
Allowance on slow moving finished goods-reversal	65	4,036	72	4,036
Foreign exchange gain / (loss) - realised	1,078	159	2,300	1,747
Gain or (loss) on disposal of property, plant and equipment	-	139	354	798
Other income including investment income	355	1,054	1,979	1,465
<i>After charging :-</i>				
Interest Expense	423	416	1,710	1,597
Depreciation & amortisation	734	252	2,519	2,170
Provision for slow moving finished goods	-	(1,176)	-	-
Foreign exchange gain / (loss) - unrealised	(193)	(582)	(184)	(457)
Gain or (loss) on derivatives	(65)	(90)	(77)	(90)

**BY ORDER OF THE BOARD****CHOW CHOOI YOONG**Company Secretary  
MAICSA 0772574

Dated: 21 February 2013