

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 2nd QUARTER ENDED 30 JUNE 2006

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS134, “Interim Financial Reporting” and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (Bursa Securities) Listing Requirements. This interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2005.

A2. Changes in Accounting Policy

The significant accounting policies adopted are consistent with those of the audited financial statement for the year 31 December 2005 except for the adoption for the following new / revised Financial Reporting Standard (FRS) effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sales and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earning Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition to the above, the Group has also taken the option of early adoption of the following new / revised FRS for the financial period beginning 1 April 2006:

FRS 117	Leases
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The principal effects of the changes in accounting policies resulting from the adoption of the other new / revised FRSs are discussed below:

a) FRS 3: Business Combinations

Under FRS 3, any excess of the Group’s interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as “negative goodwill”), after reassessment, is now recognised immediately in profit or loss. Prior to 1 January 2006, negative goodwill was retained in the consolidated balance sheet. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM8,551,719 was recognised in retained earnings.

The carrying value of the positive goodwill is reviewed annually and is written down for impairment where it is considered necessary. The impairment value of positive goodwill is taken to the consolidated income statement.

b) FRS 112 2004: Income Taxes

D&O has in the past regarded Reinvestment Allowance (RA) as unutilised tax credits, taking the interpretation of paragraph 37 FRS 112 2004, and recognised the deferred asset arising from RA. With the adoption of strict compliance to FRS 112 2004, the Group changed its accounting policy and shall not recognise the deferred asset arising from RA and restated its prior year retained profit and deferred asset arising therefrom.

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c) *FRS 117: Leases*

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 1 January 2006, leasehold land was classified as property, plant and equipment and was stated at valuation less accumulated depreciation. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in note A3, certain comparative amounts as at 31 December 2005 have been restated.

A3. Comparative

The following comparative amount has been restated due to the strict compliance to FRS 112 2004

	Previously stated	Adjustment		Restated
		FRS112 Note 2 (b)	FRS117 Note 2 (c)	
	RM	RM	RM	RM
As at 31 December 2005				
Property, Plant and Equipment	72,798,221	-	(4,418,553)	68,379,668
Prepaid Lease Payment	-	-	4,418,553	4,418,553
Deferred Asset	4,634,000	(4,634,000)	-	-
Retained Profits	26,934,820	(4,634,000)	-	22,300,820
Net Assets Per Share (sen)	18.85			18.22

A4. Auditors' Report on Preceding Annual Financial Statements

The preceding annual financial statements of the Group were reported on without any qualification.

A5. Comments about Seasonal or Cyclical Factors

The business of the Group is not affected by any significant seasonal or cyclical factors.

A6. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the current financial quarter and financial year to-date.

A7. Changes in Estimates

There were no changes in the estimates of amounts reported during the current financial quarter and financial year to-date.

A8. Segmental Information

The Group generates majority of its revenue from Malaysia and operates primarily in the semiconductor industry.

The revenue by segment is as follows:

	Segment Revenue			
	Current Quarter Ended 30 June 06	Preceding Year Corresponding Quarter Ended 30 June 05	Current Year To-Date 30 June 06	Preceding Year Corresponding Period To-Date 30 June 05
Malaysia	23,562,134	27,381,401	44,751,289	50,292,646
Singapore	3,540,314	4,058,830	5,956,964	6,725,814
Others	826,455	394,672	1,229,170	662,156
	<u>27,928,903</u>	<u>31,834,903</u>	<u>51,937,423</u>	<u>57,680,616</u>

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A8. Segmental Information (Con't)

There is no segmental information disclosed on the Group's assets and capital expenditure as the Group is primarily situated in Malaysia.

A9. Dividend

The first and final tax-exempt dividend of 3 percent on the par value per ordinary share amounting to RM2,190,000 for the financial year ended 31 December 2005 (2004: 1% tax exempt) was paid on 8 June 2006.

A10. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment.

A11. Debt and Equity Securities

There are no issuance, cancellation, repurchase, resale and repayment of debt and equity security for the current financial quarter and financial year to-date.

A12. Changes in the Composition of the Group

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

A13. Discontinued Operation

There were no discontinued operations in the current quarter.

A14. Capital Commitment

Capital commitment contracted but not provided for in the financial statement:

	As at 30 June 06 RM	As at 30 June 05 RM
	<hr/>	<hr/>
Property, Plant and Equipment	9,742,553	9,805,080
	<hr/>	<hr/>

A15. Financial Commitment

Financial commitment contracted but not provided for in the financial statement:

	As at 30 June 06 RM	As at 30 June 05 RM
	<hr/>	<hr/>
Uncalled Balance in the Investment in an Associate	27,500,000	42,900,000
	<hr/>	<hr/>

A16. Changes in Contingent Liabilities or Contingent Assets

As at 30 June 2006, the Company provided a total of RM70.05 million of corporate guarantees to financial institutions for all unsecured credit facilities granted to its wholly-owned subsidiary, Omega Semiconductor Sdn. Bhd.

A17. Subsequent Events

There were no other material events subsequent to the current financial quarter ended 30 June 2006.

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

B1. Performance Review

The Group recorded a revenue of RM27.93 million and RM51.94 million, profit before taxation (PBT) of RM5.29 million and RM10.27 million, and profit after taxation (PAT) of RM4.75 million and RM9.31 million for the current quarter and financial year to-date ended 30 June 2006 respectively. These represent a corresponding quarterly reduction of 12.27 percent in revenue, 18.01 percent in PBT and 2.67 percent in PAT. The decrease in revenue, PBT and PAT was mainly due to overall sales softening.

B2. Comment on Material Changes in Profit Before Taxation

The Group profit before taxation for the current quarter ended 30 June 2006 of RM5.29 million represents a increase of RM0.30 million or 6.10 percent than the previous quarter ended 31 March 2006. This is mainly due to higher turnover for the current quarter under review.

B3. Commentary on Prospects

The Group's key focus for this year is to continue the ramp up of discrete products through tooling improvements, widening our customer base and improving productivity. The Group anticipates its performance will improve in the second half year period.

B4. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

B5. Income Tax Expense

	(Restated)		(Restated)	
	Preceding Year		Preceding Year	
	Current	Corresponding	Current	Corresponding
	Quarter Ended	Quarter Ended	Year To-Date	Period To-Date
	30 June 06	30 June 05	30 June 06	30 June 05
	RM	RM	RM	RM
Current taxation - Ordinary Activities	336,181	467,455	568,306	732,387
- An Associate	3,939	2,260	61,879	2,260
Deferred taxation	161,777	1,100,000	327,413	1,100,000
	501,897	1,569,715	957,598	1,834,647
Reversal of reinvestment allowance benefits recognised as deferred asset	37,524	-	-	-
	539,421	1,569,715	957,598	1,834,647

The Group's effective tax rate for the current financial quarter and financial year to-date was lower than the statutory tax rate mainly due to the availability of reinvestment allowances claimed on qualifying expenditure.

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B6. Quoted Securities

i) Details of purchases and disposals of quoted securities are as follows:

	Current Year Quarter Ended 30 June 06 RM	Preceding Year Quarter Ended 30 June 05 RM	Current Year To-Date 30 June 06 RM	Preceding Year To-Date 30 June 05 RM
At cost:				
Opening balance	4,017,295	3,440,588	3,953,840	2,953,043
Add:				
Purchases	-	-	63,455	487,545
Closing balance	<u>4,017,295</u>	<u>3,440,588</u>	<u>4,017,295</u>	<u>3,440,588</u>
At market value	<u>4,123,285</u>	<u>2,986,686</u>	<u>4,123,285</u>	<u>2,986,686</u>

ii) Details of investments in quoted securities:

	As at 30 June 06 RM	As at 31 December 05 RM
At cost	<u>4,017,295</u>	<u>3,953,840</u>
At market value	<u>4,123,285</u>	<u>3,417,840</u>

B7. Unquoted Investments and/or Properties

There was no sale of properties for the current quarter and financial year to-date. The movement of unquoted securities for the Group during the current financial quarter and financial year to-date is as follows:

Investment in an associate

	Current Year Quarter Ended 30 June 06 RM	Preceding Year Quarter Ended 30 June 05 RM	Current Year To-Date 30 June 06 RM	Preceding Year To-Date 30 June 05 RM
Investment in an associate - Dominant Semiconductors Sdn Bhd				
Opening balance	34,100,000	N / A	25,300,000	N / A
Conversion of RCPS to ordinary share	-	22,000,000	-	22,000,000
Called during the period	4,400,000	1,100,000	13,200,000	1,100,000
Total at cost	<u>38,500,000</u>	<u>23,100,000</u>	<u>38,500,000</u>	<u>23,100,000</u>
Authorised conversion value	66,000,000	66,000,000	66,000,000	66,000,000
Less: Balance as and when Dominant Semiconductors Sdn Bhd shall make call(s) therefor	(27,500,000)	(31,900,000)	(27,500,000)	(31,900,000)
Unquoted shares in an associate at cost	<u>38,500,000</u>	<u>34,100,000</u>	<u>38,500,000</u>	<u>34,100,000</u>
Share of post-acquisition profit	8,151,965	992,604	8,151,965	992,604
Total investment	<u>46,497,957</u>	<u>35,092,604</u>	<u>46,497,957</u>	<u>35,092,604</u>

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B8. Investment in others unquoted shares

	Current Year Quarter Ended 30 June 06 RM	Current Year To-Date 30 June 06 RM
Investment in unquoted shares (outside Malaysia)		
At cost	401,400	401,400

B9. Corporate Proposals

There were no new corporate proposals by the Company during the financial year to-date.

B10. Borrowings

The Group's borrowings are as follows:

	As at 30 June 06 RM	As at 31 December 05 RM
Short term borrowings - unsecured:		
- bankers acceptances	13,965,000	10,715,000
- term loans	1,361,833	1,861,105
- hire purchase	110,683	110,652
	<u>15,437,516</u>	<u>12,686,757</u>
Long term borrowings		
- term loans (unsecured)	746,200	1,240,807
- hire purchase (secured)	83,321	153,666
	<u>829,521</u>	<u>1,394,473</u>

B11. Off Balance Sheet Financial Instruments

There were no off balance sheet arrangements entered into nor were there any off-balance sheet financial instruments issued as at the date of this report.

B12. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Group as at 20 August 2006 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

B13. Dividend Payable

No interim ordinary dividend has been declared for the financial period ended 30 June 2006 (30 June 2005: Nil).

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 2nd QUARTER ENDED 30 JUNE 2006

B14. Earnings per Share

	Current Year Quarter Ended	(Restated) Preceding Year Corresponding Quarter Ended	Current Year To-Date	(Restated) Preceding Year Corresponding Period To-Date
	30 June 06	30 June 05	30 June 06	30 June 05
Weighted average number of shares outstanding	730,000,000	730,000,000	730,000,000	730,000,000
Adjustment for assumed exercise of share option	6,875,000	1,505,217	6,875,000	1,505,217
Adjusted weighted average number of shares for diluted earnings per share	<u>736,875,000</u>	<u>731,505,217</u>	<u>736,875,000</u>	<u>731,505,217</u>
 Profit After Tax (RM)	 4,745,767	 4,876,204	 9,308,924	 8,637,281
 Basic Earnings Per Share (Sen)	 0.65	 0.67	 1.28	 1.18
 Diluted Earnings Per share (Sen)	 0.64	 0.67	 1.26	 1.18

a) Basic

The basic earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares.

b) Diluted

The diluted earnings per share is calculated by dividing the Group's profit attributable to shareholders by the adjusted weighted average number of ordinary shares.

B15. Authorisation for Issue

The Board of Directors of D&O approved this interim financial report announcement to the Bursa Securities at the Board meeting held on 22 August 2006.