

**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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 4<sup>th</sup> QUARTER ENDED 31 DECEMBER 2006**

**A2. Changes in Accounting Policy (Cont'd)**

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 and the adoption of revised FRSs

	Previously stated  RM	Adjustment		Restated  RM
		FRS112 Note 2 (b) RM	FRS117 Note 2 (c) 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. Valuation of Property, Plant and Equipment**

The Group did not revalue any of its property, plant and equipment for the quarter / financial period.

**A9. 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.

**A10. Changes in the Composition of the Group**

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 4<sup>th</sup> QUARTER ENDED 31 DECEMBER 2006**

**A11. Discontinued Operation**

There were no discontinued operations in the current quarter.

**A12. Segmental Information**

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

The revenue by geographical segment is as follows:

	<b>Segment Revenue</b>			
	<b>Current Quarter Ended 31 December 06 (RM)</b>	<b>Preceding Year Corresponding Quarter Ended 31 December 05 (RM)</b>	<b>Current Year To-Date 31 December 06 (RM)</b>	<b>Preceding Year Corresponding Period To-Date 31 December 05 (RM)</b>
Malaysia	27,943,363	24,358,530	99,732,018	100,067,930
Singapore	4,786,548	2,658,386	15,679,935	12,931,194
Others	1,007,784	434,857	3,642,867	1,593,667
	<u>33,737,695</u>	<u>27,451,773</u>	<u>119,054,820</u>	<u>114,592,791</u>

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

**A13. Dividends Paid**

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.

**A14. Capital Commitment**

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

	<b>As at 31 December 06 RM</b>	<b>As at 31 December 05 RM</b>
Property, Plant and Equipment	<u>6,322,589</u>	<u>6,296,157</u>

**A15. Financial Commitment**

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

	<b>As at 31 December 06 RM</b>	<b>As at 31 December 05 RM</b>
Uncalled Balance in the Investment in an Associate	<u>14,300,000</u>	<u>40,700,000</u>

**A16. Changes in Contingent Liabilities or Contingent Assets**

As at 31 December 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 31 December 2006.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 4<sup>th</sup> QUARTER ENDED 31 DECEMBER 2006

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

**B1. Performance Review**

The Group recorded a profit before tax of RM1.31 million on revenue of RM33.74 million for the quarter ended 31 December 2006 compared to RM7.96 million on revenue of RM27.45 million for the quarter ended 31 December 2005.

The increase in cost of sales by RM7.83 million was due to higher sales and increase in raw material and utilities cost.

**B2. Comment on Material Changes in Profit before Taxation (Current compared with Preceding)**

The Group recorded a lower profit before tax of RM1.31 million for the quarter ended 31 December 2006 compared to RM4.88 million for the quarter ended 30 September 2006, representing a decrease of 73.2 per cent or RM3.57 million.

While the revenue, cost of sales and other operating expenses remained the same, the share of profit from associated company was a negative RM2.62 million compared to a positive contribution of RM0.76 million in preceding quarter.

**B3. Current Year's Review**

The Group's financial performance for the next quarter will be driven by its growth in OEM products in Discrete Division and marginal increase in Optos LED revenue.

The Group's focus will be on bringing new customers for SOT23 Large Body and TO3 Metal Can while channeling efforts to increase machine capacity utilization and process and operation efficiencies.

The Group will continue to enhance product quality control, operational productivity improvement, automation programs and Information Technology (IT) support.

Barring any unforeseen circumstances the financial performance of the Group is expected to improve in 2007.

**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
	31 December 06	31 December 05	31 December 06	31 December 05
	RM	RM	RM	RM
Current taxation - Ordinary Activities	271,792	230,851	1,051,883	1,229,403
- An Associate	12,990	(9,125)	82,872	-
Deferred taxation	447,038	1,030,000	1,050,832	1,730,000
	731,820	1,251,726	2,185,587	2,959,403
(Over) / under provision in previous financial period	(2,992)	67,745	117,221	314,891
	728,828	1,319,471	2,302,808	3,274,294

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 4<sup>th</sup> QUARTER ENDED 31 DECEMBER 2006

**B5. Income Tax Expense (Cont'd)**

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.

**B6. Quoted Securities**

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

	<b>Current Year Quarter Ended 31 December 06 RM</b>	<b>Preceding Year Quarter Ended 31 December 05 RM</b>	<b>Current Year To-Date 31 December 06 RM</b>	<b>Preceding Year To-Date 31 December 05 RM</b>
<b>At cost:</b>				
Opening balance	4,017,295	3,440,588	3,953,840	2,953,043
Purchases	-	513,252	63,455	1,000,797
Closing balance	<u>4,017,295</u>	<u>3,953,840</u>	<u>4,017,295</u>	<u>3,953,840</u>
At market value	<u>4,774,330</u>	<u>3,417,840</u>	<u>4,774,330</u>	<u>3,417,840</u>

ii) Details of investments in quoted securities:

	<b>As at 31 December 06 RM</b>	<b>As at 31 December 05 RM</b>
At cost	<u>4,017,295</u>	<u>3,953,840</u>
At market value	<u>4,774,330</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*

	<b>Current Year Quarter Ended 31 December 2006 RM</b>	<b>Preceding Year Quarter Ended 31 December 2005 RM</b>	<b>Current Year To-Date 31 December 2006 RM</b>	<b>Preceding Year To-Date 31 December 2005 RM</b>
<b>Investment in an associate - Dominant Semiconductors Sdn Bhd</b>				
Opening balance	38,500,000	23,100,000	25,300,000	N / A
Conversion of RCPS to ordinary share Called during the period	-	-	-	22,000,000
	13,200,000	2,200,000	26,400,000	3,300,000
<b>Total at cost</b>	<u>51,700,000</u>	<u>25,300,000</u>	<u>51,700,000</u>	<u>25,300,000</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	(14,300,000)	(40,700,000)	(14,300,000)	(40,700,000)
Unquoted shares in an associate at cost	51,700,000	25,300,000	51,700,000	25,300,000
Share of post-acquisition profit	6,266,023	5,721,753	6,266,023	5,721,753
<b>Total investment</b>	<u>57,966,023</u>	<u>31,021,573</u>	<u>57,966,023</u>	<u>31,021,573</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 4<sup>th</sup> QUARTER ENDED 31 DECEMBER 2006**

**B8. Investment in others unquoted shares**

	<b>Current Year Quarter Ended 31 December 2006 RM</b>	<b>Current Year To-Date 31 December 2006 RM</b>
Investment in unquoted shares (outside Malaysia)	<u>RM</u>	<u>RM</u>
At cost	<u>401,400</u>	<u>401,400</u>

**B9. Borrowings**

The Group's borrowings are as follows:

	<b>As at 31 December 2006 RM</b>	<b>As at 31 December 2005 RM</b>
Short term borrowings - unsecured:		
- bankers acceptances	27,551,000	10,715,000
- term loans	636,634	1,861,105
- hire purchase	<u>116,672</u>	<u>110,652</u>
	<u>28,304,306</u>	<u>12,686,757</u>
Long term borrowings		
- term loans (unsecured)	609,988	1,240,807
- hire purchase (secured)	<u>18,996</u>	<u>153,666</u>
	<u>628,984</u>	<u>1,394,473</u>

**B10. Corporate Proposals**

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

**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 23 February 2006 (the latest practicable date not earlier than 7 days from the date of issue of this financial result).

**B13. Dividend Proposed**

The Board of Directors of D&O is pleased to propose a first and final tax exempt dividend of 3% per share in respect of the financial year ended 31 December 2006. The said proposed dividend is subject to approval of its shareholders at the forthcoming Annual General Meeting. The dividend entitlement and payment dates respectively will be announced later.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE 4<sup>th</sup> QUARTER ENDED 31 DECEMBER 2006**

**B14. Earnings per Share**

	<b>Current Year Quarter Ended 31 December 2006</b>	<b>(Restated) Preceding Year Corresponding Quarter Ended 31 December 2005</b>	<b>Current Year To-Date 31 December 2006</b>	<b>(Restated) Preceding Year Corresponding Period To-Date 31 December 2005</b>
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	7,415,000	6,875,000	7,415,000
Adjusted weighted average number of shares for diluted earnings per share	736,875,000	737,415,000	736,875,000	737,415,000
Profit After Tax (RM)	584,737	6,638,099	14,157,767	23,272,803
Basic Earnings Per Share (Sen)	0.08	0.91	1.94	3.19
Diluted Earnings Per share (Sen)	0.08	0.90	1.92	3.16

**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 27 February 2006.