

D & O GREEN TECHNOLOGIES BERHAD

(Formerly Known As D & O Ventures Berhad)

(645371 – V)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009**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” issued by the Malaysian Accounting Standards Board (“MASB”) 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 2008.

A2. Adoption of Revised Financial Reporting

The significant accounting policies and presentation applied in the interim financial report are consistent with those adopted for the annual financial statements for the year ended 31 December 2008.

The Group has not applied in advance the following accounting standards (including its consequential amendments) and interpretations that have been issued by MASB but are not yet effective for the current financial year:

FRSs/IC Interpretations	Effective date
Revised FRS 1 (2010) First-time Adoption of Financial Reporting Standards	1 July 2010
Revised FRS 3 (2010) Business Combinations	1 July 2010
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
Revised FRS 101 (2009) Presentation of Financial Statements	1 January 2010
Revised FRS 123 (2009) Borrowing Costs	1 January 2010
Revised FRS 127 (2010) Consolidated and Separate Financial Statements	1 July 2010
Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010
Amendments to FRS 5: Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7, FRS 139 and IC Interpretation 9	1 January 2010
Amendments to FRS 138 – Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009**A2. Adoption of Revised Financial Reporting (cont'd)**

FRSs/IC Interpretations	Effective date
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and Revised FRS 3 (2010)	1 July 2010
Annual Improvements to FRSs (2009)	1 January 2010

The above FRSs, IC Interpretations and amendments are not relevant to the Group's operations except as follows:

The revised FRS 3 (2010) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

The Group considers financial guarantee contracts entered into to be insurance arrangements and accounts for them under FRS 4. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee. The adoption of FRS 4 is expected to have no material impact on the financial statements of the Group.

The possible impacts of FRS 7 (including the subsequent amendments) and the revised FRS 139 (2010) on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

FRS 8 replaces FRS 114₂₀₀₄ Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

The revised FRS 101 (2009) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. The adoption of this revised standard will only impact the form and content of the presentation of the Group's financial statements in the next financial year.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009

A2. Adoption of Revised Financial Reporting (cont'd)

The revised FRS 127 (2010) requires accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of the revised FRS 127 (2010) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for future transactions or arrangements.

Amendments to FRS 1 and FRS 127 remove the definition of “cost method” currently set out in FRS 127, and instead require an investor to recognise all dividend from subsidiaries, jointly controlled entities or associates as income in its separate financial statements. In addition, FRS 127 has also been amended to deal with situations where a parent reorganises its group by establishing a new entity as its new parent. Under this circumstance, the new parent shall measure the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date. The amendments will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Company for the current financial year but may impact the accounting for future transactions or arrangements.

Amendments to FRS 2: Vesting Conditions and Cancellation clarify the definition of vesting conditions for the purposes of FRS 2, introduce the concept of ‘non-vesting’ conditions, and clarify the accounting treatment for cancellations. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

Amendments to FRS 2: Scope of FRS 2 and Revised FRS 3 (2010) clarify that business combination among entities under common control and the contribution of a business upon the formation of a joint venture will not be accounted for under FRS 2. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

Amendments to FRS 138 clarify the requirements under the revised FRS 3 (2010) regarding accounting for intangible assets acquired in a business combination. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

IC Interpretation 9 requires embedded derivatives to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed at the later of the date the entity first became a party to the contract. The possible impacts of IC Interpretation 9 on the financial statements upon its initial application are not disclosed by virtue of the exemptions given under the revised FRS 139 (2010).

IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

IC Interpretation 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent’s shares) should be accounted for as equity-settled or cash settled share-based payment transactions in the separate financial statements of the parent and group companies. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

Amendments to IC Interpretation 9 are a consequential amendment from the revised FRS 3 (2010). These amendments are expected to have no material impact on the financial statements of the Group upon its initial application.

Annual Improvements to FRSs (2009) contain amendments to 21 accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. These amendments are expected to have no material impact on the financial statements of the Group upon their initial application.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009**A3. Auditors' Report on Preceding Annual Financial Statements**

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

A4. Comments about Seasonal or Cyclical Factors

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

A5. 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.

A6. Changes in Estimates

There was no change in estimates of amounts reported in prior financial years/periods that have a material effect on the results of the current quarter and financial year ended 31 December 2009.

A7. Segmental Information

The Group operates primarily in the semiconductor industry.

The revenue by geographical segment is as follows:

Current Year Year-To-Date 31 December 2009	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
Revenue	183,322	12,748	11,281	708	208,059
Segment assets	400,935	1,947	-	206	403,088
Capital expenditure	32,655	15	-	-	32,670
Preceding Year Year-To-Date 31 December 2008	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
Revenue	106,470	1,086	715	-	108,271
Segment assets	308,669	-	-	-	308,669
Capital expenditure	9,843	-	-	-	9,843

A8. Dividend

The first and final tax-exempt dividend of 3.5% on the par value per ordinary share of 10 sen amounting to RM2,555,000 for the financial year ended 31 December 2008 (2007: 5% tax exempt) was approved by shareholders on 23 June 2009 and paid on 31 July 2009.

A9. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment for the current financial quarter or financial year to-date.

A10. Debt and Equity Securities

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009**A11. Changes in the Composition of the Group**

On 08 October 2009, Dominant Opto Technologies Sdn. Bhd (formerly known as Dominant Semiconductors Sdn Bhd) (“Dominant”), a 51.31% owned subsidiary of Omega Semiconductor Sdn Bhd (“Omega”), incorporated a new wholly-owned subsidiary, namely Dominant Semiconductors (Singapore) Pte. Ltd. (“Dominant Singapore”).

On 16 October 2009, Omega, a wholly-owned subsidiary of the company acquired one (1) fully paid share of US\$1.00 each representing 100% of the issued and paid-up of Equity Group Investments Limited (“EGIL”) from Mega First Mining Sdn Bhd for the cash consideration of US\$1.00 only. Consequently, EGIL became a subsidiary of D&O.

On 14 December 2009, Dominant Singapore incorporated a new wholly owned subsidiary, namely Dominant Semiconductors (Lao) Sole Co., Ltd.

Save for the above, there was no change in the composition of the group during the current quarter and financial year under review.

A12. Discontinued Operation

There were no discontinued operations in the current quarter.

A13. Capital Commitment

Capital commitment authorised but not provided for in the financial statements:

	As at 31 December 2009 RM'000
Property, Plant and Equipment	
- Contracted	8,291
- Not contracted	<u>40,778</u>
	<u>49,069</u>

A14. Changes in Contingent Liabilities or Contingent Assets

As at 31 December 2009, the Company provided a total of RM39.25 million and RM7.7 million of corporate guarantees to financial institutions for credit facilities granted to its wholly-owned subsidiary, Omega and to a 51.31% owned subsidiary, Dominant, respectively.

A15. Subsequent Events

On 12 January 2010, the Company had allotted and issued 1,397,500 new ordinary shares of RM0.10 each in the Company for those eligible employees who exercised their employee share option scheme (“ESOS”) at an exercise price of RM0.38 per share.

On 3 February 2010, the Company had allotted and issued 40,000 new ordinary shares of RM0.10 each in the Company for those eligible employees who exercised their employee share option scheme (“ESOS”) at an exercise price of RM0.38 per share.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009**PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS****B1. Review of Performance of the Company And Its Principal Subsidiaries**

The financial statements of the Group in the current quarter and current year under review included the first time consolidation of the results of Dominant Opto Technologies Sdn. Bhd (formerly known as Dominant Semiconductors Sdn Bhd.), (hereinafter referred to as “Dominant”). Dominant became a 57.34% subsidiary on 31 December 2008 through the acquisition of additional equity interest of 7.68%. The interest in Dominant was subsequently reduced to 51.31% on 17 July 2009 following the additional shares issued by Dominant to a third party.

In the current quarter under review, the Group recorded revenue of RM100.53 million and a net profit of RM7.99 million. Net profit increased 489% from RM1.36 million in the corresponding period last year mainly due to increased sales of LED packages and maiden profit contribution from 51%-owned lighting module subsidiary, Aeopto Technologies Co.,Ltd (“Aeopto”). Aeopto started commercial production of TV backlight module in September 2009.

B2. Material Changes In The Quarterly Result As Compared To The Result of The Previous Quarter

When compared to the preceding quarter, revenue in the fourth quarter rose 132% to RM100.53 million due mainly to higher sales of LED packages and TV backlight modules. Correspondingly, net profit increased 151% to RM7.99 million.

B3. Prospect For The Current Financial Year

The Group expects sales to improve significantly in financial year 2010, led by a global recovery of LED demand in the automotive sector, and rising LED adoption in LCD TV and general lighting. To cope with the expected rise in demand, further capacity expansion is underway, including the construction of a second factory in Lao PDR.

B4. Profit Forecast or Profit Guarantee

The Group did not provide any profit forecast or profit guarantee.

B5. Income Tax Expense

	Current Quarter Ended 31 December 2009	Year Ended 31 December 2009
	RM'000	RM'000
Current taxation - Ordinary Activities	684	793
Deferred taxation	(632)	(632)
	52	167
Under provision in previous financial years	183	183
	<u>235</u>	<u>344</u>

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 investment income that is not taxable and pioneer status enjoyed by Dominant.

Dominant has been granted pioneer status in 2002. The pioneer status which expired in 2007 was extended to 2017.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009

B6. Quoted Securities

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

	Current Quarter Ended 31 December 2009	Year Ended 31 December 2009
	RM'000	RM'000
i) Acquisition of quoted investments		
Purchases consideration	352	93,018
ii) Disposal of quoted investments		
Sale proceeds	-	66,576
Cost of quoted securities disposed	-	52,668
Gain on disposal	-	13,908

b) Details of investments in quoted securities as at 31 December 2009:

	Cost RM'000	Book Value RM'000	Market Value RM'000
Quoted in Malaysia	7,579	7,579	9,335
Quoted outside Malaysia	37,134	37,134	36,424
	44,713	44,713	45,759

B7. Unquoted Investments and/or Properties

There was no sale or purchase of properties for the current quarter and financial year to-date.

Details of investment in unquoted investments are as follows :

	Current Quarter Ended 31 December 2009	Year Ended 31 December 2009
	RM	RM'000
Investment in unquoted shares (outside Malaysia)		
At cost		
At 1.10.2009/1.1.2009	3,270	2,574
Addition during the period/year	2,672	3,368
At 31.12.2009	5,942	5,942

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009**B9. Corporate Proposals**

On 8 February 2010, the name of Dominant was changed from “Dominant Semiconductors Sdn. Bhd.” to “Dominant Opto Technologies Sdn. Bhd.”.

On 9 February 2010, the name of D&O was changed from “D & O Ventures Berhad” to “D & O Green Technologies Berhad”.

B10. Borrowings

The Group’s borrowings are as follows:

	As at 31 December 2009 RM’000
Short term borrowings	
Secured denominated in US Dollar:	
- bankers acceptances (USD563,093)	2,594
Secured denominated in Ringgit Malaysia:	
- bankers acceptances	11,249
- term loans	5,706
- revolving credit	15,000
	<hr/> 34,549 <hr/>
Long term borrowings	
Secured denominated in Ringgit Malaysia:	
- term loans	5,356
	<hr/> 16,917 <hr/>

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

Osram GmbH has filed a patent infringement suit against Dominant Semiconductors Sdn. Bhd. before the Regional Court of Mannheim in Germany. Dominant contends that it has not infringed any patents as alleged and has engaged legal counsel to defend and to nullify the patents involved. There is no monetary claim in the suit.

Dominant has filed a legal suit in the High Court of Malaysia against Osram GmbH, Osram Opto Semiconductors GmbH and Osram Opto Semiconductors (Malaysia) Sdn. Bhd. for amongst other things, the wrongful interference with Dominant Semiconductors Sdn. Bhd.’s trade and business. This case is ongoing.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009

B13. Earnings per Share

	Quarter Ended 31 December 2009 RM'000	Preceding Year Corresponding Quarter Ended 31 December 2008 RM'000	Year Ended 31 December 2009 RM'000	Year Ended 31 December 2008 RM'000
Basic earnings per share				
Profit for the period attributable to ordinary equity holders of the Company	7,993	1,358	13,940	13,834
Weighted average number of ordinary shares in issue ('000)	730,000	730,000	730,000	730,000
Basic earnings per share (sen)	1.09	0.19	1.91	1.90
Diluted earnings per share				
Profit for the period attributable to ordinary equity holders of the Company	7,993	NA	13,940	NA
Dilutive effects of outstanding employees' share options	25	NA	100	NA
Diluted earnings	8,018	NA	14,040	NA
Weighted average number of ordinary shares in issue ('000)	730,000	NA	730,000	NA
Adjustment for share options ('000)	4,785	NA	4,785	NA
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	734,785	NA	734,785	NA
Diluted Earnings Per share (Sen)	1.09	NA	1.91	NA

The fully diluted earnings per share for the Group for the year ended 31 December 2008 was not presented as the assumed conversion from the exercise of the share options under the ESOS would be anti-dilutive.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2009**B14. Significant Related Party Transaction**

- (a) For the purpose of the financial statements, the Group had related party relationships with:-
- (i) its subsidiaries; and
 - (ii) entities controlled by directors
- (b) In addition to the information disclosed elsewhere in the financial statements, the Group carried out the following transactions with its related parties during the financial year:

	Quarter Ended 31 December 2009 RM'000	Quarter Ended 31 December 2008 RM'000	Year Ended 31 December 2009 RM'000	Year Ended 31 December 2008 RM'000
(i) Associate company:				
- sales	-	529	-	669
- rental income	-	480	-	1,920
(ii) Related parties:				
- purchases	1,854	78	3,077	748
- sales	925	-	2,858	-
(iii) Key management personnel (including directors):				
- short-term employee benefits	228	81	1,253	1,141
	<u>3,007</u>	<u>1,168</u>	<u>7,188</u>	<u>4,478</u>

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 24 February 2010.