

**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 FIRST QUARTER ENDED 31 MARCH 2010**

**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 2009.

**A2. Adoption of Revised Financial Reporting**

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2009 except for the adoption of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2010:

**FRSs/IC Interpretations**

- FRS 4: Insurance Contracts
- FRS 7: Financial Instruments: Disclosures
- FRS 8: Operating Segments
- Revised FRS 101 (2009): Presentation of Financial Statements
- Revised FRS 123 (2009): Borrowing Costs
- Revised FRS 139 (2010): Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2: Vesting Conditions and Cancellations
- Amendments to FRS 7, FRS 139 and IC Interpretation 9
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11 FRS 2: – Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Annual Improvements to FRSs (2009)

Other than the principal effects as discussed below, the adoption of the above FRSs, Amendments and Interpretations do not have any significant financial impact on the Group’s results.

***Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement***

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below.

**i) Initial recognition and measurement**

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not a fair value through profit or loss, transaction costs that are directly attributable the acquisition or issue of the financial instrument.

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**ii) Financial instrument categories and subsequent measurement**

The Group categorise financial instruments as follows:

**Financial assets**

**a) Financial assets at fair value through profit or loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

**b) Held-to-maturity investments**

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

**c) Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

**d) Available-for-sale financial assets**

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

**Financial liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010*****FRS 8: Operating Segments***

FRS 8 replaces FRS 114<sub>2004</sub> 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.

***Revised FRS 101 (2009) Presentation of Financial Statements***

Arising from the adoption of FRS 101 (revised), income statements for the quarter ended 31 March 2009 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

***FRS 117: Leases***

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance is finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

***Comparative Figures***

The effects on the financial statements as a result of the adoption of new and revised FRS are as follows:-

	Previously Reported RM'000	Effects of FRS RM'000	Restated RM'000
Statement of financial position (extract):-			
Property, plant and equipment	140,664	4,214	144,878
Prepaid land lease payments	4,214	(4,214)	-
Investment in marketable securities	44,713	1,392	46,105
Reserves	89,195	1,392	90,587

**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 were no significant changes in estimates of amounts reported in prior financial years which have a material effect in the current quarter and financial year-to-date.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010****A7. Segmental Information**

The Group operates primarily in the semiconductor industry. Geographical segmental information is as follows:

<b>Current Year</b>	<b>Asia</b>	<b>Europe</b>	<b>USA</b>	<b>Others</b>	<b>Group</b>
<b>Year-To-Date</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 March 2010</b>					
Revenue	58,529	4,134	2,920	230	65,813
Segment assets	392,455	5,874	-	206	398,535
Capital expenditure	21,120	-	-	-	21,120
<b>Preceding Year</b>	<b>Asia</b>	<b>Europe</b>	<b>USA</b>	<b>Others</b>	<b>Group</b>
<b>Year-To-Date</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 March 2009</b>					
Revenue	22,824	2,986	1,996	102	27,908
Segment assets	300,322	1,070	-	-	301,392
Capital expenditure	3,252	8	-	-	3,260

**A8. Dividend**

No dividend has been paid in the current quarter and financial year-to-date.

**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**

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.

On 23 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.

On 9 March 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.

On 17 March 2010, the Company had allotted and issued 90,000 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.

On 24 March 2010, the Company had allotted and issued 60,000 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 FIRST QUARTER ENDED 31 MARCH 2010****A11. Changes in the Composition of the Group**

There were no changes in composition of the Group for the current quarter 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:

	<b>As at 31 March 2010 RM'000</b>	<b>As at 31 December 2009 RM'000</b>
Property, Plant and Equipment		
- Contracted	27,294	8,291
- Not contracted	20,839	40,778
	48,133	49,069

**A14. Changes in Contingent Liabilities or Contingent Assets**

	<b>As at 31 March 2010 RM'000</b>	<b>As at 31 December 2009 RM'000</b>
<i>Contingent Liabilities</i>		
Corporate guarantees given to financial institutions for credit facilities (utilised) extended to subsidiaries	17,330	17,218

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 6 April 2010, the Company had allotted and issued 12,900 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 13 April 2010, the Company had allotted and issued 30,000 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 FIRST QUARTER ENDED 31 MARCH 2010****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 Group recorded a 136% increase in revenue to RM65.81 million when compared to the corresponding period last year. The surge in revenue was principally due to stronger LED component sales and maiden revenue contribution from the module subsidiary, partially offset by lower sales revenue recorded by the Contract Manufacturing business. As explained last year, the Group is downsizing its contract manufacturing business to focus on LED component and LED module business. Correspondingly, PAT rose to RM4.09 million in the current quarter under review, compared to RM0.12 million in the corresponding period last year.

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

Revenue in the current quarter under review declined 35% to RM65.81 million, while PAT fell 61% to RM4.09 million when compared to the preceding quarter. The decline in both revenue and PAT was due mainly to seasonally soft TV sales in China in the first half of the calendar year, which significantly affected both our sales of LED component and TV BLM (Back Light Module). Additionally, the results of the preceding quarter were bolstered by gain from disposal of marketable securities.

**B3. Prospect For The Current Financial Year**

The Group expects revenue to pick-up at a faster pace in the second half of this year, driven primarily by stronger LED TV sales in China and increasing global adoption of LED in general lighting solutions. However, start-up costs from the second factory in Lao, which is expected to commence commercial operation in the third quarter, coupled with continuous investments in human resource and distribution infrastructure will likely have a negative impact on margins.

**B4. Profit Forecast or Profit Guarantee**

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

**B5. Income Tax Expense**

	<b>Current Quarter Ended 31 March 2010</b>	<b>Preceding Year Corresponding quarter Ended 31 March 2009</b>
	RM'000	RM'000
Current taxation - Ordinary Activities	3	14
Under provision in previous financial years	264	-
	<u>267</u>	<u>14</u>

The Group's effective tax rate for the current financial quarter and preceding year corresponding quarter 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 2007 and will expire in 2017.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010****B6. Quoted Securities**

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

	<b>Current Quarter Ended 31 March 2010 RM'000</b>	<b>Preceding Year Corresponding Quarter Ended 31 March 2009 RM'000</b>
i) Acquisition of quoted investments		
Purchases consideration	6,917	-
ii) Disposal of quoted investments		
Sale proceeds	39,467	-
Cost of quoted securities disposed	39,644	-
Loss on disposal	(177)	-

b) Details of investments in quoted securities:

	<b>As At 31 March 2010</b>		
	<b>Cost RM'000</b>	<b>Book Value RM'000</b>	<b>Market Value RM'000</b>
Quoted in Malaysia	9,039	11,427	11,427
Quoted outside Malaysia	2,947	3,149	3,149
	11,986	14,576	14,576

	<b>As At 31 March 2009</b>		
	<b>Cost RM'000</b>	<b>Book Value RM'000</b>	<b>Market Value RM'000</b>
Quoted in Malaysia	4,362	4,362	3,415
Quoted outside Malaysia	-	-	-
	4,362	4,362	3,415

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010****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:

	<b>Current Quarter Ended 31 March 2010 RM'000</b>	<b>Preceding Year Corresponding Quarter Ended 31 March 2009 RM'000</b>
Investment in unquoted shares (outside Malaysia)		
At cost		
At 1 January	3,249	2,575
Addition during the period/year	2,708	-
At 31 March	5,957	2,575

**B8. Corporate Proposals**

- On 31 March 2010, the Board of Director of D & O Green Technologies Berhad (*formerly known as D & O Ventures Berhad*) (“D&O”), proposed Bonus Issue of up to 244,868,333 new ordinary shares of RM0.10 each in D&O to be credited as fully paid up on the basis of one (1) Bonus Share for every three (3) existing shares held at an entitlement date to be determined later by the Board and announced by the Company.
- On 13 May 2010, the Board of Director of D&O (“Board”) proposed to acquire 51 ordinary share of RM1.00 each representing 51% equity interest in Omega Photonics Packaging Sdn Bhd from Omega Semiconductor Technology Sdn Bhd, a wholly-owned subsidiary of D&O for a total cash consideration of RM51. The said proposal has been completed on 21 May 2010.
- On 13 May 2010, the Board announced to propose the following proposals subject to shareholders’ approval at the forthcoming annual general meeting :
  - a dividend in-specie of all the 25,400,000 Dominant Opto Technology Sdn Bhd shares and all the 5,100 Aeopto Technologies (HK) Company Limited shares held by Omega Semiconductor Sdn Bhd, a whollyowned subsidiary of D&O, to D&O;
  - an increase in the authorised share capital of the Company from RM100,000,000 comprising 1,000,000,000 D&O Shares to RM200,000,000 comprising 2,000,000,000 D&O Shares; and
  - amendments to the M&A of the Company to effect the Proposed Increase In Authorised Share Capital.
- On 19 March 2010, Omega Semiconductor Sdn Bhd (“Omega”), a wholly-owned subsidiary of D&O entering into a Memorandum of Understanding with Securitag Assembly Group Co., Ltd, a company with limited liabilities incorporated in Taiwan and having its registered address at No. 1, Gongye 9<sup>th</sup> Road, Dali City Taichung 412, Taiwan ROC. (“SAG”) for the sale of Omega’s Radio Frequency Identification (“RFID”) business and the subscription by D&O of up to 15% of the equity shareholding of the issued and paid-up capital of SAG.

The MOU has lapsed on 18 April 2010. Since the aforesaid announcement, D&O had on 30 April 2010, transferred Omega’s RFID business to Omega Semiconductor Technology Sdn Bhd (“OST”), a wholly-owned subsidiary of D&O.

On 24 May 2010 entered into a sale and purchase agreement (“S&P”) with SAG, for the disposal of the entire 100% equity interest in OST to SAG, for a total cash consideration of USD1.7million.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2010****B9. Borrowings**

The Group's borrowings are as follows:

	As at 31 March 2010 RM'000	As at 31 March 2010 RM'000
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	24,703	13,120
- term loans	6,047	2,945
- revolving credit	15,000	-
	45,750	16,065
Long term borrowings		
Secured denominated in Ringgit Malaysia:		
- term loans	10,728	10,884
	10,728	10,884
Bank overdraft		
Secured denominated in:		
- Ringgit Malaysia	8,023	6,315
	8,023	6,315

**B10. Material Litigation**

- (i) **Osram Opto Semiconductors GmbH (“OOS” or “Plaintiff”) vs Dominant Opto Technologies Sdn Bhd (formerly known as Dominant Semiconductors Sdn Bhd) (“DOT” or “Defendant”)**

The Plaintiff has filed a patent infringement suit against DOT before the Regional Court of Mannheim in Germany on 22 July 2005. DOT contends that it has not infringed any patents as alleged and has engaged legal counsel to defend and nullify the patents involved. The value in dispute for the patent and utility model infringement is preliminarily estimated at approximately EUR500,000.00, being the court fees and legal fees incurred by OOS in the event OOS wins the issue in full. However, the compensation for the damages in question which is being claimed by OOS cannot be calculated at this stage.

The solicitors are of the opinion that the defendant has a good arguable case.

- (ii) **Ipoh High Court Civil Suit No. M2-22-229-2006 DOT (“Plaintiff”) vs Osram GmbH, OOS and Osram Opto Semiconductors (Malaysia) Sdn Bhd (collectively the “Defendants”)**

In the case of Ipoh High Court Civil Suit No.M2-22-229-2006 commenced in 2006, DOT, a subsidiary of D&O, sued the Defendants for damages for issuing and publishing statements about the Plaintiff which the Plaintiff claimed were untrue and were calculated to cause damage to the plaintiff's reputation and business. Hence, the grounds for the Plaintiff's suit against the Defendants were on the basis of malicious or injurious falsehood and the Plaintiff also applied for an injunction to restrain the Defendants from making further disparaging remarks. As at LPD, there are several applications pending appeal.

The solicitors are of the view that the Plaintiff has a good arguable case and that the maximum exposure to liability is estimated to be confined to legal costs which may range between RM0.5 million to RM1.0 million if the Plaintiff's claims are unsuccessful.

**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.

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	<b>Quarter Ended 31 March 2010 RM'000</b>	<b>Preceding Year Corresponding Quarter Ended 31 March 2009 RM'000</b>
<b>Basic earnings per share</b>		
Profit for the period attributable to ordinary equity holders of the Company	2,539	1,285
Weighted average number of ordinary shares in issue ('000)	731,514	730,000
Basic earnings per share (sen)	0.35	0.18
<b>Diluted earnings per share</b>		
Profit for the period attributable to ordinary equity holders of the Company	2,539	NA
Dilutive effects of outstanding employees' share options	47	NA
Diluted earnings	2,586	NA
Weighted average number of ordinary shares in issue ('000)	731,514	NA
Adjustment for share options ('000)	2,938	NA
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	734,452	NA
Diluted Earnings Per share (Sen)	0.35	NA

The fully diluted earnings per share for the Group in the financial period ended 31 March 2009 was not presented as the assumed conversion from the exercise of the share options under the ESOS would be anti-dilutive.

**B13. 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 26 May 2010.