

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 SECOND QUARTER ENDED 30 JUNE 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 FRS 134, “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 financial 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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The Group has applied FRS 139 in accordance with the transitional provisions. The changes have been accounted for by restating the following opening balances of the group as at 1 January 2010:-

	As at 1 January 2010		
	Previously Reported RM'000	Effects of FRS 139 RM'000	Restated RM'000
Statement of Changes in Equity (extract):-			
Retained Profit	90,035	1,392	91,427

FRS 8: Operating Segments

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.

Revised FRS 101 (2009) Presentation of Financial Statements

Arising from the adoption of FRS 101 (revised), income statements for the quarter ended 30 June 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.

The following comparative figures have been restated as a result of accounting for the effects of FRS 101:-

	6-month period from 1 January 2009 to 30 June 2009		
	Previously Reported RM'000	Effects of FRS 139 RM'000	Restated RM'000
Statement of comprehensive income (extract):-			
Other Comprehensive Loss	-	195	195

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.

The following comparative figures have been restated as a result of accounting for the effects of FRS117 retrospectively:-

	As at 31 December 2009		
	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)	-

A3. Auditors' Report on Preceding Annual Financial Statements

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010**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 quarter and 6-month period ended 30 June 2010.

A6. Changes in Estimates

There was no significant change in estimates of amounts reported in prior financial years which have a material effect in the current quarter and 6-month period ended 30 June 2010.

A7. Segmental Information

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

Current Year	Asia	Europe	USA	Others	Group
Year-To-Date	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2010					
Revenue	84,830	28,717	8,250	447	122,244
Segment assets	394,697	7,557	-	1,206	403,460
Capital expenditure	40,068	-	-	-	40,068
Preceding Year	Asia	Europe	USA	Others	Group
Year-To-Date	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2009					
Revenue	53,920	5,337	4,626	256	64,139
Segment assets	303,230	1,392	-	-	304,622
Capital expenditure	7,138	13	-	-	7,151

A8. Dividend

No dividend has been declared or paid in the current quarter and 6-month period ended 30 June 2010.

A9. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment for the current quarter and 6-month period ended 30 June 2010.

A10. Changes in the Composition of the Group

D&O had on 24 May 2010 entered into a sale and purchase agreement (“S&P”) with Securitag Assembly Group Co. Ltd. (“SAG”) for the disposal of the entire 100% equity interest in Omega Semiconductor Technology Sdn Bhd to SAG for a total cash consideration of USD1.7million. The transaction was completed on the same date.

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During the 6 month period, 1,710,400 ordinary shares were issued at RM0.38 pursuant to the exercise of options under the Company Employee Share Option Scheme (ESOS). As at 30 June 2010, the outstanding ESOS is 2,894,600 shares (31 December 2009:4,605,000).

	Number of Ordinary Shares of RM0.10 Each Share Capital (Issued and Fully Paid) 000	Amount Share Capital (Issued and Fully Paid) RM'000
As at 01 January 2010	730,000	73,000
Issue of Ordinary Share pursuant to ESOS	1,710	171
As at 30 June 2010	731,710	73,171

A12. Discontinued Operation

There was no discontinued operation in the current quarter and 6-month period ended 30 June 2010.

A13. Capital Commitments

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

	As at 30 June 2010 RM'000	As at 31 December 2009 RM'000
Property, Plant and Equipment		
- Contracted	9,597	8,291
- Not contracted	9,663	40,778
	<u>19,260</u>	<u>49,069</u>

A14. Changes in Contingent Liabilities or Contingent Assets

	As at 30 June 2010 RM'000	As at 31 December 2009 RM'000
Contingent Liabilities		
Corporate guarantees given to financial institutions for credit facilities (utilised) extended to subsidiaries	<u>16,536</u>	<u>17,218</u>

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

There was no material event subsequent to the end of the period reported up to 20 August 2010, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 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**

Revenue for the second quarter ended 30 June 2010 increased 56% year-on-year to RM56.43 million. 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.

However, the Group recorded a pre-tax loss of RM1.29 million in the current quarter, compared to a pre-tax profit of RM0.014 million in the corresponding period last year. The loss in the current quarter was mainly attributable to a difficult operating environment, especially in the LED TV market in China, which was facing severe pricing pressure and acute inventory overhang. Margins also came under pressure as a result of a strengthening Malaysian Ringgit against the US Dollar and additional costs associated with Dominant's capacity expansion, including and distribution infrastructure building for the BLU and General Lighting segments.

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 current quarter fell 14% to RM56.43 million. This was mainly caused by lower LED component sales in the LED TV segment. Earnings before tax slipped to a loss of RM1.29 million, versus a profit of RM4.36 million in the preceding quarter. Lower sales aside, margins deteriorated significantly resulting from intense pricing pressure in the LED TV market segment, a strengthening Malaysian Ringgit and higher capacity costs.

B3. Prospect For The Current Financial Year

With the global economy expected to register slower growth in the second half, coupled with LED TV inventory overhang, the Group expects the overall operating environment to remain difficult for the remaining half of the year, although the Board is cautiously optimistic that sales should start to pick up some time in the fourth quarter of this year. In light of the uncertain near term prospects, management has slowed down future capacity expansion plan and undertaken various cost reduction measures.

Longer term, the Board remains bullish of the future prospects of the LED industry, underpinned by continuous adoption of LED in the LCD TV and general lighting markets. As such, the Group will continue to invest in infrastructure building whilst keeping overheads within manageable level. Construction of the new factory in Laos has already been completed and should start commercial production in early fourth quarter. Management is confident that the second low cost plant will put the Group in good position to compete in the competitive consumer LED applications.

B4. Income Tax Expense

	Current Quarter Ended 30 June 2010	Preceding Year Quarter Ended 30 June 2009	Current Year-To-Date 30 June 2010	Preceding Year Year-To-Date 30 June 2009
	RM'000	RM'000	RM'000	RM'000
Current taxation - Ordinary Activities	14	83	17	97
Deferred taxation	-	-	-	-
	-	83	-	97
Under provision in previous Financial period	-	-	262	-
	14	83	279	97

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Overall, the Group suffered a pre-tax loss of RM1.475 million in the current quarter under review. Income tax expense for the current quarter was attributable to a subsidiary in China which was profitable. For the 6-month period ended 30 June 2010, the Group's effective tax rate was lower than the Malaysian statutory tax rate of 25% mainly due to investment income that is not taxable.

B5. Profit Forecast or Profit Guarantee

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

B6. Quoted Securities

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

	Current Year Quarter Ended 30 June 2010 RM'000	Preceding Year Quarter Ended 30 June 2009 RM'000	Current Year-To-Date 30 June 2010 RM'000	Preceding Year-To-Date 30 June 2009 RM'000
i) Acquisition of quoted investments				
Purchases consideration	1,617	45,602	8,534	45,602
ii) Disposal of quoted investments				
Sale proceeds	2,785	8,535	42,252	8,535
Cost of quoted securities disposed	2,681	7,773	42,325	7,773
Profit/(Loss) on disposal	104	761	(73)	761

b) Details of investments in quoted securities:

	As at 30 June 2010		
	Cost RM'000	Book Value RM'000	Market Value RM'000
Quoted in Malaysia	7,974	10,471	10,471
Quoted outside Malaysia	2,947	2,885	2,885
	10,921	13,356	13,356
	As at 30 June 2009		
	Cost RM'000	Book Value RM'000	Market Value RM'000
Quoted in Malaysia	35,507	35,507	38,053
Quoted outside Malaysia	6,684	6,684	6,460
	42,191	42,191	44,513

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010**B7. Unquoted Investments and/or Properties**

There was no sale or purchase of property during the current quarter and 6-month period ended 30 June 2010.

Details of investment in unquoted investments are as follows:

	Current Quarter Ended 30 June 2010 RM'000	Preceding Year Corresponding Quarter Ended 30 June 2009 RM'000
Investment in unquoted shares (outside Malaysia)		
At cost		
At 1 April	5,957	2,575
Addition during the period	4,038	-
At 30 June	9,995	2,575

B8. Corporate Proposals

There was no corporate proposal announced but not completed as at 20 August 2010, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

B9. Borrowings

The Group's borrowings are as follows:

	As at 30 June 2010 RM'000
Secured denominated in Ringgit Malaysia:	
- bankers acceptances	19,513
- term loans	6,446
- revolving credit	15,000
	40,959
Long term borrowings	
Secured denominated in Ringgit Malaysia:	
- term loans	10,010
Bank overdraft	
Secured denominated in:	
- Ringgit Malaysia	14,029

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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 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 ground for the Plaintiff’s suit against the Defendants was 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 was no financial instrument with off balance sheet risk as at 20 August 2010, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

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	Current Year Quarter Ended 30 June 2010	Preceding Year Corresponding Quarter Ended 30 June 2009	Current Year-To-Date 30 June 2010	Preceding Year Corresponding Year-To-Date 30 June 2009
Basic earnings per share				
(Loss)/Profit for the period attributable to ordinary equity holders of the Company (RM'000)	(336)	1,472	2,203	2,757
Weighted average number of ordinary shares in issue ('000)	731,710	730,000	731,612	730,000
Basic earnings per share (sen)	(0.05)	0.20	0.30	0.38
Diluted earnings per share				
(Loss)/Profit for the period attributable to ordinary equity holders of the Company (RM'000)	(336)	NA	2,203	NA
Dilutive effects of outstanding employees' share options (RM'000)	47	NA	47	NA
Diluted earnings (RM'000)	(289)	NA	2,250	NA
Weighted average number of ordinary shares in issue ('000)	731,710	NA	731,612	NA
Adjustment for share options ('000)	3,857	NA	3,857	NA
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	735,567	NA	735,469	NA
Diluted earnings per share (Sen)	(0.05)	NA	0.30	NA

The fully diluted earnings per share for the Group in the financial period ended 30 June 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 August 2010.