

**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 2010.

**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 2010 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) which are applicable to the Group with effect from 1 January 2011, as disclosed below:

FRS 1: First-time Adoption of Financial Reporting Standards  
FRS 3: Business Combinations (revised)  
FRS 127: Consolidated and Separate Financial Statements  
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters  
Amendments to FRS 1: Additional Exemptions for First-time Adopters  
Amendments to FRS 2: Share-based Payment  
Amendments to FRS 2: Share-based Payment - Group Cash-settled Share-based Payment Transactions  
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations  
Amendments to FRS 7: Improving Disclosures about Financial Instruments  
Amendments to FRS 132: Financial Instruments : Presentation- Classification of Rights Issues  
Amendments to FRS 138: Intangible Assets  
Amendments to FRSs ‘Improvements to FRSs (2010)’  
IC Interpretation 4: Determining Whether An Arrangement contains a Lease  
IC Interpretation 12: Service Concession Arrangements  
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation  
IC Interpretation 17: Distributions of Non-cash Assets to Owners  
IC Interpretation 18: Transfers of Assets from Customers  
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives

The adoption of the above pronouncements does not have significant impact to the Group, except as described below

**(a) FRS 127 Consolidated and Separate Financial Statements**

This Standard supersedes the existing FRS 127 and replaces the current term 'minority interest' with a new term 'non-controlling interest' which is defined as the equity in a subsidiary that is not attributable, directly or indirectly, to a parent. Accordingly, total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. If the Group loses control of a subsidiary, any gains or losses are recognised in profit or loss and any investment retained in the former subsidiary shall be measured at its fair value at the date when control is lost.

The Group re-phrased its minority interests as non-controlling interests and remeasured the non-controlling interests prospectively in accordance with the transitional provisions of the revised FRS 127.

The adoption of the revised FRS 127 did not have an impact on the Group's consolidated financial statements.

**A3. Auditors' Report on Preceding Annual Financial Statements**

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

**A4. Comments about Seasonal or Cyclical Factors**

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

**A5. 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 period ended 31 March 2011.

**A6. 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 2011</b>					
Revenue	21,962	11,937	4,228	96	38,223
Segment assets	299,204	12,773	-	226	312,203
Capital expenditure	4,849	1	-	-	4,850
<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 2010</b>					
Revenue	58,529	4,134	2,920	230	65,813
Segment assets	395,400	5,874	-	206	401,480
Capital expenditure	21,120	-	-	-	21,120

**A7. 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 period ended 31 March 2011.

**A8. Dividend**

No dividend has been declared or paid in the current quarter and period ended 31 March 2011.

**A9. Valuation of Property, Plant and Equipment**

The Group did not revalue any of its property, plant and equipment for the current quarter and period ended 31 March 2011.

**A10. Debt and Equity Securities**

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity security during the current quarter and period ended 31 March 2011.

**A11. Changes in the Composition of the Group**

On 24 March 2011, D&O announced that it had acquired the remaining 49% equity interest in Omega Photonics Packaging Sdn Bhd (“OPP”) comprising 49 fully paid ordinary shares of RM1.00 each from a non-related party shareholder of D&O Group for a cash consideration of RM49.00 only. Consequently, OPP became a wholly-owned subsidiary of D&O.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

**A11. Changes in the Composition of the Group (Cont'd)**

On 18 April 2011, D&O announced that it increased its shareholding in Dominant by accepting the provisional allotment of 25,400,000 new ordinary shares of RM1.00 each of Dominant Opto Technologies Sdn Bhd (“Dominant”) issued at RM1.00 each for a total cash consideration of RM25,400,000. The Company also had on 15 April 2011 acquired an additional 12,025,000 new ordinary shares of RM1.00 each of Dominant for a total cash consideration of RM12,025,000, representing the rights not taken up by other minority shareholders. As a result of the Subscription of Rights Issue, D&O’s direct equity interest in Dominant increased from 51.31% to 63.46%.

**A12. Capital Commitments**

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

	<b>As at 31 March 2011 RM’000</b>	<b>As at 31 December 2010 RM’000</b>
Property, Plant and Equipment		
- Contracted	1,199	865
- Not contracted	1,963	1,252
	<u>3,162</u>	<u>2,117</u>

**A13. Discontinued Operation**

There were no discontinued operations in the current quarter and period ended 31 March 2011.

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

	<b>As at 31 March 2011 RM’000</b>	<b>As at 31 December 2010 RM’000</b>
<b>Contingent Liabilities</b>		
Corporate guarantees given to financial institutions for credit facilities (utilized amount) extended to subsidiaries	<u>15,514</u>	<u>15,390</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 its 63.46% owned subsidiary, Dominant, respectively.

**A15. Subsequent Events**

Other than as disclosed in note B7, there was no material event subsequent to the end of the period reported up to 20 May 2011, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements

**A16. Retained Profits**

The breakdown of retained profits of the Group into realised and unrealised as at the end of the reporting period is as follows:

	<b>As at 31 March 2011 RM’000</b>	<b>As at 31 December 2010 RM’000</b>
Total retained profits		
- realised	34,545	35,710
- unrealised	406	(701)
	<u>34,951</u>	<u>34,469</u>
Total share of accumulated losses of associate:		
- realised	(23)	(15)
	<u>34,928</u>	<u>34,454</u>
At 31 March	<u>34,928</u>	<u>34,454</u>

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

**B1. Review of Performance of the Company And Its Principal Subsidiaries**

Consolidated revenue showed a 42% year-on-year decline in the first quarter ended 31 March 2010 to RM38.2million. The sharp decline in revenue was principally attributable to the disposal of Aeopto Technologies Co., Ltd (“Aeopto”) to associate Tongfang Optoelectronic (HK) Ltd in the fourth quarter last year and continuous downsizing of the Group’s contract manufacturing business. Excluding the results of Aeopto and the decline in contract manufacturing revenue contribution, revenue slowed 10% to RM38.2 million. This was mainly due to lower LED component sales in the consumer electronics segment.

Notwithstanding the lower turnover in the current quarter compared to corresponding quarter last year, the Group still recorded a profit before tax (PBT) of RM0.75million. The decline in PBT compared to corresponding quarter last year was mainly attributable to lower LED component sales in the current quarter and continuous strengthening of the Ringgit versus the US Dollar.

**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 increased 55% to RM38.2million. This was mainly attributable to significant growth in LED component sales in the automotive and consumer electronics segments.

Group PBT swung from a loss of RM52.5 million in the preceding quarter to a profit of RM0.75million in the current quarter. Excluding the asset and inventory impairment charge of RM41.2 million in the preceding quarter, the current quarter earnings also improved as a result of higher sales revenue.

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

While the operating environment is expected to remain challenging, we are optimistic that the reorganisation of the Group’s corporate structure and business focus carried out in 2010 will translate into higher sales revenue across all segments for the remaining quarters of this financial year.

Margins are however expected to remain under pressure as a result of a stronger Ringgit. To mitigate the impact of currency, management will continue to improve on production efficiency and keep a tight rein on overhead expenses. Efforts will also be channelled towards raising the output of Dominant’s new factory in Lao PDR as part of the Group’s long term strategy to remain competitive in the consumer electronic segments.

**B4. Income Tax Expense**

	<b>Current Year-To-Date 31 March 2011</b>	<b>Preceding Year-To-Date 31 March 2010</b>
	<b>RM’000</b>	<b>RM’000</b>
Current taxation – Ordinary Activities	480	3
Under provision in previous Financial period	-	264
	<u>480</u>	<u>267</u>

Dominant has been granted pioneer status in 2007 which will expire in 2017. For the current quarter ended 31 March 2011, the income tax expense was mainly attributable to two profitable overseas subsidiaries.

**B5. Profit Forecast or Profit Guarantee**

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

**B6. Quoted Securities**

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

	<b>Current Year-To-Date 31 March 2011</b>	<b>Preceding Year-To-Date 31 March 2010</b>
	<b>RM'000</b>	<b>RM'000</b>
i) Acquisition of quoted securities		
Purchases consideration	-	6,917
ii) Disposal of quoted securities		
Sale proceeds	250	39,467
Cost of quoted securities disposed	188	39,644
Profit/(Loss) on disposal	62	(177)

b) Details of investments in quoted securities:

	<b>As at 31 March 2011</b>		
	<b>Cost RM'000</b>	<b>Book Value RM'000</b>	<b>Market Value RM'000</b>
Quoted in Malaysia	7,097	10,101	10,101
Quoted outside Malaysia	2,947	3,218	3,218
	10,044	13,319	13,319
	<b>As at 31 December 2010</b>		
	<b>Cost RM'000</b>	<b>Book Value RM'000</b>	<b>Market Value RM'000</b>
Quoted in Malaysia	7,285	10,497	10,497
Quoted outside Malaysia	2,947	3,306	3,306
	10,232	13,803	13,803

**B7. Corporate Proposals**

On 19 May 2011, the Board of Director of D&O proposed:

- a) The termination of the existing employees' share option scheme of the Company ; and
- b) The establishment of a new employees' share option scheme of up to fifteen percent (15%) of the issued and paid-up share capital of the Company (excluding treasury shares) at any one time for the eligible directors and employees of D&O and its subsidiary companies.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

**B8. Unquoted Investments and/or Properties**

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

Details of movements in investment in unquoted investments are as follows:

Other unquoted investments

	<b>Current Year-To-Date 31 March 2011</b>	<b>Preceding Year-To-Date 31 March 2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Investment in unquoted shares (outside Malaysia)		
At beginning of period, at cost	6,892	3,249
Addition during the period	-	2,708
	<hr/>	<hr/>
At end of period, at cost	<u>6,892</u>	<u>5,957</u>

Investment in an associate

	<b>Current Year-To-Date 31 March 11</b>	<b>Preceding Year-To-Date 31 March 10</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of period, at cost	10,680	N/A
Share of post acquisition loss	(8)	N/A
	<hr/>	<hr/>
At end of period, at cost	<u>10,672</u>	<u>N/A</u>

**B9. Borrowings**

The Group's borrowings are as follows:

	<b>As at 31 March 2011</b>	<b>As at 31 December 2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	23,592	23,326
- term loans	2,926	2,891
- revolving credit	30,000	30,000
	<hr/>	<hr/>
	<u>56,518</u>	<u>56,217</u>
Long term borrowings		
Secured denominated in Ringgit Malaysia:		
- term loans	7,811	8,553
	<hr/>	<hr/>
Bank overdraft		
Secured denominated in Ringgit Malaysia	14,152	10,079
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**B10. Material Litigation**

**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 (12 patents involved) 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 status of the suit is as follows:

- a) 2 patents, Regional Court of Mannheim rejected the OOS’s claim. OOS appealed the decision in the Higher regional Court of Karlsruhe
- b) 3 patents, the German Patent and Trademark Office have declared the claim from OOS as valid. The higher regional Court of Karlsruhe has not yet given any notice for hearing. The outcome is therefore open.
- c) 4 patents, German Patent and Trademark Office declared the claim from OOS as invalid. OSS appealed the decisions.
  - 2 patents, the Germany Patent Court decided the appeal as merit unfounded. OSS withdraws the appeal,
  - 1 patent was declared as invalid by the Board of Appeal of the European Patent Office, and
  - 1 patent, oral hearing is still pending in Board of Appeal of the European Patent Office.
- d) 1 patent, OOS has withdrawn the action.
- e) 1 patent, The German patent and trademark office has declared the claim from OSS as invalid. OSS appealed the decision. It is pending for hearing in German Patent Court.
- f) 1 patent, The German patent and trademark office rejected DOT request of claim cancellation. DOT appealed the decision. It is pending for hearing in German Patent Court.

The value in dispute for the patent and utility model infringement is preliminarily estimated at approximately EUR500,000, 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.

**Melaka High Court Civil Suit No. 22-125-2010**

**Dominant Opto Technologies Sdn Bhd (“Plaintiff”) vs Lai Kin Shin (“1<sup>st</sup> Defendant”), Goh Poh Lee (“2<sup>nd</sup> Defendant”), Lee Seng Khoon (“3<sup>rd</sup> Defendant”), Geepar Enterprise Sdn Bhd (“4<sup>th</sup> Defendant”) and Robert Chan Siew Kong (“5<sup>th</sup> Defendant”)**

The above named suit was brought by a subsidiary of the Group, Dominant Opto Technologies Sdn Bhd wherein the causes of action against the Defendants are as follows:

1. 1st Defendant - breach of contract, conspiracy and bribery;
2. 2nd and 3rd Defendants - breach of contract and conspiracy; and
3. 4th and 5th Defendants - bribery and conspiracy.

The 1st, 2nd and 3rd Defendants served their Defence on 29 October 2010 where else the 4th and 5th Defendants on 12 October 2010. The first pre-trial case management was fixed on 20 December 2010. On the second pre-trial case management on 7 February, the Plaintiff informed the court that it will be filing an application to amend the Writ of Summons and Statement of Claim to, amongst others, add Lim Siew Yek as the 6<sup>th</sup> Defendant to the suit. The application was filed vide the Plaintiff’s solicitors’ letter of 15 March 2011 and came up for hearing on 27.4.2011. As there was no objections to the Plaintiff’s said amendment application, the court granted order in the terms prayed for. The sealed amended Statement of Claim has not been issued by court yet. The Plaintiff has also filed an application to have this action transferred and heard after the disposal of suit 22-132-2010. The action has now been fixed for further case management on 15 June 2011 pending the outcome of the Plaintiff’s application to transfer this matter.

At the time of this announcement, the compensation for the damages claimed by the Plaintiff cannot be determined. The maximum exposure to liability is estimated to be confined to legal costs.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

**B10. Material Litigation (Cont'd)**

**Melaka High Court Civil Suit No. 22-132-2010**

**Geepar Enterprise Sdn Bhd (“Plaintiff”) vs Dominant Opto Technologies Sdn Bhd (“Defendant”)**

Geepar Enterprise Sdn Bhd commenced an action against a subsidiary of the Group, Dominant Opto Technologies Sdn Bhd for inter alia a sum of RM13,450,387.33 together with interest at the rate of 1.5% on RM13,450,387.33 from 21 September 2010 to the date of full and final settlement for goods sold and delivered. The Defendant in their Defence denies that the Plaintiff has agreed to sell the goods and further states that the goods were not delivered to the Defendant. The Defendant also raised the issue of conspiracy. A reply to the defense was served by the solicitors for the Plaintiff on 16 November 2010.

On 7 January 2011, the solicitors for the Plaintiff served on the solicitors for the Defendant a sealed application for summary judgement which application is fixed for hearing on 11 February 2011. The hearing date was subsequently adjourned to 8 April 2011 to enable parties to exhaust all affidavits in respect of the application. On the hearing date of 8 April 2011, parties were informed by the court that the learned Judge is on medical leave. Given the circumstances, the court adjourned the hearing for the application to 27 May 2011.

**B11. Earnings per Share**

	<b>Current Year-To-Date 31 March 2011 RM'000</b>	<b>Preceding Year-To-Date 31 March 2010 RM'000</b>
<b>Basic earnings per share</b>		
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	474	2,539
Weighted average number of ordinary shares in issue ('000)*	975,613	975,352
Basic earnings per share (sen)	0.05	0.26

The fully diluted earnings per share for the Group were not presented as the assumed conversion from the exercise of the share options under the ESOS would be anti-dilutive.

\* The weighted average number of ordinary shares have been adjusted for bonus issue retrospectively.

**B12. Off Balance Sheet Financial Instruments**

There was no financial instrument with off balance sheet risk as at 20 May 2011, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

**B14. Authorisation for Issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 25 May 2011.