

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

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. 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 30 June 2011.

A6. Segmental Information

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

Current Year Year-To-Date 30 June 2011	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
Revenue	46,264	25,024	11,045	242	82,575
Segment assets	308,654	14,873	-	226	323,753
Capital expenditure	7,619	11	-	-	7,630
Preceding Year Year-To-Date 30 June 2010	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
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

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 30 June 2011.

A8. Dividend

No dividend has been declared or paid in the current quarter and period ended 30 June 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 30 June 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 30 June 2011.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

A11. Changes in the Composition of the Group

On 8 July 2011, D&O announced that a new sub-subsidiary, “Dominant Opto Technologies (Shanghai) Ptd Ltd” (Chinese name as 统明亮光电科技（上海）有限公司) was incorporated in the People’s Republic of China on 4 July 2011. Dominant Shanghai is wholly owned by Dominant Opto Technologies Sdn Bhd (“Dominant”) a 63.46% subsidiary owned by D&O.

A12. Capital Commitments

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

	As at 30 June 2011 RM’000	As at 31 December 2010 RM’000
Property, Plant and Equipment		
- Contracted	2,198	865
- Not contracted	2,225	1,252
	<u>4,423</u>	<u>2,117</u>

A13. Discontinued Operation

There were no discontinued operations in the current quarter and period ended 30 June 2011.

A14. Changes in Contingent Liabilities or Contingent Assets

	As at 30 June 2011 RM’000	As at 31 December 2010 RM’000
Contingent Liabilities		
Corporate guarantees given to financial institutions for credit facilities (utilized amount) extended to subsidiaries	<u>15,470</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

There was no material event subsequent to the end of the period reported up to 20 August 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:

	As at 30 June 2011 RM’000	As at 31 December 2010 RM’000
Total retained profits		
- realised	35,319	35,710
- unrealised	(736)	(701)
	<u>34,583</u>	<u>34,469</u>
Total share of accumulated profit/(loss) off associate:		
- realised	479	(15)
	<u>35,062</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 for the second quarter ended 30 June 2011 declined 21% to RM44.35million. The 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. Excluding the results of Aeopto, Group turnover increased 23% to RM44.35 million despite continuous appreciation of the Malaysian Ringgit against the US Dollar. The increase in turnover was mainly due to higher LED component sales in the automotive and consumer electronics segments.

Group PBT swung from a pre-tax loss of RM1.29million in the corresponding period last year to a profit before tax (PBT) of RM1.24million in the current quarter. The improved performance arose mainly due to higher LED component sales coupled with higher share of profit from associate.

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 16% to RM44.35million. This was mainly attributable to significant growth in LED component sales.

In the current quarter under review, Group PBT increased 66% to RM1.239 million compared to RM0.75million in the preceding quarter. This was mainly due to higher LED component sales and an increase in the share of profit from associate.

B3. Prospect For The Current Financial Year

We expect the global economic uncertainty resulting from a slowing US economy and debt crisis in Europe to have a dampening effect on global LED demand in the second half of 2011. To cope with the prospect of slowing demand and increased competition, management has taken steps to reduce inventory holding and turned more cautious on embarking on new capital projects. Management will also continue to improve production efficiency and keep a tight rein on overhead expenses.

B4. Income Tax Expense

	Current Quarter Ended 30 June 2011	Preceding Year Quarter Ended 30 June 2010	Current Year-To-Date 30 June 2011	Preceding Year Year-To-Date 30 June 2010
	RM'000	RM'000	RM'000	RM'000
Current taxation - Ordinary Activities	673	14	1,153	19
Deferred taxation	-	-	-	-
	<hr/> 673	<hr/> 14	<hr/> 1,153	<hr/> 19
Under provision in previous Financial period	93	-	93	262
	<hr/> 766	<hr/> 14	<hr/> 1,246	<hr/> 281

Dominant has been granted pioneer status in 2007 which will expire in 2017. For the current quarter ended 30 June 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 SECOND QUARTER ENDED 30 JUNE 2011

B6. Quoted Securities

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

	Current Year Quarter Ended 30 June 2011 RM'000	Preceding Year Quarter Ended 30 June 2010 RM'000	Current Year-To-Date 30 June 2011 RM'000	Preceding Year-To-Date 30 June 2010 RM'000
i) Acquisition of quoted investments				
Purchases consideration	-	1,617	-	8,533
ii) Disposal of quoted investments				
Sale proceeds	484	2,785	734	42,252
Cost of quoted securities disposed	345	2,681	533	42,325
Profit/(Loss) on disposal	139	104	201	(73)

b) Details of investments in quoted securities:

	As at 30 June 2011		
	Cost RM'000	Book Value RM'000	Market Value RM'000
Quoted in Malaysia	6,753	9,206	9,206
Quoted outside Malaysia	2,952	3,145	3,145
	9,705	12,351	12,351
	As at 31 December 2010		
	Cost RM'000	Book Value RM'000	Market Value RM'000
Quoted in Malaysia	7,285	10,497	10,497
Quoted outside Malaysia	2,947	3,306	3,306
	10,232	13,803	13,803

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

B7. Corporate Proposals

The Company has on 19 May 2011, announced that the Company proposed to undertake the following :-

- (a) the proposed termination of the existing employees' share option scheme of the Company (“**Existing ESOS**”) (“**Proposed ESOS Termination**”); and
- (b) the proposed establishment of a new employees' share option scheme (“**New ESOS**”) 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 (“**D&O Group**”) (“**Proposed New ESOS**”).

The Proposed ESOS Termination and Proposed New ESOS are collectively referred to as the “**Proposals**”.

Subsequently, on 31 May 2011, AmInvestment Bank Berhad (a member of AmInvestment Bank Group) announced on behalf of the Company that Bursa Malaysia Securities Berhad had via its letter dated 30 May 2011 granted its approval for the listing of such number of additional new Shares, representing up to fifteen percent (15%) of the issued and paid-up ordinary share capital of D&O (excluding treasury shares), to be issued pursuant to the exercise of the ESOS Options under the Proposed New ESOS.

The Proposals were approved by the shareholders of the Company at the extraordinary general meeting on 28 June 2011 and is currently pending implementation by the Company.

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

	Current Year-To-Date 30 June 2011	Preceding Year-To-Date 30 June 2010
	RM'000	RM'000
Investment in unquoted shares (outside Malaysia)		
At beginning of period, at cost	6,892	3,249
Addition during the period	-	6,746
At end of period, at cost	<u>6,892</u>	<u>9,995</u>

Investment in an associate

	Current Year-To-Date 30 June 2011	Preceding Year-To-Date 30 June 2010
	RM'000	RM'000
At beginning of period, at cost	10,680	N/A
Share of profit	494	N/A
At end of period, at cost	<u>11,174</u>	<u>N/A</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

B9. Borrowings

The Group's borrowings are as follows:

	As at 30 June 2011 RM'000	As at 31 December 2010 RM'000
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	29,981	23,326
- term loans	2,975	2,891
- revolving credit	30,000	30,000
	<u>62,956</u>	<u>56,217</u>
Long term borrowings		
Secured denominated in Ringgit Malaysia:		
- term loans	7,047	8,553
	<u>7,047</u>	<u>8,553</u>
Bank overdraft		
Secured denominated in Ringgit Malaysia	7,176	10,079
	<u>7,176</u>	<u>10,079</u>

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. Moreover, OOS has filed another patent infringement suit by extension of the running before the Higher Regional Court of Karlsruhe proceeding as per letter of 21 March 2011, delivered on 1 April 2011 concerning 2 additional patents. 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 has declared the claim from OOS as valid. The Higher Regional Court of Karlsruhe has given notice for hearing in third quarter of 2011. 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 (“EPO”), and
 - 1 patent, oral hearing is still pending in Board of Appeal of the EPO.
- 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.
- g) 2 patents DOT filed opposition to the EPO and 1 patent DOT filed nullity action to the 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

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

Dominant Opto Technologies Sdn Bhd (“Plaintiff”) vs Lai Kin Shin (“1st Defendant”), Goh Poh Lee (“2nd Defendant”), Lee Seng Khoon (3rd Defendant”), Geepar Enterprise Sdn Bhd (“4th Defendant”), Robert Chan Siew Kong (“5th Defendant”) and Lim Siew Yek (“6th Defendant”)

The action came up for case management on 15 June 2011. The Plaintiff’s application to have this action transferred and heard after the disposal of suit 22-132-2010 (“Plaintiff’s application”) was also fixed for hearing before the Deputy Registrar on 15 June 2011.

With regard to the Plaintiff’s application, the Defendants have no objection to the said application but requested for the learned Judge to deliver decision in respect of suit 22-132-2010 before proceeding to hear suit 22-125-2010. The solicitors for the Plaintiff objected to the Defendants’ request. The Deputy Registrar allowed the application and further ordered that the learned Judge is to deliver decision in respect of suit 22-132-2010 before proceeding with suit 22-125-2010.

The solicitors for the Plaintiff proceeded to file a Notice of Appeal against the decision of the Deputy Registrar (“the Appeal”). The appeal came up for mention on 3 August 2011 and is now fixed for hearing on 14 September 2011.

In so far as the case management of the action is concerned, it is now adjourned to 14 September 2011 pending disposal of the Appeal.

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

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

The application for summary judgment was fixed for hearing on 27 May 2011. On the said hearing date, the Deputy Registrar gave directions for the filing of Written Submissions and fixed the application for mention on 8 July 2011. The mention was further adjourned to 29 July 2011 pending compliance with the Court’s directions. In view that all directions have been complied with, the application is now fixed for Decision on 14 September 2011.

B11. Earnings per Share

	Current Year Quarter Ended 30 June 2011	Preceding Year Corresponding Quarter Ended 30 June 2010	Current Year-To-Date 30 June 2011	Preceding Year Corresponding Year-To-Date 30 June 2010
Basic earnings per share				
Profit/(Loss) for the period attributable to ordinary equity holders of the Company (RM’000)	134	(336)	608	2,203
Weighted average number of ordinary shares in issue (*000)*	975,613	975,398	975,613	975,375
Basic earnings per share (sen)	0.01	(0.03)	0.06	0.23

* The weighted average number of ordinary shares has 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 August 2011, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

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 24 August 2011.