NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

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.

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 year ended 31 December 2011.

A6. Segmental Information

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

Current Year Year-To-Date 31 December 2011	**Asia RM'000**	**Europe RM'000**	**USA RM'000**	**Others RM'000**	**Group RM'000**
Revenue	101,610	48,617	19,968	475	170,670
Segment assets	302,636	14,187	-	226	317,049
Capital expenditure	12,639	237	-	-	12,876

Preceding Year Year-To-Date 31 December 2010	**Asia RM'000**	**Europe RM'000**	**USA RM'000**	**Others RM'000**	**Group RM'000**
Revenue	131,398	30,694	19,737	678	182,507
Segment assets	296,390	7,181	-	211	303,782
Capital expenditure	53,670	7	-	-	53,677

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 year ended 31 December 2011.

A8. Dividend

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

A11. Changes in the Composition of the Group

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

A12. Capital Commitments

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

	As at 31 December 2011 RM'000	As at 31 December 2010 RM'000
Property, Plant and Equipment		
- Contracted	2,008	865
- Not contracted	4,383	1,252
	6,391	2,117

A13. Discontinued Operation

There were no discontinued operations in the current quarter and year ended 31 December 2011.

A14. Changes in Contingent Liabilities or Contingent Assets

	As at 31 December 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	14,830	15,390

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 17 February 2012, 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 31 December 2011 RM'000	As at 31 December 2010 RM'000
Total retained profits		
- realised	32,987	35,710
- unrealised	(1,568)	(701)
	31,419	34,469
Total share of accumulated profit/(loss) of associate:		
- realised	1,360	(15)
	32,779	34,454

A17. Significant Related Party Transaction

The Group carried out the following significant transactions with related parties during the current quarter and financial year ended 31 December 2011.

	Current Quarter Ended 31 December 2011 RM'000	Year Ended 31 December 2011 RM'000
Sales		
Light Emitting Diodes (LED)	387	2,013
Purchases		
Carton Boxes for packaging	41	243
Printing material	17	78
Information technology software, hardware and services	29	76
Rental		
Hostel	28	112

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

B1. Operating Segment review

4Q2011 versus 4Q2010

Turnover surged 69% year-on-year to RM41.6 million, propelled by a 174% jump in LED component sales to automotive customers to RM22.8 million. This was achieved despite a weak global economic environment and was the direct result of new design wins, which demonstrates improving customer acceptance of Dominant's products.

LED component sales to BLU customers contributed RM7.5 million to turnover in the current quarter, compared to minimal sales in the corresponding period last year. After recognising a large impairment charge on fixed assets and inventories in 2010, the Group has been treading cautiously in rebuilding its BLU business given the relatively high investment and inventory obsolescence risks, by narrowing the customer base target and raising the service level to achieve higher customer penetration rate.

The absence of new product offering and intense price competition led to a 65% decline in LED sales in the General Lighting segment to RM3.8 million during this quarter. However, plans are afoot to roll out new high efficiency and high power LEDs which we expect would plug the product gap in 2012. Additionally, the Group is in the midst of jointly developing LED products with several large global lighting companies which is expected to translate into sustainable sales growth starting 2012.

Gross profit margin of 19.3% recorded in the current quarter was significantly higher than 7.7% registered in the corresponding period last year. The improvement was achieved as a result of higher capacity utilisation, sales mix change, increased machine efficiency and lower production overheads.

Results from operating activities recorded a RM2 million loss, primarily due to a RM3.8 million provision for slow moving inventory. Distribution and SGA expenses declined marginally despite higher revenue due to tight cost control.

2011 versus 2010

Turnover contracted 6.5% year-on-year to RM170.7 million in 2011 due to the deconsolidation of Aeopto Technologies Co., Ltd ("Aeopto") from group results since 4Q2010. Excluding the results of Aeopto, consolidated turnover would have shown a 28.1% jump from a year earlier, fuelled principally by a 37% surge in revenue contribution from the LED Component Group, which in 2011, accounted for 90% of Group revenue.

Despite an anaemic global economic environment, Dominant's LEDs continued to gain wider acceptance by major global automotive customers in terms of quality, reliability, service and price. This is evidenced from new design wins, which enabled the Group to double its automotive segment sales in 2011. In the year under review, Automotive segment accounted for 60% of total LED component revenue.

The operating environment of the LED TV backlight (BLU) segment remained challenging, plagued by industry-wide over investment, persistent cost-down pressure, poor demand visibility and short product lifespan. Nonetheless, LED component sales in the BLU segment surged more than 100% to RM24.4 million, albeit from a low base. Since early 2011, in light of the difficult operating environment, management is adopting a more conservative approach in expanding this segment of the business. To limit the investment and inventory risks associated with BLU, sales and marketing efforts are now targeted at selected few strategic customers, primarily focusing on service to increase penetration rather than to increase breath.

LED component sales in General Lighting declined 42% to RM23.1 million mainly as a result of limited product offering and intense competition experienced during the year. While strategies to strengthen the Group's position in General Lighting have been initiated in 2011, they are only expected to produce tangible results in 2012. These include development of high efficiency and high power LED lights catering primarily for the General Lighting segment where future demand is expected to be the strongest. Joint product development with several large global lighting companies are also underway, which we believe will translate into sustainable income stream growth for the Group in the coming years.

B1. Operating Segment review (cont'd)

Gross profit margin jumped significantly from 4.1% in 2010 to 16.8% in 2011, underpinned by efficiency improvements, higher capacity utilisation, better sales mix and tighter control of factory overhead expenses.

Results from operating activities swung from a loss of RM64.0 million in 2010 to a small profit of RM1.1 million. Apart from lower gross profit margin, 2010 results were adversely affected by asset and inventory impairment charge amounting to RM41.2 million in 2010.

The Group reported a loss before tax of RM1.5 million for the current year after factoring in finance costs of RM4.0 million, partially mitigated by RM1.4 million share of profit from associate Tongfang Optoelectronic (HK) Limited.

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

Compared to the preceding quarter, sales revenue declined 10% to RM41.64. Slower LED component sales in the Automotive and BLU segments as a result of uncertain and slowing economic climate in Europe and China contributed to the decline.

Gross profit margin in the current quarter of 19.3% was however higher than 15.8% in the preceding quarter. The improvement was mainly due to tighter control of production overheads.

Losses from operating activities widened from RM0.28 million in the preceding quarter to RM2.06 million in the current quarter due to additional provision of RM3.8 million for slow moving inventory

B3. Commentary on Prospects

The operating environment is going to remain challenging as the result of the imminent global economic slowdown. To cope with the prospect of slowing demand and increased competition, management has taken steps to reduce inventory holding and are more cautious on embarking on new capital projects. The automotive segment should continue to see increased customer penetration through several design wins in 2011 and through partnerships with multi-national lighting companies. In the general lighting segment, we are optimistic that with the recent sales and marketing efforts to increase our customer base and together with strong support from our associate company as well as partnership with multi-national lighting companies, we will continue to introduce new products which offer more comprehensive range of solutions to various lighting applications. These will help the Group to sustain its growth path in coming years.

B4. Income Tax Expense

	Current Quarter Ended 31 December 2011	Preceding Year Quarter Ended 31 December 2010	Current Year-To-Date 31 December 2011	Preceding Year Year-To-Date 31 December 2010
	RM'000	RM'000	RM'000	RM'000
Current taxation - Ordinary Activities	783	467	2,217	533
Deferred taxation	(1013)	(899)	(1,013)	(1,101)
	(230)	(432)	1,204	(568)
Under provision in previous Financial period	-	(155)	154	49
	(230)	(587)	1,358	(519)

Dominant has been granted pioneer status in 2007 which will expire in 2017. For the current quarter ended 31 December 2011, the current taxation was mainly attributable to two profitable overseas subsidiaries. However income tax expenses showed a negative amount in current quarter as a result of reversal of deferred tax liabilities.

B5. Profit Forecast or Profit Guarantee

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

B6. Detailed Disclosure for Statement of Comprehensive Income

	Current Quarter ended 31 December 2011	Year ended 31 December 2011
After crediting:-		
Interest income	85	119
Dividend income	418	532
Gain on disposal of quoted shares	1,560	1,741
Writeback of allowance for impairment losses on receivables	19	181
Gain/(Loss) on foreign exchange	(234)	230
After debiting:-		
Amortisation	61	244
Allowance for slow-moving inventories	3,781	3,781
Depreciation	4,644	18,309
Impairment of quoted shares	365	3,522
Interest expense	342	2,920

The company and the group do not have the following items for the current quarter and financial year to date:

a) provision for and write off of receivables;
b) impairment of assets;
c) gain or loss on derivatives; and
d) gain or loss on disposal of unquoted investments or properties.

B7. Borrowings

The Group's borrowings are as follows:

	As At 31 December 2011 RM'000	As At 31 December 2010 RM'000
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	27,978	23,326
- term loans	3,048	2,891
- revolving credit	30,000	30,000
	61,026	56,217
Long term borrowings		
Secured denominated in Ringgit Malaysia:		
- term loans	5,507	8,553
Bank overdraft		
Secured denominated in Ringgit Malaysia	8,434	10,079

B8. Corporate Proposals

There was no corporate proposal announced but not completed as at 17 February 2012, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

B9. Unquoted Investments and/or Properties

There was no sale or purchase of properties for the current quarter and year ended 31 December 2011.

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

Other unquoted investments

	As at 31 December 2011 RM'000	As At 31 December 2010 RM'000
Investment in unquoted shares (outside Malaysia)		
At beginning of period, at cost	6,892	9,995
Addition during the period	144	9,242
Disposal during the period	-	(1,650)
Transfer to associate	-	(10,695)
	7,036	6,892

Investment in an associate

	As At 31 December 2011 RM'000	As At 31 December 2010 RM'000
At beginning of period, at cost	10,680	-
Transfer from Other investments	-	10,695
Share of profit /(Loss)	1,375	(15)
	12,055	10,680

B10. Earnings per Share

	Current Year Quarter Ended 31 December 2011	Preceding Year Corresponding Quarter Ended 31 December 2010	Current Year-To-Date 31 December 2011	Preceding Year Corresponding Year-To-Date 31 December 2010
Basic earnings per share				
Loss for the period attributable to ordinary equity holders of the Company (RM'000)	(567)	(31,015)	(3,006)	(56,973)
Weighted average number of ordinary shares in issue ('000)*	975,613	975,613	975,613	975,564
Basic earnings per share (sen)	(0.06)	(3.18)	(0.31)	(5.84)

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

B11. 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")

No further development since the last announcement made on 23 November 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 Plaintiff's appeal against the order given by the Deputy Registrar came up for delivery of decision on 5 January 2012. The Court allowed the appeal with no order as to costs.

With regard to the case management of the action which came up on 30 January 2012, the Court gave directions for the filing of Bundle of Pleadings, Agreed Facts & Issues to be Tried and the Bundle of Documents. The solicitors for the Plaintiff have vide letter dated 27 January 2012, forwarded to the solicitors for the Defendants the Plaintiff's Bundle of Documents for their categorisation.

The case management is now fixed on 5 March 2012 to enable parties to comply with the Court's directions.

Melaka High Court Civil Suit No. 22-132-2010
Geepar Enterprise Sdn Bhd ("Plaintiff") vs Dominant Opto Technologies Sdn Bhd ("Defendant")

The action came up for case management on 30 January 2012 and is now fixed for further case management on 5 March 2012 pending compliance with the Court's previous directions (i.e. for the filing of the Common Bundle of Documents).

B12. Off Balance Sheet Financial Instruments

There was no financial instrument with off balance sheet risk as at 17 February 2012, 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 interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 February 2012.