

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 MFRS 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 2011.

A2. Adoption of Revised Financial Reporting

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2011, except for the following:

Adoption of a new MASB accounting framework, the MFRS Framework

The Group has adopted the MFRS framework and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* for the first time in these condensed consolidated interim financial statements. The transition to the MFRS framework did not result in a significant impact on the financial statements of the Group.

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 31 March 2012.

A6. 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
31 March 2012					
Revenue	31,053	11,536	2,371	905	45,865
Segment assets	294,374	15,210	-	226	309,810
Capital expenditure	2,204	22	-	-	2,226
Preceding Year	Asia	Europe	USA	Others	Group
Year-To-Date	RM’000	RM’000	RM’000	RM’000	RM’000
31 March 2011					
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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

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 2012.

A8. Dividend

No dividend has been declared or paid in the current quarter and period ended 31 March 2012.

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 2012.

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 2012.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter and period ended 31 March 2012.

A12. Capital Commitments

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

	As at 31 March 2012 RM'000	As at 31 December 2011 RM'000
Property, Plant and Equipment		
- Contracted	1,426	2,008
- Not contracted	6,512	4,383
	<u>7,938</u>	<u>6,391</u>

A13. Discontinued Operation

There were no discontinued operations in the current quarter and period ended 31 March 2012.

A14. Changes in Contingent Liabilities or Contingent Assets

	As at 31 March 2012 RM'000	As at 31 December 2011 RM'000
Contingent Liabilities		
Corporate guarantees given to financial institutions for credit facilities (utilised amount) extended to subsidiaries	<u>14,168</u>	<u>14,831</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 18 May 2012, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

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 March 2012 RM'000	As at 31 December 2011 RM'000
Total retained profits		
- realised	4,731	5,177
- unrealised	(4,185)	(2,790)
	546	2,387
Total share of retained profits of associate:		
- realised	646	1,360
	1,192	3,747
Less: Consolidation adjustments	28,994	28,794
	30,186	32,541

A17. Significant Related Party Transaction

The Group carried out the following significant transactions with related parties during the current quarter and period ended 31 March 2012.

	Current Quarter/ Period Ended 31 March 2012 RM'000
Sales	
Light Emitting Diodes (LED)	235
Purchases	
Carton Boxes for packaging	80
Printing material	18
Information technology software, hardware and services	31
Rental	
Hostel	28

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

B1. Operating Segment review

Revenue grew 20% to RM45.9 million, bolstered by a 22.6% expansion of the Component Group. Management's renewed business strategy, as disclosed previously, continued to yield positive results in the current quarter. In spite of a weak global economic environment, increasing customer penetration and new project kick-off underscored a 16.6% growth in automotive revenue to RM25.8 million.

BLU revenue contributed RM6.0 million to turnover in this quarter, representing a three-fold increase from a year earlier, albeit from a low base, on increased customer penetration. Nonetheless, the operating environment of BLU continued to be challenging. Pricing pressure was intense, product cycle remained short, and demand visibility continued to be poor. In order to minimise exposure to this relatively high risk business, management will continue to be prudent in developing this segment of the business.

Likewise in the preceding quarters, sales in General Lighting during the quarter was hampered by limited product offering. As a result, sales declined 23.3% to RM6.0 million. Management is however more optimistic of the future prospect of this segment. As such, more efforts will be channelled towards widening the product range.

Overall, gross profit margin rose to 16.8% from 15.1% a year earlier, underpinned by a favourable change in sales mix, and improved production efficiency. However, the group posted a pre-tax loss of RM1.6 million compared to a profit of RM0.7 million in the same period last year. The loss was mainly attributable to share of loss from associate of RM0.7 million and a RM1.0 million ESOS charge during the current quarter.

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

Compared to the preceding quarter, revenue improved 10% to RM45.9 million, led by a 9% increase in sales by the Component Group. Automotive revenue continued its growth momentum, posting a 13.6% sequential increase to RM25.8 million. BLU sales were however 20.9% lower due to lower production output by China's TV manufacturers during the Lunar New Year in January. General Lighting on the other hand saw revenue rising 56.8% mainly on base effect.

Gross profit margin slipped from 19.3% in the preceding quarter to 16.8% in the current quarter. The margin deterioration was mainly due to an unfavourable change in sales mix and a stronger Malaysia Ringgit against the US Dollar.

B3. Commentary on Prospects

Barring a hard landing in China and/or a sudden deterioration of Europe's debt crisis, management does not expect the operating environment to change significantly in the near future. In view of the uncertain global economic outlook, management will continue to exercise prudence on new capital projects, tighten working capital management and raise production efficiencies to maintain its competitiveness.

In the coming quarters, management expects the automotive segment to continue its growth path as more new projects are expected to commence commercial production. General Lighting segment should also improve as Dominant expands its product range later this year. For the BLU segment, management will continue to focus on improving its customer service level to increase penetration.

B4. 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 2012

B5. Income Tax Expense

	Current Quarter Ended 31 March 2012	Preceding Year Quarter Ended 31 March 2011
	RM'000	RM'000
Current taxation - Ordinary Activities	450	480
Deferred taxation	-	-
	<hr/> 450	<hr/> 480
Under provision in previous Financial period		-
	<hr/> 450	<hr/> 480

Dominant has been granted pioneer status in 2007 which will expire in 2017. For the current quarter ended 31 March 2012, the Group made a pre-tax loss of RM1.64 million. The current taxation was mainly attributable to two profitable overseas subsidiaries.

B6. Detailed Disclosure for Statement of Comprehensive Income

	Current Quarter / Period ended 31 March 2012 RM'000
After crediting:-	
Interest income	8
Gain on disposal of quoted shares	754
Writeback of allowance for impairment losses on receivables	51
Writeback of allowance for impairment losses on assets	985
After debiting:-	
Amortisation	61
Depreciation	4,689
Impairment of quoted shares	808
Interest expense	816
Loss on foreign exchange	1,071

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. Corporate Proposals

There was no corporate proposal announced but not completed as at 18 May 2012, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

B8. Borrowings

The Group's borrowings are as follows:

	As At 31 March 2012 RM'000	As At 31 December 2011 RM'000
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	28,712	27,978
- term loans	3,077	3,038
- revolving credit	30,000	30,000
	61,789	61,016
Long term borrowings		
Secured denominated in Ringgit Malaysia:		
- term loans	4,732	5,516
Bank overdraft		
Secured denominated in Ringgit Malaysia	6,380	8,434
	61,789	61,016

B9. Unquoted Investments and/or Properties

There was no sale or purchase of properties for the current quarter and period ended 31 March 2012.

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

Other unquoted investments

	For The Current Quarter Ended 31 March 2012 RM'000	For The Preceding Year Ended 31 December 2011 RM'000
Investment in unquoted shares (outside Malaysia)		
At beginning of period/year, at cost	7,036	6,892
Addition	509	144
	7,545	7,036

Investment in an associate

	For The Current Quarter Ended 31 March 2012 RM'000	For The Preceding Year Ended 31 December 2011 RM'000
At beginning of period	12,055	10,680
Share of (Loss)/ profit	(714)	1,375
At end of period/year	11,341	12,055

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

B10. Earnings per Share

	Current Year Quarter Ended 31 March 2012	Preceding Year Corresponding Quarter Ended 31 March 2011	Current Year- To-Date 31 March 2012	Preceding Year Corresponding Year-To-Date 31 March 2011
Basic earnings per share				
(Loss)/profit for the period attributable to owners of the Company (RM'000)	(2,366)	474	(2,366)	474
Weighted average number of ordinary shares in issue ('000)	975,613	975,613	975,613	975,613
Basic earnings per share (sen)	(0.24)	0.05	(0.24)	0.05

B11. Material Litigation

Osram Opto Semiconductors GmbH (“OOS” or “Plaintiff”) vs Dominant Opto Technologies Sdn Bhd (“DOT” or “Defendant”)

The Plaintiff has extended the suit by filing 2 additional patent infringements in 3rd quarter 2011, bring the infringement to 16 patents. DOT contends that it has not infringed any of the patents as alleged and has engaged a legal counsel to defend and nullify the patents involved. The status of the claims in respect of the 16 patents are as follows:

- a) The Higher Regional Court of Karlsruhe has ruled in favour of OOS against DOT on 7 claims deriving from the 7 patents. DOT has filed an opposition on the 2 patents to the European Patent Office (EPO), but has not taken further action on the remaining 5 patents as it related to already obsolete products which The Higher Regional Court of Karlsruhe had declared there are no patent infringements by DOT on the replacement products.
- b) The Higher Regional Court of Karlsruhe has rejected 5 of the claims deriving from 5 patents of OOS.
- c) The Regional Court of Mannheim rejected 1 claim deriving from 1 patent of OOS
- d) The Higher Regional Court separated the proceeding with regard to the 3 remaining claims deriving from 3 patents of OOS which will be further running under a new proceeding number. The Federal Patent Court declared one of the claims was invalid and following this decision, the Higher Regional Court of Karlsruhe rejected further claim of this patent. As for the other 2 patents, DOT is in the process of filing the opposition.

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 is able to win the issue in full. However, the compensation for the damages in question which is being claimed by OOS cannot be defined at this stage.

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”)

At the case management on 30 April 2012, the Plaintiff's solicitors informed the Court that the solicitors for the 1st, 2nd, 3rd and 6th Defendants have reverted with their comments on the Agreed Facts, Issues to be Tried and categorisation of the documents vide letter dated 20 April 2012. The Court directed for the filing of the Common Bundle of Documents but no timeline was given. No further case management is fixed in respect of this action. The trial from 9 to 13 July 2012 is maintained.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

B11. Material Litigation (Con't)

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

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

The final case management was on 5 March 2012. No further case management is fixed by the Court. The trial from 9 to 13 July 2012 is maintained.

B12. Off Balance Sheet Financial Instruments

There was no financial instrument with off balance sheet risk as at 18 May 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 24 May 2012