

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 30 June 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
30 June 2012					
Revenue	63,345	22,345	5,424	1,454	92,568
Segment assets	306,225	13,987	-	226	320,438
Capital expenditure	3,313	55	-	-	3,368
Preceding Year	Asia	Europe	USA	Others	Group
Year-To-Date	RM’000	RM’000	RM’000	RM’000	RM’000
30 June 2011					
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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 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 30 June 2012.

A8. Dividend

No dividend has been declared or paid in the current quarter and period ended 30 June 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 30 June 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 30 June 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 30 June 2012.

A12. Capital Commitments

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

	As at 30 June 2012 RM'000	As at 31 December 2011 RM'000
Property, Plant and Equipment		
- Contracted	1,999	2,008
- Not contracted	7,404	4,383
	<u>9,403</u>	<u>6,391</u>

A13. Discontinued Operation

There were no discontinued operations in the current quarter and period ended 30 June 2012.

A14. Changes in Contingent Liabilities

	As at 30 June 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>6,478</u>	<u>14,831</u>

The Company provided a total of RM39.25 million of corporate guarantees to financial institutions for credit facilities granted to its wholly-owned subsidiary, Omega. On 3 April 2012, AmBank (M) Berhad had discharged D&O from any liabilities and/or obligations under the RM7.7 million of corporate guarantee provided for credit facilities granted to its 63.46% owned subsidiary, Dominant.

A15. Subsequent Events

There was no material event subsequent to the end of the period reported up to 23 August 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 SECOND QUARTER ENDED 30 JUNE 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 30 June 2012 RM'000	As at 31 December 2011 RM'000
Total retained profits		
- realised	5,966	5,177
- unrealised	(6,844)	(2,790)
	(878)	2,387
Total share of retained profits of associate:		
- realised	790	1,360
	(88)	3,747
Less: Consolidation adjustments	29,048	28,794
	28,960	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 30 June 2012.

	Current Quarter Ended 30 June 2012 RM'000	Current Period Ended 30 June 2012 RM'000
Sales		
Light Emitting Diodes (LED)	211	446
Purchases		
Carton Boxes for packaging	86	166
Printing material	17	35
Information technology software, hardware and services	26	57
Rental		
Hostel	28	56

A18. Comparative Figures

The following comparative figures have been reclassified to conform to the presentation of the current quarter and period ended 30 June 2012.

	Preceding Year Quarter Ended 30 June 11		Preceding Year Year-To-Date 30 June 11	
	As Previously Reported (RM'000)	As Restated (RM'000)	As Previously Reported (RM'000)	As Restated (RM'000)
Statement of comprehensive income (extract)				
Other Income/(Expenses)	806	(60)	2,833	2,507
Distribution expenses	(1,341)	(771)	(2,596)	(1,478)
Administrative expenses	(4,129)	(5,165)	(7,892)	(10,016)

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

B1. Operating Segment review

2Q2012 versus 2Q2011

Automotive segment continued to press ahead with a 22% growth in revenue to RM29 million in the current quarter, while revenue of the BLU segment rose 26% to RM7 million. The robust growth in Automotive and BLU segments was partially offset by a 23% decline in General Lighting segment, resulting in a more moderate 5% growth in overall Group revenue to RM46.7 million.

The sustainable improvement in Automotive segment bears testimony to Dominant's gradual recognition as a reliable and competitive alternative LED supplier to the global automotive industry. BLU performance in the current quarter continued to benefit from sales focus on increasing penetration in selected few TV customers in China. Meanwhile, sales in the General Lighting segment remained weak, as management avoided direct price competition in a highly competitive industry.

Gross profit margin at 16.3% was relatively stable. However, Group Loss Before Tax increased from RM93k in the preceding year corresponding quarter to RM584k in the current quarter due mainly to a RM0.97 million ESOS charge and lower share of profit from associate.

1H2012 versus 1H2011

Turnover improved 12% year-on year to RM92.57million in the first half of 2012. Automotive segment rose 19% to RM55 million, driven by new car models, while BLU segment increased 75% to RM13 million as a result of increased penetration of existing customers.

LED sales in General Lighting contracted 23% to RM10.8 million mainly as a result of limited product offering and intense price competition.

Gross profit margin in the first half of this year at 16.6% was marginally better when compared to the corresponding period last year. Group Profit Before Tax however swung into the red, registering a loss of RM2.23 million versus a profit of RM0.65 million a year earlier due to RM1.94 million ESOS charge (1H2011: nil) and negative contribution of RM0.57 million from associate (1H2011: profit of RM0.49 million).

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

Compared to the preceding quarter, revenue in the current quarter increased marginally by 2% to RM46.70 million. Robust double digit growth in the Automotive and BLU segments and Contract Manufacturing business helped offset a 21% decline in General Lighting segment.

Gross profit was relatively stable quarter on quarter. However, the Group reported lower loss before tax of RM0.58 million (1Q2012: loss before tax of RM1.64 million) due to foreign currency exchange gain and associate contribution which reversed from a loss of RM0.71 million in the preceding quarter to a profit of RM0.14 million in the current quarter

B3. Commentary on Prospects

Management expects the Automotive segment to continue with its growth momentum on new projects kick off. Increased focus on sales penetration in existing customers will likely bolster sales in the BLU segment in the second half. In the General Lighting segment, management will continue to avoid direct price competition by developing new innovative products targeting at the mid-to-high end lighting customers where margins are more reasonable.

Despite the weak global economic outlook, management is optimistic sales revenue in the second half will be better than the first half.

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 SECOND QUARTER ENDED 30 JUNE 2012

B5. Income Tax Expense

	Current Quarter Ended 30 June 2012	Preceding Year Quarter Ended 30 June 2011	Current Year-To-Date 30 June 2012	Preceding Year Year-To-Date 30 June 2011
	RM'000	RM'000	RM'000	RM'000
Current taxation - Ordinary Activities	427	673	877	1,153
Deferred taxation	-	-	-	-
	<u>427</u>	<u>673</u>	<u>877</u>	<u>1,153</u>
Under provision in previous Financial period	-	93	-	93
	<u>427</u>	<u>766</u>	<u>877</u>	<u>1,246</u>

Dominant has been granted pioneer status in 2007 which will expire in 2017. For the current quarter and period ended 30 June 2012, the Group reported a pre-tax loss of RM584k and RM2.23 million respectively. The current taxation was derived mainly from two profitable overseas subsidiaries.

B6. Borrowings

The Group's borrowings are as follows:

	As At 30 June 2012 RM'000	As At 31 December 2011 RM'000
Short term borrowings		
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	34,533	27,978
- term loans	3,115	3,038
- revolving credit	30,000	30,000
	<u>67,648</u>	<u>61,016</u>
Long term borrowings		
Secured denominated in Ringgit Malaysia:		
- term loans	3,939	5,516
	<u>3,939</u>	<u>5,516</u>
Bank overdraft		
Secured denominated in Ringgit Malaysia	5,466	8,434
	<u>5,466</u>	<u>8,434</u>

B7. Corporate Proposals

There was no corporate proposal announced but not completed as at 23 August 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 SECOND QUARTER ENDED 30 JUNE 2012

B8. Detailed Disclosure for Statement of Comprehensive Income

	Current Quarter ended 30 June 2012 RM'000	Current Period ended 30 June 2012 RM'000
After crediting:-		
Interest income	8	16
Gain on disposal of quoted shares	-	754
Writeback of allowance for impairment losses on receivables	-	51
Writeback of allowance for impairment losses on assets	(13)	972
Gain on foreign exchange	1,195	124
After debiting:-		
Amortisation	61	122
Depreciation	4,867	9,556
Impairment of quoted shares	(75)	733
Interest expense	873	1,689

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.

B9. Earnings per Share

a) Basic

	Current Year Quarter Ended 30 June 2012	Preceding Year Corresponding Quarter Ended 30 June 2011	Current Year- To-Date 30 June 2012	Preceding Year Corresponding Year-To-Date 30 June 2011
Basic earnings per share				
Loss for the period attributable to owners of the Company (RM'000)	(1,246)	(1,198)	(3,612)	(724)
Weighted average number of ordinary shares in issue ('000)	975,613	975,613	975,613	975,613
Basic earnings per share (sen)	(0.13)	(0.12)	(0.37)	(0.07)

b) Diluted

The diluted earning per share is not presented as the effect of assuming all outstanding ESOS being exercised will be anti-dilutive and the company has no other dilutive potential ordinary share in issue at the end of the reporting period.

B10. Unquoted Investments and/or Properties

There was no sale or purchase of properties for the current quarter and period ended 30 June 2012.

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

Other unquoted investments

	For The Period Ended 30 June 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
At end of period/year, at cost	<u>7,545</u>	<u>7,036</u>

Investment in an associate

	For The Period Ended 30 June 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	(570)	1,375
At end of period/year	<u>11,485</u>	<u>12,055</u>

B11. Material Litigation

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

No further development since the last announcement made on 24 May 2012.

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”)

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

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

The trial for both actions which was initially fixed from 9th July 2012 to 13th July 2012 has been vacated due to a Judges Conference. The trial is now fixed from 3rd December 2012 to 7th December 2012.

B12. Off Balance Sheet Financial Instruments

There was no financial instrument with off balance sheet risk as at 23 August 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 Board of Directors of D&O approved this interim financial report announcement to the Bursa Securities at the Board Meeting held on 30 August 2012.