

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 September 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 September 2012					
Revenue	97,261	35,015	8,873	2,601	143,750
Segment assets	303,481	14,744	-	226	318,451
Capital expenditure	5,426	96	-	-	5,522
Preceding Year	Asia	Europe	USA	Others	Group
Year-To-Date	RM’000	RM’000	RM’000	RM’000	RM’000
30 September 2011					
Revenue	75,368	38,156	15,234	274	129,032
Segment assets	304,715	15,644	-	225	320,584
Capital expenditure	10,940	127	-	-	11,067

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 2012.

A8. Dividend

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

A12. Capital Commitments

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

	As at 30 September 2012 RM'000	As at 31 December 2011 RM'000
Property, Plant and Equipment		
- Contracted	2,223	2,008
- Not contracted	7,296	4,383
	<u>9,519</u>	<u>6,391</u>

A13. Discontinued Operation

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

A14. Changes in Contingent Liabilities

	As at 30 September 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>5,642</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 15 November 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 THIRD QUARTER ENDED 30 SEPTEMBER 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 September 2012 RM'000	As at 31 December 2011 RM'000
Total retained profits		
- realised	5,379	5,177
- unrealised	(11,256)	(2,790)
	(5,877)	2,387
Total share of retained profits of associate:		
- realised	1,521	1,360
	(4,356)	3,747
Less: Consolidation adjustments	29,185	28,794
	24,829	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 September 2012.

	Current Quarter Ended 30 September 2012 RM'000	Current Period Ended 30 September 2012 RM'000
Sales		
Light Emitting Diodes (LED)	142	588
Purchases		
Carton Boxes for packaging	89	255
Information technology software, hardware and services	43	100
Printing material	27	62
Rental		
Hostel	28	84

A18. Comparative Figures

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

	Preceding Year Quarter Ended 30 September 2011		Preceding Year Year-To-Date 30 September 2011	
	As Previously Reported (RM'000)	As Restated (RM'000)	As Previously Reported (RM'000)	As Restated (RM'000)
Statement of comprehensive income (extract)				
Other (Expenses)/Income	(489)	31	2,344	2,537
Distribution expenses	(1,118)	(482)	(3,714)	(1,959)
Administrative expenses	(4,765)	(5,921)	(12,657)	(15,937)

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

B1. Operating Segment review

3Q2012 versus 3Q2011

Group Revenue grew 10% to RM51.2 million, underpinned by a 39% increase in Automotive sales to RM33.3 million. The current quarter witnessed a pull back in sales in BLU and General Lighting segments, as industry competition remained intense, exacerbated by excess global capacity and an economic slowdown in major economies, notably China. The lacklustre performance in BLU and General Lighting was also an indirect consequence of Dominant's strategy to focus on strengthening its core Automotive market position while avoiding direct price competition in the highly challenging BLU and General Lighting segments.

Gross profit margin inched up from 15.8% to 17.9% due mainly to a favourable change in sales mix, higher capacity utilisation and significant improvements made to machine efficiencies and output. Excluding "other income/(expense)", results from operating activities posted a profit of RM0.7 million in the current quarter, compared to a loss of RM0.3 million in the corresponding quarter last year.

Group loss before tax however widened from RM1.5 million a year ago to RM3.2 million as the current quarter was weighed down by non-recurrent RM4.0 million impairment provisions on fixed assets and an ESOS charge amounting to RM0.9 million.

9 months 2012 versus 9 months 2011

Turnover rose 11% year-on year to RM143.8 million, bolstered by a 26% increase in Automotive sales to RM88.3 million. Despite a decline in BLU sales in the current quarter, cumulative BLU sales in the first nine months registered a 16% year on year growth to RM19.5 million due mainly to the shift of customer demand to LEDs TV in China. Sales in General Lighting, which fell 24%, remained weak throughout the first nine months as Dominant avoided direct price competition in the highly competitive industry. Dominant's limited product range in General Lighting posed further hindrance to the Group's marketing efforts.

Gross margin improved to 17.1% year-to-date, compared to 15.9% in the same period last year. The Group witnessed a sustainable margin improvement during the year as a result of better capacity utilisation, improvements in sales mix and increased machine efficiency. Consequently, operating results before "other income/(expense)" swung from a RM0.7 million loss to a profit of RM1.4 million.

Group loss before tax was however adversely affected by cumulative ESOS charge of RM2.8 million (9 months 2011: nil) and a RM4.0 million asset impairment provision in the quarter under review. As a result, the Group posted a loss before tax of RM5.4 million year-to-date, compared to a RM0.9 million loss in the same period last year.

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

Revenue registered a sequential 10% increase to RM51.2 million, driven primarily by a 14% quarter-on-quarter increase in Automotive sales. Compared to the preceding quarter, BLU and General Lighting sales were lower by 6% and 18% respectively due to reasons alluded to above.

Gross margin improved sequentially from 16.3% in the second quarter to 17.9% in the current quarter on higher sales and better sales mix. However, Groups loss before tax deteriorated from RM0.6 million in second quarter to RM3.2 million in the third quarter on non-recurrent RM4.0 million asset impairment charge.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

B3. Commentary on Prospects

The global LED industry is going through turbulent times, caused largely by the on-going global economic malaise and over investments in earlier years. While the Group may not be spared, the Board is confident their effects will be substantially mitigated by the business strategy that management has put in place since last year.

Moving forward, management will continue to channel resources to strengthen its Automotive business and developing sustainable long term partnerships/collaborations with large reputable customers, particularly in BLU and General Lighting, to minimise investment and operational risks.

B4. Profit Forecast or Profit Guarantee

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

B5. Income Tax Expense

	Current Quarter Ended 30 September 2012	Preceding Year Quarter Ended 30 September 2011	Current Year-To-Date 30 September 2012	Preceding Year Year-To-Date 30 September 2011
	RM'000	RM'000	RM'000	RM'000
Current taxation - Ordinary Activities	646	282	1523	1,434
Deferred taxation	-	-	-	-
	<u>646</u>	<u>282</u>	<u>1523</u>	<u>1,434</u>
Under provision in previous Financial period	-	60	-	154
	<u>646</u>	<u>342</u>	<u>1523</u>	<u>1,588</u>

Dominant has been granted pioneer status in 2007 which will expire in 2017. For the period ended 30 September 2012, the Group reported a pre-tax loss of RM5.4 million. The current taxation was derived mainly from two profitable overseas subsidiaries.

B6. Borrowings

The Group's borrowings are as follows:

	As At 30 September 2012	As At 31 December 2011
	RM'000	RM'000
Short term borrowings		
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	34,127	27,978
- term loans	3,154	3,038
- hire purchase	101	-
- revolving credit	30,000	30,000
	<u>67,382</u>	<u>61,016</u>
Long term borrowings		
Secured denominated in Ringgit Malaysia:		
- term loans	3,135	5,516
- hire purchase	447	-
	<u>3,582</u>	<u>5,516</u>
Bank overdraft		
Secured denominated in Ringgit Malaysia	5,453	8,434
	<u>5,453</u>	<u>8,434</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

B7. Corporate Proposals

There was no corporate proposal announced but not completed as at 15 November 2012, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

B8. Detailed Disclosure for Statement of Comprehensive Income

	Current Quarter ended 30 September 2012 RM'000	Current Period ended 30 September 2012 RM'000
After crediting:-		
Interest income	8	24
Gain on disposal of quoted shares	-	754
Writeback of allowance for impairment losses on receivables	-	51
Writeback of allowance for impairment losses on assets	104	1,076
Gain on foreign exchange	95	219
After debiting:-		
Amortisation	61	183
Depreciation	4,932	14,488
Impairment of quoted shares	(120)	613
Provision for impairment of assets	4,025	-
Provision for receivables	109	109
Interest expense	835	2,524

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

- a) gain or loss on derivatives; and
- b) gain or loss on disposal of unquoted investments or properties.

B9. Earnings per Share

a) Basic

	Current Year Quarter Ended 30 September 2012	Preceding Year Corresponding Quarter Ended 30 September 2011	Current Year- To-Date 30 September 2012	Preceding Year Corresponding Year-To-Date 30 September 2011
Basic earnings per share				
Loss for the period attributable to owners of the Company (RM'000)	(4,146)	(3,047)	(7,758)	(3,771)
Weighted average number of ordinary shares in issue ('000)	975,613	975,613	975,613	975,613
Basic earnings per share (sen)	(0.42)	(0.31)	(0.80)	(0.39)

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 September 2012.

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

Other unquoted investments

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

Investment

	For The Period Ended 30 September 2012 RM'000	For The Preceding Year Ended 31 December 2011 RM'000
At beginning of period	12,055	10,680
Share of profit in an associate	161	1,375
At end of period/year	<hr/>	<hr/>
	12,216	12,055

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 30 August 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”)

No further development since the last announcement made on 30 August 2012.

Melaka High Court Civil Suit No. 22NCVC-51-05/2012

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

GA Technologies Sdn Bhd (“Plaintiff”) commenced an action against a subsidiary of the Group, Dominant Opto Technologies Sdn (“Defendant”) for, inter alia, a sum of RM2,446,566.29 together with interest at the rate of 8% per annum on RM2,446,566.29 from 20 July 2010 to the date of full and final settlement for goods sold and delivered.

A Memorandum of Appearance was filed on 10 October 2012.

The first pre-trial case management is fixed on 26 November 2012 pending the filing of a Defence.

B12. Off Balance Sheet Financial Instruments

There was no financial instrument with off balance sheet risk as at 15 November 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 22 November 2012.