

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 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 year ended 31 December 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 December 2012					
Revenue	130,600	45,864	11,608	4,175	192,247
Segment assets	294,488	14,112	-	226	308,826
Capital expenditure	7,910	586	-	-	8,496
Preceding Year	Asia	Europe	USA	Others	Group
Year-To-Date	RM’000	RM’000	RM’000	RM’000	RM’000
31 December 2011					
Revenue	101,610	48,617	19,968	476	170,671
Segment assets	301,230	14,187	-	226	315,643
Capital expenditure	12,639	237	-	-	12,876

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 year ended 31 December 2012.

A8. Dividend

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

A11. Changes in the Composition of the Group

On 8 January 2013, D&O announced that a new sub-subsidiary, “Dominant Opto Technologies North America Inc (“Dominant USA”) was incorporated in the State of Nevada, United States of America on 15 October 2012. Dominant USA 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 31 December 2012 RM’000	As at 31 December 2011 RM’000
Property, Plant and Equipment		
- Contracted	3,081	2,008
- Not contracted	8,068	4,383
	<u>11,149</u>	<u>6,391</u>

A13. Discontinued Operation

There were no discontinued operations in the current quarter and year ended 31 December 2012.

A14. Changes in Contingent Liabilities

	As at 31 December 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>4,454</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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

A15. Subsequent Events

There was no material event subsequent to the end of the period reported up to 15 February 2013, 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 2012 RM'000	As at 31 December 2011 RM'000
Total retained profits		
- realised	8,847	5,177
- unrealised	(11,951)	(2,790)
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	(3,104)	2,387
Total share of retained profits of associate:		
- realised	2,452	1,360
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	(652)	3,747
Less: Consolidation adjustments	27,280	28,794
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	26,628	32,541
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A17. Significant Related Party Transaction

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

	Current Quarter Ended 31 December 2012 RM'000	Current Year Ended 31 December 2012 RM'000
Sales		
Light Emitting Diodes (LED)	148	736
Purchases		
Carton Boxes for packaging	59	314
Information technology software, hardware and services	27	127
Printing material	17	79
Rental		
Hostel	28	112

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

B1. Operating Segment review

4Q2012 versus 4Q2011

Group Revenue grew 16% to RM48.5 million, the main contributor is the outstanding growth achieved by LED component in automotive segment which showed a 48% growth in revenue to RM33.6 million in the current quarter despite the decline in BLU and General Lighting segments of 29% and 35% respectively.

As disclosed in the previous quarter, competition in the BLU and General Lighting industry is still intense, exacerbated by excess global capacity and an economic slowdown in the major economies. It is also Dominant's strategy to focus on the automotive market and avoid direct price competition in the highly challenging BLU and General Lighting segments.

Gross profit margin improved from 18% to 20% due mainly to a favourable change in product sales mix, higher capacity utilisation and significant improvements on machine efficiencies. The Group profit before tax swung from a loss of RM1.39 million to a profit of RM1.87 million as there was a write back of allowance for impairment losses on inventories amounted to RM3.39 million in current quarter..

2012 versus 2011

Group revenue improved 13% year-on year to RM192.25 million. The revenue in Automotive and BLU segment rose 31% to RM121.88 million and 2% to RM24.84 million respectively. The improvement show that Dominant's LEDs continues to gain wider acceptance in global market.

LED sales in General Lighting contracted 26% to RM14.7 million as a result of limited product offering and intense price competition. Management is optimistic of the future prospect of this segment. As such, more efforts will be channelled towards widening the product range.

Due to higher capacity utilisation, change in sales mix, increase machine efficiency and lower production overhead, gross profit margin improved from 16% to 18% compared to last year. The Group loss before tax increased from RM2.26 million to RM3.55 million due to RM3.35 million ESOS expenses (2011: RM1 million).

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

When compared to the preceding quarter, revenue in the current quarter declined by 5% to RM48.50 million as a result of 18% and 36% lower sales in BLU and General Lighting segments respectively.

With better product sales mix, gross profit margin improved from 18% to 20% despite a weakening of US Dollar against RM in the current quarter. The Group profit before tax also swung from a loss of RM3.19 million to a profit of RM1.87 million as the preceding quarter was weighed down by non-recurrent RM4.0 million impairment provisions on fixed assets.

B3. Commentary on Prospects

Automotive segment will continue to grow as more design wins are expected to commence commercial production. The Group will continue to develop new as well as maintain current long term partnerships/collaborations with large reputable customers, particularly in BLU and General Lighting, to strengthen its market position in these segments.

In spite of global economic uncertainty, management is confident that its current business strategy is able to sustain its growth in 2013.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

B4. Profit Forecast or Profit Guarantee

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

B5. Income Tax Expense

	Current Quarter Ended 31 December 2012	Preceding Year Quarter Ended 31 December 2011	Current Year Ended 31 December 2012	Preceding Year Year Ended 31 December 2011
	RM'000	RM'000	RM'000	RM'000
Current taxation - Ordinary Activities	(104)	685	1,419	2,119
Deferred taxation	(1,196)	(1,013)	(1,196)	(1,013)
	(1,300)	(328)	223	1,106
Under provision	9	2	9	156
	(1,291)	(326)	232	1,262

Dominant has been granted pioneer status in 2007 which will expire in 2017. For the year ended 31 December 2012, the Group reported a pre-tax loss of RM3.55 million. The current taxation was derived mainly from two profitable overseas subsidiaries.

B6. Borrowings

The Group's borrowings are as follows:

	As At 31 December 2012 RM'000	As At 31 December 2011 RM'000
Short term borrowings		
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	28,521	27,978
- term loans	3,194	3,038
- hire purchase	148	-
- revolving credit	30,000	30,000
	61,863	61,016
Long term borrowings		
Secured denominated in Ringgit Malaysia:		
- term loans	2,322	5,516
- hire purchase	505	-
	2,827	5,516
Bank overdraft		
Secured denominated in Ringgit Malaysia	6,103	8,434

B7. Corporate Proposals

There was no corporate proposal announced but not completed as at 15 February 2013, 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 FOURTH QUARTER ENDED 31 DECEMBER 2012

B8. Detailed Disclosure for Statement of Comprehensive Income

	Current Quarter Ended 31 December 2012 RM'000	Current Year Ended 31 December 2012 RM'000
After crediting:-		
Interest income	71	95
Gain on disposal of quoted shares	912	1,666
Writeback of allowance for impairment losses on receivables	100	151
Writeback of allowance for impairment losses on assets	-	1,076
Writeback of allowance for impairment losses on inventories	3,391	3,391
After debiting:-		
Amortisation	61	244
Depreciation	4,652	19,140
Interest expense	778	3,302
Loss on foreign exchange	598	379
Impairment of quoted shares	1,162	1,775
Provision for impairment of assets	360	4,385
Provision for impairment of inventories	23	971
Provision for impairment of receivables	127	236

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 31 December 2012	Preceding Year Corresponding Quarter Ended 31 December 2011	Current Year Ended 31 December 2012	Preceding Year Corresponding Year Ended 31 December 2011
Basic earnings per share				
Loss for the period attributable to owners of the Company (RM'000)	1,798	526	(5,960)	(3,245)
Weighted average number of ordinary shares in issue ('000)	975,613	975,613	975,613	975,613
Basic earnings per share (sen)	0.18	0.05	(0.61)	(0.33)

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 year ended 31 December 2012.

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

Other unquoted investments

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

Investment in an associate

	For The Year Ended 31 December 2012 RM'000	For The Preceding Year Ended 31 December 2011 RM'000
At beginning of year	12,055	10,680
Share of profit in an associate	1,092	1,375
At end of year	13,147	12,055

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 additional two patent infringements in 3rd quarter 2011. This brought the infringement to 16 patents. DOT contends that it has not infringed any patents as alleged and has engaged a legal counsel to defend and nullify the patents involved. The status of the claims of 16 patents are as follows:

- The Higher Regional Court of Karlsruhe has ruled in favour of OSS against DOT on 7 claims deriving from 7 patents. DOT has filed an opposition on 2 patents with European Patent Office. DOT 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.
- The Higher Regional Court separated the proceeding with regard of 3 claims deriving from 3 patents of OOS which will be further running under 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. DOT has filed an opposition on the remaining 2 patents with European Patent Office and German Patent Office respectively
- The Regional Court of Mannheim rejected 1 claim deriving from 1 patent of OOS and The Higher Regional Court of Karlsruhe has rejected 5 claims deriving from 5 patents of OOS. One of the patterns, DOT filed nullity actions, which are still running.

The value in dispute for the patent and utility model infringement is preliminarily estimated at approximately EUR500,000, which being the court fees and legal fees incurred by OOS in the event OOS were 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.

B11. Material Litigation (Cont'd)

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 which was initially fixed from 3 to 7 December 2012 was adjourned as there was a need for the Plaintiff’s (Geepar Enterprise Sdn Bhd) documents filed in Suit 22-132-2010 to be indexed and recompiled. The trial is now scheduled for hearing from 25th to 27th February 2013.

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

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

Further to the case management on 26 November 2012, a case management was fixed on 4 January 2013 for the filing of a Defence. A Defence and Counterclaim was filed on 10 December 2012. The Defendant prays for the following in its Counterclaim:

- 1) The sum of RM 13,981,374.00 as damages for the sale and the delivery of overpriced machines by the Plaintiff to the Defendant that do not meet industry standard;
- 2) The sum of RM 4,963,419.00 as damages for the sale and the delivery of defective and unmerchantable machinery by the Plaintiff to the Defendant; and
- 3) The sum of RM 2,867,022.00 being the salary paid by the Defendant for the Plaintiff’s engineers.

A Reply and Defence to the Counterclaim was filed by the Plaintiff on 23 January 2013 wherein the Plaintiff denies being indebted to the Defendant for the sums claimed in the Counterclaim.

The action came up again for case management on 19 February 2013. The Deputy Registrar of the High Court directed parties to file the following:

- 1) Bundle of Pleadings,
- 2) Common Agreed Bundle of Documents,
- 3) Issues to be tried,
- 4) Statement of Agreed Facts,
- 5) A summary of each parties case, and
- 6) List of witnesses.

The Court fixed the matter for further case management on 19 March 2013 to ensure that the directions are complied with and trial on 7 and 8 May 2013.

B12. Off Balance Sheet Financial Instruments

There was no financial instrument with off balance sheet risk as at 15 February 2013, 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 Malaysia at the Board meeting held on 21 February 2013.