

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 2012.

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 2012, except for the following:

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurements	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance	1 January 2013
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvements to MFRSs 2009 - 2011 Cycle	1 January 2013

The initial applications of the aforesaid applicable standards, amendments or interpretation do not have any material financial impacts to the current and prior period financial statements upon their first adoption.

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 2013.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

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 2013					
Revenue	167,359	42,277	15,546	7,346	232,528
Segment assets	355,213	21,688	227	226	377,354
Capital expenditure	16,131	80	-	-	16,211
Preceding 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	4,870	96	-	-	4,966

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 2013.

A8. Dividend

No dividend has been declared or paid in the current quarter and period ended 30 September 2013.

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 2013.

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 2013.

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	As at
	30 September 2013	31 December 2012
	RM'000	RM'000
Property, Plant and Equipment		
- Contracted	8,391	2,984
- Not contracted	4,964	7,636
	<u>13,355</u>	<u>10,620</u>

A13. Discontinued Operation

There were no discontinued operations in the current quarter and period ended 30 September 2013.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

A14. Changes in Contingent Liabilities

	As at 30 September 2013 RM'000	As at 31 December 2012 RM'000
Contingent Liabilities		
Corporate guarantees given to financial institutions for credit facilities (utilised amount) extended to subsidiaries	3,017	4,454

The Company provided corporate guarantees to financial institutions for credit facilities granted to its wholly-owned subsidiary, Omega.

A15. Subsequent Events

There was no material event subsequent to the end of the period reported up to 22 November 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 30 September 2013 RM'000	As at 31 December 2012 RM'000
Total retained profits		
- realised	7,032	8,194
- unrealised	(9,872)	(11,919)
	(2,840)	(3,725)
Total share of retained profits of associate:		
- realised	1,844	2,452
	(996)	(1,273)
Less: Consolidation adjustments	17,230	28,042
	16,234	26,769

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 2013.

	Current Quarter Ended 30 September 13 RM'000	Preceding Year Quarter Ended 30 September 12 RM'000	Current Period Ended 30 September 13 RM'000	Preceding Year Period Ended 30 September 12 RM'000
Sales	73	142	569	588
Purchases	155	159	515	417
Others	28	28	84	84

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013
PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS

B1. Operating Segment review

3Q2013 versus 3Q2012

Turnover almost doubled in the current quarter to RM100.5million, spurred by a 12-fold increase in General Lighting segment to RM51.4 million, while the Automotive segment expanded by 27% to RM42.3 million. The rapid growth in the General Lighting segment was underpinned by accelerating worldwide adoption of LED in general lighting applications, timely capacity expansion and strong off-take by a key customer. The Automotive segment continued to be buoyed by new design wins and increased customer penetration. In line with management's deliberate shift in focus away from LED TV backlight business, BLU sales continued to trend downwards, falling 68% in the current quarter to RM2.1 million.

Despite the Group's robust top line growth, gross margin fell from 17.9% to 14.2% in the current quarter. This was primarily due to an unfavourable change in sales mix, where contribution from lower margin General Lighting segment rose sharply from 8% to 51% in the current quarter. Nonetheless, the Group posted a pre-tax profit of RM2.7 million, compared to a loss of RM3.2 million in the same period last year.

9 months 2013 versus 9 months 2012

Group revenue improved 62% year-on year to RM232.5 million in the first 9 months of 2013. This is attributable to a four-fold increase in the revenue of the General Lighting segment and a 41% increase of the Automotive segment. As explained earlier, the sterling performance of the General Lighting was bolstered by rapid worldwide adoption of LED in general lighting applications, timely capacity expansion and strong off-take by a key customer.

In line with the current quarter results, the BLU segment sales contracted 44% due to its inherent difficult business environment and management's deliberate strategy to channel capacity and resources to focus on its core Automotive and General Lighting segments.

Gross margin declined year-on-year from 17.1% to 15.1% in the first nine months of this year. As in the current quarter, gross margin for the first nine months was adversely affected by increased revenue contribution from lower margin General Lighting segment. During the period, General Lighting accounted for 34% of Group turnover, compared to 10% in the same period last year. Group's profit before tax swung from a loss of RM5.4 million to a profit of RM3.5 million on higher turnover.

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

Compared to the preceding quarter, revenue increased 39.2% to RM100.5 million, driven primarily by a 154% increase in General Lighting segment. Automotive segment sales was marginally lower by 2% and BLU segment sales was lower by 44% when compared to the preceding quarter.

Gross margin reduced from 16.5% in the preceding quarter to 14.2% in the current quarter mainly due to an unfavourable change in sales mix as explained earlier. However, the Group's profit before tax improved from RM1.5 million in preceding quarter to RM2.7 million in the current quarter.

B3. Commentary on Prospects

Management expects demand growth for the Group's LED in the Automotive and General Lighting to be sustained in the last quarter of this year. The Group will continue to expand capacity in small incremental steps in accordance to customers' forecast demand. More emphasis will also be placed in expanding capacity in Laos to enhance the Group's long term cost competitiveness, in particular, the highly competitive General Lighting segment.

In order to increase overall profitability, efforts by the Research and Development department are currently underway to develop higher value product range mainly for the automotive exterior and general lighting applications.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

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 2013	Preceding Year Quarter Ended 30 September 2012	Current Period Ended 30 September 2013	Preceding Year Period Ended 30 September 2012
	RM'000	RM'000	RM'000	RM'000
Current taxation - Ordinary Activities	458	646	1,624	1,523

Dominant has been granted pioneer status in 2007 which will expire in 2017. The current taxation was derived mainly from two profitable overseas subsidiaries.

B6. Borrowings

The Group's borrowings are as follows:

	As At 30 September 2013	As At 31 December 2012
	RM'000	RM'000
Short term borrowings		
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	33,766	28,522
- term loans	2,373	3,194
- hire purchase	157	148
- revolving credit	30,000	30,000
	<u>66,296</u>	<u>61,864</u>
Long term borrowings		
Secured denominated in Ringgit Malaysia:		
- term loans	763	2,322
- hire purchase	382	505
	<u>1,145</u>	<u>2,827</u>
Bank overdraft		
Secured denominated in Ringgit Malaysia	<u>6,275</u>	<u>6,103</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

B7. Earnings per Share

	Current Year Quarter Ended 30 September 13	Preceding Year Quarter Ended 30 September 12	Current Period Ended 30 September 13	Preceding Year Period Ended 30 September 12
Weighted average number of ordinary shares in issue ('000)	975,613	975,613	975,613	975,613
Adjustment for assumed Exercise of share option ('000)	78,207	-	66,913	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	1,053,820	975,613	1,042,526	975,613
Profit/(Loss) for the period attributable to the owners of the Company (RM'000)	1,506	(4,146)	(261)	(7,758)
Diluted effects of outstanding employee's share options (RM'000)	284	-	663	-
Diluted Earnings	1,790	(4,146)	402	(7,758)
Basic Earnings per share (sen)	0.15	(0.42)	(0.03)	(0.80)
Diluted Earnings Per share (sen)	0.17	N/A	0.04	N/A

B8. Unquoted Investments and/or Properties

There was no sale or purchase of properties for the current quarter and period ended 30 September 2013.

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

Other unquoted investments

	For The Period Ended 30 September 2013 RM'000	For The Preceding Year Ended 31 December 2012 RM'000
Investment in unquoted shares (outside Malaysia)		
At beginning of year, at cost	7,545	7,036
Addition	-	509
Transfer to investment in quoted shares	(4,682)	-
At end of period/year, at cost	2,863	7,545

Investment in an associate

	For The Period Ended 30 September 2013 RM'000	For The Preceding Year Ended 31 December 2012 RM'000
At beginning of year	13,147	12,055
Share of (loss)/profit in an associate	(607)	1,092
At end of period/year	12,540	13,147

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

B9. Detailed Disclosure for Statement of Comprehensive Income

	Current Quarter Ended 30 September 2013 RM'000	Preceding Year Quarter Ended 30 September 2012 RM'000	Current Period Ended 30 September 2013 RM'000	Preceding Year Period Ended 30 September 2012 RM'000
After crediting:-				
Interest income	7	8	26	24
Gain on disposal of marketable securities	-	-	508	754
Gain on foreign exchange	377	95	1,667	219
Writeback of allowance for impairment losses on receivables	-	-	32	51
Writeback of allowance for impairment losses on assets	97	104	97	1,076
After debiting:-				
Amortisation	219	61	341	183
Depreciation	4,909	4,932	14,188	14,488
Interest expense	721	835	2,256	2,524
Net fair value (gain)/loss on marketable securities	(119)	(120)	101	613
Property, plant and equipment written off	-	1	131	4
Allowance for impairment losses on assets	-	4,025	-	4,025
Allowance/(Reversal) for impairment losses on inventories	899	1,002	(451)	948
Allowance for impairment losses on receivables	-	109	16	109

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.

B10. Corporate Proposals

There was no corporate proposal announced but not completed as at 22 November 2013, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

B11. Off Balance Sheet Financial Instruments

There was no financial instrument with off balance sheet risk as at 22 November 2013, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

B12. Material Litigation

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

We have received two letters from Higher Regional Court in Karlsruhe dated 1 October 2013 and 22 October 2013 respectively that confirmed all cases have been closed.

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 examination on all 11 of the Plaintiff’s witnesses were completed at the continued hearing from 2 to 5 September 2013 and 29 to 31 October 2013.

The Defendant proceeded to call their first witness on 8 November 2013 after the Plaintiff had closed their case.

The action is now fixed for continued hearing on 25 November 2013, 27 November 2013, 2 December 2013 and 4 December 2013.

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 27 November 2013.