

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

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 2013.

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 2013, except for the following:

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	1 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014

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.

The following Standards were issued but not yet effective and have not been adopted by the Group:

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 (2009) Financial Instruments)
MFRS 9 (2010) Financial Instruments) To be
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139)) announced) by MASB
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures))
Amendments to MFRS 119: Defined Benefit Plans - Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle	1 July 2014

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 ended 31 March 2014.

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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 2014					
Revenue	78,131	19,037	4,819	1,680	103,667
Segment assets	353,459	24,646	113	170	378,388
Capital expenditure	5,238	21	-	-	5,259
Preceding Year	Asia	Europe	USA	Others	Group
Year-To-Date	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2013					
Revenue	36,832	13,369	6,876	2,765	59,842
Segment assets	295,366	16,300	296	3,666	315,628
Capital expenditure	1,609	35	-	-	1,644

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 ended 31 March 2014.

A8. Dividend

No dividend has been declared or paid in the current quarter ended 31 March 2014.

A9. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment for the current quarter ended 31 March 2014.

A10. Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity security during the current quarter ended 31 March 2014.

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
	31 March 2014	31 December 2013
	RM'000	RM'000
Property, Plant and Equipment		
- Contracted	4,225	3,616
- Not contracted	615	4,971
Purchase of shares in subsidiary		
- Contracted but not provided for	636	1,234
	<u>5,476</u>	<u>9,821</u>

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A13. Discontinued Operation

There were no discontinued operations in the current quarter ended 31 March 2014.

A14. Changes in Contingent Liabilities

	As at 31 March 2014 RM'000	As at 31 December 2013 RM'000
Contingent Liabilities		
Corporate guarantees given to financial institutions for credit facilities (utilised amount) extended to subsidiaries	1,328	1,896

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

A15. Subsequent Events

There was no material event subsequent to the end of the period reported up to 22 May 2014, 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 March 2014 RM'000	As at 31 December 2013 RM'000
Total retained profits		
- realised	39,599	38,976
- unrealised	(46,635)	(45,933)
	(7,036)	(6,957)
Total share of retained profits of associate:		
- realised	2,154	2,770
	(4,882)	(4,187)
Less: Consolidation adjustments	21,116	21,106
	16,234	16,919

A17. Significant Related Party Transaction

The Group carried out the following significant transactions with related parties during the current quarter ended 31 March 2014.

	Current Quarter Ended 31 March 2014 RM'000	Preceding Year Quarter Ended 31 March 2013 RM'000
Sales	139	424
Purchases	157	131
Others	28	28

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A18. Deferred Income

	As at 31 March 2014 RM'000	As at 31 December 2013 RM'000
Non-current		
- Government grant	930	1,001
Current		
- Government grant	286	286

The Group received a government grant in year 2013 for a patent licence agreement. The grant is being amortised over 5 years. During the quarter, RM71,485 (1st Q 2013 – nil) has been amortised and recognised as other income in profit or loss.

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

B1. Operating Segment review

1Q2014 versus 1Q2013

In the current quarter, the Group derived 97% of its consolidated revenue from its 68.71%-owned LED component manufacturing subsidiary, Dominant Opto Technologies Sdn Bhd. Omega Semiconductor Sdn Bhd, the 100%-owned Contract Manufacturing subsidiary of the Group, made up the balance.

Group turnover grew 73% year-on-year to RM103.7 million, spurred by a five-fold increase in the General Lighting segment to RM44.0 million, while Automotive sales expanded 38% to RM53.6 million. Revenue contribution from the TV BLU segment continued to shrink to 1.5% of group sales in the current quarter from 8.5% in the corresponding period last year as capacities were further channelled towards satisfying rising demand from the General Lighting and Automotive segments.

Gross profit margin in the quarter under review was sustained at around 15%. Excluding non-operating losses of approximately RM2.3 million in the current quarter from ESOS expense (RM1.2 million), legal costs (RM0.7 million) and marketable securities (RM0.4 million), core operating profit recorded a 227% increase to RM4.7 million. Including these losses, operating profit came in at RM2.4 million.

Pre-tax profit was further weighed by share of losses amounting to RM0.6 million from the Group's 25% associate, Tongfang Optoelectronic (HK) Limited. The associate, which is engaged in downstream manufacturing of module for the consumer market (TV and General Lighting), operates under a challenging environment.

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 at RM103.7 million was marginally lower by 4%. The quarter-on-quarter decline was a reflection of shorter working days in China as a result of the long Lunar New Year break in January.

Gross profit margin at 15% was stable quarter on quarter. Excluding non-operating items in both periods, core operating profit sustained at RM4.7 million. In the preceding quarter, operating profit was adversely affected by investment impairment charge of RM2.5 million and RM1.2 million of ESOS expense.

B3. Commentary on Prospects

Management is confident that the Group will continue with its robust top-line growth in 2014 supported by the Automotive and General Lighting Segment. The Automotive segment is to be buoyed by commercialisation of new automotive projects. Several high value products are expected to be rolled out later in 2014 to tap on the rising automotive exterior lighting applications.

The pace of adoption of LED technology in general lighting applications is likely to accelerate over the next few years. Management believes the Group is well positioned to benefit from this uptrend.

Barring unforeseen circumstances, the Group is optimistic 2014 will be a satisfactory year.

B4. Profit Forecast or Profit Guarantee

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

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B5. Income Tax Expense

	Current Quarter Ended 31 March 2014	Preceding Year Quarter Ended 31 March 2013
	RM'000	RM'000
Current taxation - Ordinary Activities	631	474
Withholding tax on dividend received	156	310
	<u>787</u>	<u>784</u>
Overprovision on withholding tax on dividend received	(2)	-
	<u>785</u>	<u>784</u>

Dominant Opto Technologies Sdn Bhd 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 31 March 2014	As At 31 December 2013
	RM'000	RM'000
Short term borrowings		
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	32,608	34,097
- term loans	1,497	1,937
- hire purchase	160	156
- revolving credit	30,000	30,000
	<u>64,265</u>	<u>66,190</u>
Long term borrowings		
Secured denominated in Ringgit Malaysia:		
- term loans	-	385
- hire purchase	305	349
	<u>305</u>	<u>734</u>
Bank overdraft		
Secured denominated in Ringgit Malaysia	4,827	2,692

B7. Unquoted Investments and/or Properties

There was no sale or purchase of properties for the current quarter ended 31 March 2014.

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

Other unquoted investments

	For The Year Ended 31 March 2014	For The Preceding Year Ended 31 December 2013
	RM'000	RM'000
Investment in unquoted shares (outside Malaysia)		
At beginning of year, at cost	401	7,545
Transfer to investment in quoted shares	-	(4,682)
Allowance for impairment loss on unquoted shares	-	(2,462)
	<u>401</u>	<u>401</u>

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B7. Unquoted Investments and/or Properties (Con't)

Investment in an associate

	For The Period Ended 31 March 2014	For The Preceding Year Ended 31 December 2013
	RM'000	RM'000
At beginning of year	13,465	13,147
Share of (loss)/profit in an associate	(616)	318
At end of period/year	12,849	13,465

B8. Earnings per Share

	Current Period Ended 31 March 2014	Preceding Year Quarter Ended 31 March 2013
Weighted average number of ordinary shares in issue ('000)	975,613	975,613
Weighted average number of shares deemed to have been issued at no consideration ('000)	22,480	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	998,093	975,613
Loss for the period attributable to the owners of the Company (RM'000)	(427)	(2,069)
Basic Earnings per share (sen)	(0.04)	(0.21)
Diluted Earnings Per share (sen)	(0.04)	N/A

The diluted earnings per share for the quarter ended 31 March 2013 is not presented as the effect of anti-dilutive.

B9. Detailed Disclosure for Statement of Comprehensive Income

	Current Quarter Ended 31 March 2014	Preceding Year Quarter Ended 31 March 2013
	RM'000	RM'000
After crediting:-		
Interest income	7	6
Gain on disposal of marketable securities	-	508
Gain on foreign exchange	-	1,169
Writeback of allowance for impairment losses on receivables	43	32
Writeback of allowance for impairment losses on inventories	29	250
Writeback of allowance for impairment losses on assets	34	-
After debiting:-		
Amortisation	212	61
Depreciation	5,332	4,619
Interest expense	722	743
Loss on foreign exchange	145	-
Net fair value loss on marketable securities	365	125
Property, plant and equipment written off	-	53

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B9. Detailed Disclosure for Statement of Comprehensive Income (Con't)

The company and the group do not have the following items for the current quarter :

- 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 May 2014, 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 May 2014, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

B12. Material Litigation

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 date of 11th March 2014 was vacated by Court. However, the examination on the Defendant’s 6th witness proceeded as scheduled on 18th March 2014, 19th March 2014 and 14th May 2014. The Defence will be calling their 7th witness at the next trial date on 10th June 2014.

The trial for Civil Suit No. 22-125-2010 will only commence upon completion of the trial for Civil Suit No. 22-132-2010.

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 28 May 2014.