

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.

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 2014.

A6. 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 2014, except as disclosed in A13.

A7. Dividend

No dividend has been declared or paid in the current quarter and period ended 30 September 2014.

A8. 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 2014.

A9. 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 2014.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

A10. Segmental Information

The Group operates primarily in the semiconductor industry. Geographical segmental information is as follows:

Current Year Year-To-Date 30 September 2014	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
Revenue	258,710	58,659	11,862	5,505	334,736
Segment assets	336,713	23,654	426	170	360,963
Capital expenditure	15,755	69	-	-	15,824
Preceding Year Year-To-Date 30 September 2013	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
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

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 30 September 2014 RM'000	As at 31 December 2013 RM'000
Property, Plant and Equipment		
- Contracted	26,064	3,616
- Not contracted	8,400	4,971
Purchase of shares in subsidiary		
- Contracted but not provided for	585	1,234
	35,049	9,821

A13. Discontinued Operation

The Group wholly-owned subsidiary, Omega Semiconductor Sdn Bhd (“Omega”), discontinued its Metal Can business in third quarter 2014. The decision was consistent with the Group’s strategy to focus on its LED Lighting Component and Lighting Solution business.

The resulting negative impact on net assets amounting to RM680,566 has been recognised in the third quarter and current year financial statements.

A14. Changes in Contingent Liabilities

	As at 30 September 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 subsidiary, Omega Semiconductor Sdn Bhd	-	1,896

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

A15. Subsequent Events

There was no material event subsequent to the end of the period reported up to 13 November 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 30 September 2014 RM'000	As at 31 December 2013 RM'000
Total retained profits		
- realised	43,845	38,976
- unrealised	(48,703)	(45,933)
	<u>(4,858)</u>	<u>(6,957)</u>
Total share of retained profits of associate:		
- realised	1,949	2,770
	<u>(2,909)</u>	<u>(4,187)</u>
Add: Consolidation adjustments	20,360	21,106
	<u>17,451</u>	<u>16,919</u>

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 2014.

	Current Year Quarter Ended 30 September 2014 RM'000	Preceding Year Quarter Ended 30 September 2013 RM'000	Current Year Period Ended 30 September 2014 RM'000	Preceding Year Period Ended 30 September 2013 RM'000
Sales	114	73	426	569
Purchases	89	155	353	515
Others	<u>28</u>	<u>28</u>	<u>84</u>	<u>84</u>

A18. Deferred Income

	As at 30 September 2014 RM'000	As at 31 December 2013 RM'000
Non-current		
- Government grant	786	1,001
Current		
- Government grant	286	286
Total Deferred Income	<u>1,072</u>	<u>1,287</u>

The Group received a government grant in year 2013 for a patent licence agreement. The grant is being amortised over 5 years. During the period, RM214,454 (2013 – nil) has been amortised and recognised as other income in profit or loss.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014
PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS

B1. Operating Segment review

3rd Q 2014 versus 3rd Q 2013

Group revenue grew 5% to RM106.0 million in the current quarter under review, bolstered by an 19% growth in the Automotive Segment to RM50.3 million and a 5% growth in the General Lighting Segment to RM54.0 million, partially offset by the discontinuation of the metal can business (Note A13) and a further slow-down in the BLU segment.

Overall gross profit margin however slipped from 14.2% to 13.1% as margin was negatively impacted by lower capacity utilization and an unfavourable change in sales mix.

Despite higher turnover, core pre-tax profit from continuing operations before finance charges, associate contribution and ESOS expense of RM1.2 million (3Q2013: RM0.8 million), fell 20% to RM2.9 million as a result of lower gross margin.

9 months 2014 versus 9 months 2013

Turnover rose 44% year-on-year to RM334.7 million. The Automotive and General Lighting segment revenue rose 23% to RM153.0 million and 115% to RM169.6 million respectively. In line with management's strategy to reduce exposure to the TV BLU segment, the segmental revenue contracted 72% to RM3.1 million. Dominant continued to channel capacity towards satisfying demand growth in the General Lighting and Automotive segments.

The overall gross profit margin declined to 13.7% due to stronger growth in lower margin General Lighting segment. Excluding ESOS expense of RM3.5 million (9 months 2013: RM1.8 million), result from operating activities improved 29% year-on-year to RM11.0 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 15% to RM106.0 million due mainly to a 25% reduction in General Lighting segment to RM54 million. The decline was partially offset by a marginal 2% increase in the Automotive segment to RM50.3 million.

Gross profit margin was stable quarter-on-quarter at 13.1%. However, lower turnover resulted in a decline in core pre-tax profit from continuing operations before finance charges, associate contribution and ESOS expense to RM2.9 million.

B3. Commentary on Prospects

The operating environment of the fast paced consumer electronic segments especially the mid-power LED component will remain challenging as a result of intense price competition. To remedy this, Dominant's product development road map, together with sales and marketing efforts will increasingly focus on higher value packages that offer better cost efficiencies and brightness to our customers. These include COB (Chip-on-Board) devices and exterior Automotive lighting applications.

The transition will likely have a negative impact to the top line growth in the fourth quarter of this financial year.

B4. Profit Forecast or Profit Guarantee

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

B5. Income Tax Expense

	Current Year Quarter Ended 30 September 2014 RM'000	Preceding Year Quarter Ended 30 September 2013 RM'000	Current Year Period Ended 30 September 2014 RM'000	Preceding Year Period Ended 30 September 2013 RM'000
Current taxation				
- Ordinary Activities	199	458	1,414	1,624
Withholding tax on dividend received	9	-	165	-
	<u>208</u>	<u>458</u>	<u>1,579</u>	<u>1,624</u>
Overprovision	-	-	(2)	-
	<u>208</u>	<u>458</u>	<u>1,577</u>	<u>1,624</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 30 September 2014 RM'000	As At 31 December 2013 RM'000
Short term borrowings		
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	26,973	34,097
- term loans	760	1,937
- hire purchase	160	156
- revolving credit	30,000	30,000
	57,893	66,190
Long term borrowings		
Secured denominated in Ringgit Malaysia:		
- term loans	-	385
- hire purchase	225	349
	225	734
Bank overdraft		
Secured denominated in Ringgit Malaysia	-	2,692
Total Borrowings	<u>58,118</u>	<u>69,616</u>

B7. Unquoted Investments and/or Properties

There was no sale or purchase of properties for the current quarter and period ended 30 September 2014. Details of movements in investment in unquoted investments are as follows:

Other unquoted investments

	As At 30 September 2014 RM'000	As At 31 December 2013 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)
At end of period/year, at cost	<u>401</u>	<u>401</u>

Investment in an associate

	As At 30 September 2014 RM'000	As At 31 December 2013 RM'000
At beginning of year	13,465	13,147
Share of (loss)/profit in an associate	(820)	318
At end of period/year	<u>12,645</u>	<u>13,465</u>

B8. Earnings per Share

	Current Year Quarter Ended 30 September 2014	Preceding Year Quarter Ended 30 September 2013	Current Year Period Ended 30 September 2014	Preceding Year Period Ended 30 September 2013
Weighted average number of ordinary shares in issue ('000)	975,613	975,613	975,613	975,613
Weighted average number of shares deemed to have been issued at no consideration ('000)	29,535	5,756	29,535	5,756
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	<u>1,005,148</u>	<u>981,369</u>	<u>1,005,148</u>	<u>981,369</u>
Profit/(Loss) for the period attributable to the owners of the Company (RM'000)	708	1,506	567	(261)
Basic earnings per share (sen)	<u>0.07</u>	<u>0.15</u>	<u>0.06</u>	<u>(0.03)</u>
Diluted earnings Per share (sen)	<u>0.07</u>	<u>0.15</u>	<u>0.06</u>	<u>(0.03)</u>

B9. Detailed Disclosure for Statement of Comprehensive Income

	Current Year Quarter Ended 30 September 2014 RM'000	Preceding Year Quarter Ended 30 September 2013 RM'000	Current Year Period Ended 30 September 2014 RM'000	Preceding Year Period Ended 30 September 2013 RM'000
After crediting:-				
Interest income	10	7	27	26
Gain on disposal of marketable securities	-	-	-	508
Gain on disposal of property, plant and equipment	-	-	35	-
Writeback of allowance for impairment losses on receivables	-	-	43	32
Writeback of allowance for impairment losses on assets	2,101	97	2,101	97
After debiting:-				
Amortisation	212	219	636	341
Depreciation	5,976	4,909	16,550	14,188
Interest expense	601	721	2,007	2,256
Loss/(Gain) on foreign exchange	273	(377)	539	(1,667)
Net fair value (gain)/loss on marketable securities	(202)	(119)	197	101
Property, plant and equipment written off	-	-	-	131
Allowance/(Reversal) for impairment losses on inventories	2,206	899	3,264	(451)
Allowance for impairment losses on receivables	191	-	193	16

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

B10. Corporate Proposals

There was no corporate proposal announced but not completed as at 13 November 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 13 November 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”)

In so far as the action vide Civil Suit No. 22-125-2010 is concerned, no dates have been fixed by the Court.

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

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

The date of 9 September 2014 was vacated and counsel for the Plaintiff continued with oral submissions on 28 October 2014. Counsel for the Defendant will proceed with oral submissions on 26 November 2014.

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 19 November 2014.