

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities). This interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

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 2014, except for the adoption of the Amendments and Annual improvements to Standards effective as of 1 January 2015.

The Group has adopted the following Amendments and Annual improvements to Standards, with a date of initial application of 1 January 2015.

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions
Annual Improvements to MFRSs 2010-2012 Cycle
Annual Improvements to MFRSs 2011-2013 Cycle

The initial applications of the above do not have any material financial impacts to the financial statements of the Group.

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
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015

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 2015.

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 ended 31 March 2015.

A7. Dividend

No dividend has been declared or paid in the current quarter ended 31 March 2015.

A8. 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 2015.

A9. Debt and Equity Securities

During the current quarter ended 31 March 2015, the Company issued 220,000 new ordinary shares of RM0.10 each at an issue price of RM0.17 for cash arising from the exercise of options under the Company's Employees' Share Option Scheme ("ESOS"). The new ordinary shares rank pari passu with the other ordinary shares of the Company.

Other than the above, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity security during the current quarter ended 31 March 2015.

A10. Segmental Information

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

Current Year					
Year-To-Date	Asia	Europe	USA	Others	Group
31 March 2015	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	63,518	19,227	4,430	3,693	90,868
Segment assets	349,599	26,730	579	168	377,076
Capital expenditure	3,250	9	-	-	3,259
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Preceding Year					
Year-To-Date	Asia	Europe	USA	Others	Group
31 March 2014	RM'000	RM'000	RM'000	RM'000	RM'000
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
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A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015

A12. Capital Commitments

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

	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
Property, Plant and Equipment		
- Contracted	16,169	15,410
- Not contracted	11,306	9,241
Purchase of shares in subsidiary		
- Contracted but not provided for	-	598
	27,475	25,249

A13. Discontinued Operation

Omega Semiconductor Sdn Bhd (“Omega”), a wholly-owned subsidiary of the Company, has discontinued its operations during the financial year ended 31 December 2014.

An analysis of the results of the discontinued operations were as follows:

	Preceding Year Quarter Ended 31 March 2014 RM'000
Revenue	3,157
Cost of sales	(2,967)
Gross profit	190
Other income	5
Other expenses	(306)
Distribution expenses	(26)
Administrative expenses	(162)
Finance cost	(32)
Loss before tax	(331)
Income tax expense	-
Loss after tax	(331)

A14. Changes in Contingent Liabilities or Contingent Assets

Other than the material litigation mentioned in section B12 of this report, there were no contingent liabilities or contingent assets since 31 December 2014.

A15. Subsequent Events

There was no material event subsequent to the end of the period reported up to 21 May 2015, 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 FIRST QUARTER ENDED 31 MARCH 2015

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 2015 RM'000	As at 31 December 2014 RM'000
Total retained profits		
- realised	46,844	44,212
- unrealised	(45,924)	(47,286)
	<u>920</u>	<u>(3,074)</u>
Total share of (accumulated losses)/retained profits of associate:		
- realised	(681)	1,434
	<u>239</u>	<u>(1,640)</u>
Add: Consolidation adjustments	17,733	19,316
	<u>17,972</u>	<u>17,676</u>

A17. Significant Related Party Transaction

The Group carried out the following significant transactions with related parties during the current quarter ended 31 March 2015.

	Current Year Quarter Ended 31 March 2015 RM'000	Preceding Year Quarter Ended 31 March 2014 RM'000
Sales	94	139
Purchases	68	157
Others	27	28
	<u>189</u>	<u>324</u>

A18. Deferred Income

	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
Non-current		
- Government grant	643	715
Current		
- Government grant	286	286
	<u>929</u>	<u>1,001</u>
Total Deferred Income	<u>929</u>	<u>1,001</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, RM71,485 (2014 – RM71,485) has been amortised and recognised as other income in profit or loss.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015

A19. Comparative Figures

The following comparative figures in the statement of comprehensive income have been reclassified to conform with the presentation for the current quarter ended 31 March 2015:

	Preceding Year Quarter Ended 31 March 2014	
	Previously Reported RM'000	Restated RM'000
<u>Statement of comprehensive income(extract)</u>		
Revenue	103,667	100,510
Cost of sales	(88,336)	(85,369)
Other expenses	(2,186)	(1,885)
Distribution expenses	(761)	(735)
Administrative expenses	(8,463)	(8,301)
Finance costs	(818)	(786)
Discontinued operations	-	(331)

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

B1. Operating Segment review

1st Q 2015 versus 1st Q 2014

The Group's revenue from Continuing Operations declined 10% to RM90.9 million in the current quarter mainly due to a 42% decline in General Lighting Segment sales to RM 25.6 million, partially mitigated by an 18% growth in Automotive Segment sales to RM63.1 million. This is in line with the management's focus on higher value, high power packages that offer better cost efficiencies and brightness to our customers.

The change in business focus, coupled with the strengthening of US Dollar against the Malaysian Ringgit contributed to the Group's gross profit margin improvement from 15.1% in 1Q2014 to 19.0% in the current quarter.

The Group reported a profit before tax from Continuing Operation of RM2.7 million, compared to a profit of RM1.3 million in the same period last year. The current quarter results factored in a larger share of loss from associate amounting to RM2.1 million (1Q2014: loss of RM0.6 million).

The Group's core pre-tax profit before finance charges, associate contribution and ESOS expense rose 61% year-on-year to RM6.3 million on margin improvements.

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

Compared to the preceding quarter, the Group's revenue from Continuing Operations in the current quarter was flat at RM91 million. Revenue from General Lighting segments declined by 11% to RM26 million but the decline was offset by a 4% growth in the Automotive segment to RM63 million.

The Group's core pre-tax profit before finance charges, associate contribution and ESOS expense rose 98% quarter-on-quarter to RM6.3 million in 1Q2015 (4Q2014: RM3.2 million), driven mainly by gross margin improvements from 18% in 4Q2014 to 19% in 1Q2015. Profit before tax after taking account share of associate's loss of RM2.1 million (4Q2014: loss of RM0.5 million) and finance charges increased 75% to RM2.7 million.

B3. Commentary on Prospects

Management will continue with its strategy to focus its R&D activities and sales and marketing efforts on the automotive segment, notably the growing exterior lighting and BLU sub-segments, together with Chip-on-Board (COB) packages for general lighting applications in order to minimize the direct price competition impact from the fast paced low margin mid-power consumer electronic segments.

Management will also continue to lower overall material cost and increase production efficiencies through various on-going initiatives, and at the same time, further strengthen its cash flow position by keeping a tight control over future capex outlays. Based on the order forecasts from the Group's existing customers, the Board is optimistic that the Group's performance should register further improvements in the coming quarters.

B4. Profit Forecast or Profit Guarantee

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015

B5. Income Tax Expense

	Current Year Ended 31 March 2015 RM'000	Preceding Year Quarter Ended 31 March 2014 RM'000
Current taxation - Ordinary Activities	336	631
Withholding tax on dividend received	-	156
	336	787
Over provision	-	(2)
	336	785

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

B6. Borrowings

The Group's borrowings are as follows:

	As At 31 March 2015 RM'000	As At 31 December 2014 RM'000
<i>Short term borrowings</i>		
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	31,914	29,871
- term loans	-	383
- hire purchase	153	163
- revolving credit	30,000	30,000
	62,067	60,417
Secured denominated in Euro Dollars:		
- term loans (EUR250,000)	1,013	1,063
	63,080	61,480
<i>Long term borrowings</i>		
Secured denominated in Ringgit Malaysia:		
- hire purchase	156	184
<i>Bank overdraft</i>		
Secured denominated in Ringgit Malaysia		
	2,067	3,639
Total Borrowings	65,303	65,303

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015

B7. Unquoted Investments and/or Properties

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

Other unquoted investments

	As At 31 March 2015 RM'000	As At 31 December 2014 RM'000
Investment in unquoted shares (outside Malaysia)		
At beginning of year and at end of period/year, at cost	401	401

Investment in an associate

	As At 31 March 2015 RM'000	As At 31 December 2014 RM'000
At beginning of year	12,129	13,465
Share of loss in an associate	(2,114)	(1,336)
At end of period/year	10,015	12,129

B8. Earnings/(Loss) per Share

1. *Basic*

	Current Year Quarter Ended 31 March 2015	Preceding Year Quarter Ended 31 March 2014
Continuing operations		
Profit after taxation (RM'000)	2,370	525
Non-controlling interests (RM'000)	(1,874)	(621)
Profit/(Loss) attributable to Owners of the Company (RM'000)	496	(96)
Weighted average number of ordinary shares:-		
Issued ordinary shares at 1 January ('000)	977,531	975,613
Effect of new ordinary shares issued under ESOS ('000)	43	-
Weighted average number of ordinary shares at 31 March ('000)	977,574	975,613
Basic earnings/(loss) per share (sen)	0.05	(0.01)
Discontinued operations		
Loss attributable to Owners of the Company (RM'000)	-	(331)
Weighted average number of ordinary shares at 31 March ('000)	-	975,613
Basic loss per share (sen)	-	(0.03)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015

B8. Earnings/(Loss) per Share (Con't)

1. Diluted

	Current Year Quarter Ended 31 March 2015	Preceding Year Quarter Ended 31 March 2014
Continuing operations		
Profit/(Loss) attributable to Owners of the Company (RM'000) (as above)	496	(96)
Weighted average number of ordinary shares at 31 March ('000) (as above)	977,574	975,613
Weighted average number of shares deemed to have been issued at no consideration ('000)	23,925	22,480
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,001,499	998,093
Diluted earnings/(loss) per share (Sen)	0.05	(0.01)
Discontinued operations		
Loss attributable to owners of the Company (RM'000)	-	(331)
Weighted average number of ordinary shares for diluted earnings per share computation ('000) (as above)	-	998,093
Diluted loss per share (Sen)	-	(0.03)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015

B9. Detailed Disclosure for Statement of Comprehensive Income

	Current Year Quarter Ended 31 March 2015 RM'000	Preceding Year Quarter Ended 31 March 2014 RM'000
After crediting:		
Interest income	8	7
Gain on disposal of unquoted investment	31	-
Gain on disposal of property, plant and equipment	22	-
Writeback of allowance for impairment losses on receivables	110	43
Writeback of allowance for impairment losses on inventories	-	29
Writeback of allowance for impairment losses on assets	-	34
After debiting:		
Amortisation	212	212
Depreciation	5,518	5,332
Interest expense	677	722
(Gain)/ Loss on foreign exchange	(590)	145
Net fair value loss on marketable securities	3	365
Property, plant and equipment written off	255	-
Allowance for impairment losses on inventories	2,895	-
Allowance for impairment losses on receivables	-	2

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

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

B10. Corporate Proposals

There was no corporate proposal announced but not completed as at 21 May 2015, 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 21 May 2015, 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”)

The hearing for the action will commence upon completion of the trial for Melaka High Court Suit No. 22-132-2010 pursuant to an Order of Court dated 5 January 2012.

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

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

The trial has completed and submissions made. The case is now fixed for decision on 29 May 2015.

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 May 2015.