

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015
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 THIRD QUARTER ENDED 30 SEPTEMBER 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 and period ended 30 September 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 and period ended 30 September 2015.

A7. Dividend

No dividend has been declared or paid in the current quarter and period ended 30 September 2015.

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 2015.

A9. Debt and Equity Securities

During the current quarter and period ended 30 September 2015, the Company issued the following 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").

	Current Year Quarter Ended 30 September 2015	Current Year Period Ended 30 September 2015
Number of new ordinary share issued	345,000	810,000

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 and period ended 30 September 2015.

A10. Segmental Information

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

Current Year Year-To-Date 30 September 2015	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
Revenue	234,680	62,657	16,583	12,228	326,148
Segment assets	415,985	32,323	687	177	449,172
Capital expenditure	28,954	28	-	-	28,982
Preceding 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	5,504	334,735
Segment assets	336,713	23,654	426	170	360,963
Capital expenditure	15,755	69	-	-	15,824

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

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 2015 RM'000	As at 31 December 2014 RM'000
Property, Plant and Equipment		
- Contracted	10,729	15,410
- Not contracted	12,197	9,241
Purchase of shares in subsidiary		
- Contracted but not provided for	-	598
	22,926	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 30 September 2014 RM'000	Preceding Year Period Ended 30 September 2014 RM'000
Revenue	-	4,387
Cost of sales	-	(4,494)
Gross loss	-	(107)
Other income	-	47
Other expenses	-	(453)
Distribution expenses	-	(50)
Administrative expenses	-	(208)
Finance cost	-	(44)
Loss before tax	-	(815)
Income tax refund	-	24
Loss after tax	-	(791)

A14. Changes in Contingent Liabilities or Contingent Assets

Other than as disclosed in note B12 of this report, there were no contingent liabilities or contingent assets as at 30 September 2015.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

A15. Subsequent Events

There was no material event subsequent to the end of the period reported up to 19 November 2015, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements except for the following:

(i) Subscription of 11,000,000 new ordinary shares of RM1.00 each in Dominant Opto Technologies Sdn Bhd (“Dominant”) (“Subscription Shares”), a 68.71%-owned subsidiary of D&O by Epistar Corporation (“Epistar”); and

(ii) Potential buy back of the Subscription Shares by D&O from Epistar for a sum equivalent to the subscription consideration received by Dominant for the Subscription Shares pursuant to the terms and conditions of the Side Letter Agreement (“Potential Buy Back”)

Dominant and Epistar entered into the Share Subscription Agreement and the Side Letter Agreement on 28 September 2015 and 2 October 2015 respectively for the above transactions. On 30 October 2015, the proposed shares subscription and proposed Potential Buy Back set out in the Notice of Extraordinary General Meeting (“EGM”) dated 16 October 2015 were approved by the shareholders of D&O present at the EGM held on the same date.

Subsequently, on 9 November 2015, the Company announced that Dominant has received in full the cash subscription amount of USD15.777 million or equivalent to RM64.845 million pursuant to the Share Subscription Agreement. In addition, the conditions stipulated in the Share Subscription Agreement have been fully satisfied by the Company and Dominant. In this regard, the Subscription Shares Agreement has been completed.

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 2015 RM'000	As at 31 December 2014 RM'000
Total retained profits		
- realised	58,260	44,212
- unrealised	(46,987)	(47,286)
	11,273	(3,074)
Total share of retained profits of an associate:		
- realised	-	1,434
	11,273	(1,640)
Add: Consolidation adjustments	14,514	19,316
	25,787	17,676

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 2015.

	Current Year Quarter Ended 30 September 2015 RM'000	Preceding Year Quarter Ended 30 September 2014 RM'000	Current Year Period Ended 30 September 2015 RM'000	Preceding Year Period Ended 30 September 2014 RM'000
Sales	45	114	216	426
Purchases	112	89	430	353
Others	29	28	84	84
	45	231	730	863

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

A18. Deferred Income

	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Non-current		
- Government grant	500	715
Current		
- Government grant	286	286
Total Deferred Income	786	1,001

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 (2014 – RM214,454) has been amortised and recognised as other income in profit or loss.

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 and period ended 30 September 2015:

	Preceding Year Period Ended 30 September 2014	
	Previously reported RM'000	Restated RM'000
<u>Statement of comprehensive income(extract)</u>		
Revenue	334,735	330,348
Cost of sales	(288,958)	(284,464)
Other expenses	(4,742)	(5,017)
Distribution expenses	(2,696)	(2,646)
Administrative expenses	(24,984)	(24,776)
Finance costs	(2,324)	(2,280)
Income tax expense	(1,577)	(1,601)
Discontinued operations	(681)	(791)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015
PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS

B1. Operating Segment review

3rd Q 2015 versus 3rd Q 2014

Turnover grew 15% year-on-year to RM122.2 million, propelled by a 34% growth in the Automotive Segment to RM67.7 million. Revenue of the Non-automotive Segment, comprising primarily the General Lighting Segment, was 2% lower at RM54.5 million. The sales mix reflected management's strategy to focus on the Automotive Segment, and to concentrate on high power LED packages, within the Non-Automotive Segment that offer better cost efficiencies and brightness to our customers.

Gross profit margin in the current quarter improved significantly to 20% compared to 13% a year ago on favourable sales mix change and a strengthening US Dollar against the Malaysia Ringgit. Consequently, the Group recorded significantly better profit before tax of RM6.2 million compared to RM0.7 million a year ago.

9 months 2015 versus 9 months 2014

Despite a 27% growth in the Automotive Segment, turnover for the first nine months dipped marginally by 1% to RM326.1 million as a result of a 26% decline in Non-Automotive Segment to RM132.1 million. Revenue of the Non-Automotive Segment was adversely affected by management's decision to phase out mid-power LED packages.

The Group posted an improved gross profit margin of 19% (9M2014: 14%) mainly as a result of a favourable change in sales mix and a stronger US Dollar versus the Malaysia Ringgit. The Group achieved a profit before tax of RM15.0 million compared to RM4.6 million a year ago on higher margin.

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 increased by 8% to RM122.2 million. The Automotive Segment registered a 7% increase to RM67.7 million, while the Non-Automotive Segment expanded by 10% to RM54.5 million on higher COB sales.

Gross profit margin improved from 17% in the preceding quarter to 20% in the current quarter under review mainly due to an increase in sales volume, better sales mix and a weakening Malaysia Ringgit against the US Dollar.

However, profit before tax at RM6.2 million was only marginally better quarter-on-quarter (2Q2015: RM6.1 million) as a result of unrealized forex loss from US Dollar denominated payables and higher customer claims in the current quarter.

B3. Commentary on Prospects

The overall subdued global economic performance is not expected to improve anytime soon. Nonetheless, LED sales to the automotive industry is projected to continue with its growth momentum, underpinned mainly by rising LED adoption in the exterior and interior display applications. Through product innovation, competitive pricing and recent strategic collaboration with Taiwan's leading LED wafer manufacturer Epistar, management is optimistic that Dominant would be able to further strengthen its market share position in the burgeoning automotive sector.

Competition in the Non-Automotive Segment, namely the General Lighting Segment, on the other hand will likely remain stiff on both cost and pricing pressure. To reduce overhead costs and improve production efficiencies, management has decided to consolidate and streamline its manufacturing capacities.

The recent 10% equity injection by Epistar into Dominant in November 2015 has significantly strengthened the Group's balance sheet, providing the Group adequate resources to further expand its LED business. Barring any unforeseen circumstances, management is optimistic the performance of the Group for the year will be satisfactory.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

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 2015 RM'000	Preceding Year Quarter Ended 30 September 2014 RM'000	Current Year Period Ended 30 September 2015 RM'000	Preceding Year Period Ended 30 September 2014 RM'000
Current taxation				
- Ordinary Activities	350	199	997	1,438
Withholding tax on dividend received	-	9	-	165
	350	208	997	1,603
Under/(Over) provision	143	-	143	(2)
	493	208	1,140	1,601

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 30 September 2015 RM'000	As At 31 December 2014 RM'000
<u>Short term borrowings</u>		
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	33,538	29,871
- term loans	-	383
- hire purchase	128	163
- revolving credit	30,000	30,000
	63,666	60,417
Secured denominated in Euro Dollars:		
- term loans	3,504	1,063
	67,170	61,480
<u>Long term borrowings</u>		
Secured denominated in Ringgit Malaysia:		
- hire purchase	101	184
<u>Bank overdraft</u>		
Secured denominated in Ringgit Malaysia	4,278	3,639
Total Borrowings	71,549	65,303

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

B7. Unquoted Investments and/or Properties

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

Other unquoted investments

	Current Period Ended 30 September 2015 RM'000	Preceding Year Ended 31 December 2014 RM'000
Investment in unquoted shares (outside Malaysia)		
At beginning of year	401	401
Transfer from investment in an associate	8,128	-
At the end of period/year, at cost	<u>8,529</u>	<u>401</u>

Investment in an associate

	Current Period Ended 30 September 2015 RM'000	Preceding Year Ended 31 December 2014 RM'000
At beginning of year	12,129	13,465
Share of loss in an associate	(1,433)	(1,336)
Partial disposal of an associate	(2,568)	-
Transfer to other unquoted share investments	(8,128)	-
At the end of period/year	<u>-</u>	<u>12,129</u>

In 2nd Quarter 2015, the Group disposed of part of its equity interest in Tongfang Optoelectronic (HK) Limited (“Tongfang”) to below 20%. Accordingly, the investment in the associate was reclassified to financial assets available-for-sale.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

B8. Earnings/(Loss) per Share

1. *Basic*

	Current Year Quarter Ended 30 September 2015	Preceding Year Quarter Ended 30 September 2014	Current Year Period Ended 30 September 2015	Preceding Year Period Ended 30 September 2014
Continuing operations				
Profit after taxation (RM'000)	5,696	472	13,894	2,969
Non-controlling interests (RM'000)	(2,042)	236	(5,726)	(1,611)
Profit attributable to Owners of the Company (RM'000)	<u>3,654</u>	<u>708</u>	<u>8,168</u>	<u>1,358</u>
Weighted average number of ordinary shares:-				
Issued ordinary shares at 1 January ('000)	977,531	975,613	977,531	975,613
Effect of new ordinary shares issued under ESOS ('000)	<u>648</u>	<u>-</u>	<u>374</u>	<u>-</u>
Weighted average number of ordinary shares at 30 September 2015 ('000)	<u>978,179</u>	<u>975,613</u>	<u>977,905</u>	<u>975,613</u>
Basic earnings per share (sen)	<u>0.37</u>	<u>0.07</u>	<u>0.84</u>	<u>0.14</u>
Discontinued operations				
Loss attributable to Owners of the Company (RM'000)	-	-	-	(791)
Weighted average number of ordinary shares at 30 September 2015 ('000)	<u>-</u>	<u>-</u>	<u>-</u>	<u>975,613</u>
Basic loss per share (sen)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.08)</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

B8. Earnings/(Loss) per Share (Cont'd)

2. *Diluted*

	Current Year Quarter Ended 30 September 2015	Preceding Year Quarter Ended 30 September 2014	Current Year Period Ended 30 September 2015	Preceding Year Period Ended 30 September 2014
Continuing operations				
Profit attributable to Owners of the Company (RM'000) (as above)	3,654	708	8,168	1,358
Weighted average number of ordinary shares at 30 September 2015 ('000) (as above)	978,179	975,613	977,905	975,613
Weighted average number of shares deemed to have been issued at no consideration ('000)	19,836	29,535	19,836	29,535
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	998,015	1,005,148	997,741	1,005,148
Diluted earnings per share (Sen)	0.37	0.07	0.82	0.14
Discontinued operations				
Loss attributable to owners of the Company (RM'000)	-	-	-	(791)
Weighted average number of ordinary shares for diluted earnings per share computation ('000) (as above)	-	-	-	1,005,148
Diluted loss per share (Sen)	-	-	-	(0.08)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

B9. Detailed Disclosure for Statement of Comprehensive Income

	Current Year Quarter Ended 30 September 2015 RM'000	Preceding Year Quarter Ended 30 September 2014 RM'000	Current Year Period Ended 30 September 2015 RM'000	Preceding Year Period Ended 30 September 2014 RM'000
After crediting:				
Interest income	20	10	36	27
Gain on disposal of unquoted investment	-	-	31	-
Gain on disposal of interest in an associate	-	-	613	-
Writeback of allowance for impairment losses on receivables	-	-	110	43
Writeback of allowance for impairment losses on assets	-	2,101	-	2,101
After debiting:				
Amortisation	212	212	636	636
Depreciation	6,090	5,976	15,761	16,550
Interest expense	639	601	1,940	2,007
(Gain)/Loss on foreign exchange	1,029	273	(259)	539
Net fair value loss/(gain) on marketable securities	117	(202)	99	197
Loss/(Gain) on disposal of property, plant and equipment	(88)	-	237	(35)
Property, plant and equipment written off	6	-	262	-
Allowance for impairment losses on inventories	312	2,206	3,154	3,264
Allowance for impairment losses on receivables	67	191	68	193

The company and the group do not have the following items for the respective period:

- 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 19 November 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 19 November 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 THIRD QUARTER ENDED 30 SEPTEMBER 2015

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”)

This case came up for case management before the Deputy Registrar of the Melaka High Court on 13 November 2015. The Deputy Registrar has fixed a further case management date on 16 December 2015 for all directions of the Court to be complied with before trial dates are fixed.

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

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

On 20 November 2015, the Judge granted a conditional stay of execution on the total judgment sum of RM25,581,667, pending the full and final disposal of Dominant’s appeal to the Court of Appeal. Hearing of the appeal with the Court of Appeal has been fixed on 18 February 2016.

Of the judgement sum, RM13,450,387 has been recorded in the financial statements of the Group as trade payable. The balance of RM12,131,280, comprising interest and cost, has been classified as contingent liability.

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 25 November 2015.