

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 following Amendments and Annual improvements to Standards that came into effect on 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:

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15	Deferred to 1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
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

**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 FOURTH QUARTER ENDED 31 DECEMBER 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 year ended 31 December 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 year ended 31 December 2015.

**A7. Dividend**

No dividend has been declared or paid in the current quarter and year ended 31 December 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 year ended 31 December 2015.

**A9. Debt and Equity Securities**

During the current quarter and year ended 31 December 2015, the Company issued the following new ordinary shares arising from the exercise of options under the Company's Employees' Share Option Scheme ("ESOS").

	<b>Issue Price Per share RM</b>	<b>Current Year Quarter Ended 31 December 2015</b>	<b>Current Year Ended 31 December 2015</b>
Number of new ordinary share issued	0.17	7,969,700	8,779,700
	0.30	140,500	140,500
Total		8,110,200	8,920,200

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 year ended 31 December 2015.

**A10. Segmental Information**

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

<b>Current Year Year-To-Date 31 December 2015</b>	<b>Asia RM'000</b>	<b>Europe RM'000</b>	<b>USA RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>
Revenue	320,208	77,543	17,512	17,846	433,109
Segment assets	420,646	24,775	571	182	446,174
Capital expenditure	33,614	31	297	-	33,942
<b>Preceding Year Year-To-Date 31 December 2014</b>	<b>Asia RM'000</b>	<b>Europe RM'000</b>	<b>USA RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>
Revenue	329,680	71,455	15,613	8,963	425,711
Segment assets	329,570	26,790	5,642	347	362,349
Capital expenditure	23,112	175	3	-	23,290

**A11. Changes in the Composition of the Group**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015**

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

**A12. Capital Commitments**

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

	<b>As at 31 December 2015 RM'000</b>	<b>As at 31 December 2014 RM'000</b>
Property, Plant and Equipment		
- Contracted	10,185	15,410
- Not contracted	7,764	9,241
Purchase of shares in subsidiary		
- Contracted but not provided for	-	598
	<u>17,949</u>	<u>25,249</u>

**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:

	<b>Preceding Year Quarter Ended 31 December 2014 RM'000</b>	<b>Preceding Year Ended 31 December 2014 RM'000</b>
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
<b>Loss after tax</b>	<u>-</u>	<u>(791)</u>

**A14. Changes in Contingent Liabilities or Contingent Assets**

Other than as disclosed in note B13 of this report, there were no contingent liabilities or contingent assets as at 31 December 2015.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015**

**A15. Subsequent Events**

There was no material event subsequent to the end of the financial year reported up to 18 February 2016, 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:

	<b>As at 31 December 2015 RM'000</b>	<b>As at 31 December 2014 RM'000</b>
Total retained profits		
- realised	53,283	44,212
- unrealised	(38,838)	(47,286)
	<u>14,445</u>	<u>(3,074)</u>
Total share of retained profits of an associate:		
- realised	-	1,434
	<u>14,445</u>	<u>(1,640)</u>
Add: Consolidation adjustments	44,048	19,316
	<u>58,493</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 and year ended 31 December 2015.

	<b>Current Year Quarter Ended 31 December 2015 RM'000</b>	<b>Preceding Year Quarter Ended 31 December 2014 RM'000</b>	<b>Current Year Ended 31 December 2015 RM'000</b>	<b>Preceding Year Ended 31 December 2014 RM'000</b>
Sales	35	154	251	580
Purchases	9,114	89	9,544	442
Others	28	28	112	112
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**A18. Deferred Income**

	<b>As at 31 December 2015 RM'000</b>	<b>As at 31 December 2014 RM'000</b>
Non-current		
- Government grant	429	715
Current		
- Government grant	286	286
Total Deferred Income	<u>715</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, RM285,939 (2014 – RM285,939) has been amortised and recognised as other income in the profit or loss.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015**  
**PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD**  
**LISTING REQUIREMENTS**

**B1. Operating Segment review**

**4<sup>th</sup> Q 2015 versus 4<sup>th</sup> Q 2014**

Group revenue grew 18% to RM106.96 million in the current quarter, bolstered by a 36% growth in the Automotive Segment to RM82.11 million, partially offset by an 18% decline in the Non-Automotive Segment to RM24.85 million. The decline in the Non-Automotive Segment was led by a 25% decline in General Lighting, a trend that is in line with management's decision to focus on growing its Automotive Segment while reducing its dependence on lower margin General Lighting business.

Gross profit margin in the current quarter improved from 17.7% in the preceding year corresponding quarter to 21.4% in the current quarter mainly as a result of a favorable change in sales mix and the strengthening of US Dollar against the Malaysia Ringgit. Consequently, the Group registered a 164% increase in profit before tax to RM4.08 million.

**2015 versus 2014**

In 2015, the Group recorded a consolidated revenue of RM433.11 million, representing a 3% year-on-year increase. The Automotive Segment expanded by 29% to RM276.20 million. The Non-Automotive Segment fell 25% to RM156.91 million led by a 27% decline in General Lighting. The change in sales mix was in line with management's strategy to focus on developing the Automotive Segment and reducing its reliance on the volatile and highly competitive General Lighting business.

Gross profit margin for the Group came in at 19% in 2015, compared to 15% in 2014. The margin improvement was achieved on the back of a favorable change in sales mix and a stronger US Dollar versus the Malaysia Ringgit. Group profit before tax improved significantly from RM6.11 million in 2014 to RM19.12 million in 2015 on better margins.

**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 fell 12% to RM106.96 million. This was mainly caused by lower sales in the Non Automotive segment which contracted 54% to RM24.85 million. The decline in Non Automotive segment revenue was however mitigated by a robust 21% increase in the Automotive Segment to a record level of RM82.11 million.

Gross profit margin marginally improved from 20% in the preceding quarter to 21% in the current quarter mainly due to a favorable change in sales mix.

In the current quarter under review, Group PBT declined sequentially to RM4.08 million compared to RM6.19 million in the preceding quarter. This was mainly due to lower LED component sales in the current quarter led by lower Non-Automotive Segment sales.

**B3. Commentary on Prospects**

The overall business environment is expected to remain challenging in 2016 brought about by the global economic malaise, currency turmoil and demand-supply imbalances. The highly price sensitive consumer segment will likely continue to experience slower demand growth and price erosion.

Despite the difficult market environment, management believes the Automotive Segment will remain a growth area for the Group, underpinned by rising LED adoption in the exterior lighting and interior display applications, opportunity for Dominant to increase its market share and relative price stability.

Management will continue with its strategy of focusing on strengthening its position in the Automotive Segment while reducing its exposure to riskier Non Automotive Segment.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015**

**B3. Commentary on Prospects (Cont'd)**

More efforts will be channelled to managing cost and manufacturing efficiencies, including consolidating and streamlining its manufacturing capacities between Malaysia and Laos's plants. With the entry of Epistar as a shareholder of Dominant, plans are afoot to embark on more collaborative projects with Epistar to strengthen the Group's product offering to end customers, which in turn, is expected to generate future revenue growth for the Group.

Barring unforeseen circumstances, management is optimistic that its current business strategy will improve its results for the Group in 2016 compared to 2015.

**B4. Profit Forecast or Profit Guarantee**

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

**B5. Income Tax Expense**

	<b>Current Year Quarter Ended 31 December 2015 RM'000</b>	<b>Preceding Year Quarter Ended 31 December 2014 RM'000</b>	<b>Current Year Ended 31 December 2015 RM'000</b>	<b>Preceding Year Ended 31 December 2014 RM'000</b>
Current tax	220	191	997	1,606
Withholding tax on dividend received	247	-	247	163
Deferred taxation	-	(98)	-	(98)
	<u>467</u>	<u>93</u>	<u>1,244</u>	<u>1,671</u>
Under/(Over) provision	(52)	(89)	311	(89)
	<u>415</u>	<u>4</u>	<u>1,555</u>	<u>1,582</u>

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:

	<b>As At 31 December 2015 RM'000</b>	<b>As At 31 December 2014 RM'000</b>
<u>Short term borrowings</u>		
Secured denominated in Ringgit Malaysia:		
- bankers acceptances	28,256	29,871
- term loans	-	383
- hire purchase	151	163
- revolving credit	30,000	30,000
	<u>58,407</u>	<u>60,417</u>
Secured denominated in Euro Dollars:		
- term loans	3,283	1,063
	61,690	61,480
<u>Long term borrowings</u>		
Secured denominated in Ringgit Malaysia:		
- hire purchase	219	184
<u>Bank overdraft</u>		
Secured denominated in Ringgit Malaysia	-	3,639
Total Borrowings	<u>61,909</u>	<u>65,303</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015**

**B7. Unquoted Investments and/or Properties**

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

*Other unquoted investments*

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

*Investment in an associate*

	<b>Current Year Ended 31 December 2015 RM'000</b>	<b>Preceding Year Ended 31 December 2014 RM'000</b>
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 investments	(8,128)	-
At the end of year	<u>-</u>	<u>12,129</u>

In the second 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 FOURTH QUARTER ENDED 31 DECEMBER 2015

**B8. Earnings/(Loss) per Share**

1. *Basic*

	<b>Current Year Quarter Ended 31 December 2015</b>	<b>Preceding Year Quarter Ended 31 December 2014</b>	<b>Current Year Ended 31 December 2015</b>	<b>Preceding Year Ended 31 December 2014</b>
<b>Continuing operations</b>				
Profit after taxation (RM'000)	3,666	1,462	17,560	4,507
Non-controlling interests (RM'000)	(1,609)	(1,330)	(7,335)	(2,983)
Profit attributable to Owners of the Company (RM'000)	<u>2,057</u>	<u>132</u>	<u>10,225</u>	<u>1,524</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>6,145</u>	<u>1,651</u>	<u>1,817</u>	<u>413</u>
Weighted average number of ordinary shares at 31 December 2015 ('000)	<u>983,676</u>	<u>977,264</u>	<u>979,348</u>	<u>976,026</u>
Basic earnings per share (sen)	<u>0.21</u>	<u>0.01</u>	<u>1.04</u>	<u>0.16</u>
<b>Discontinued operations</b>				
Loss attributable to Owners of the Company (RM'000)	-	-	-	(791)
Weighted average number of ordinary shares at 31 December 2015 ('000)	<u>-</u>	<u>-</u>	<u>-</u>	<u>976,026</u>
Basic loss per share (sen)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.08)</u>



NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

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

2. *Diluted*

	Current Year Quarter Ended 31 December 2015	Preceding Year Quarter Ended 31 December 2014	Current Year Ended 31 December 2015	Preceding Year Ended 31 December 2014
<b>Continuing operations</b>				
Profit attributable to Owners of the Company (RM'000) (as above)	2,057	132	10,225	1,524
Weighted average number of ordinary shares at 31 December 2015 ('000) (as above)	983,676	977,264	979,348	976,026
Weighted average number of shares deemed to have been issued at no consideration ('000)	19,737	25,489	19,737	25,489
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,003,413	1,002,753	999,085	1,001,515
Diluted earnings per share (Sen)	0.21	0.01	1.02	0.15
<b>Discontinued operations</b>				
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)	-	-	-	1,001,515
Diluted loss per share (Sen)	-	-	-	(0.08)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

**B9. Detailed Disclosure for Statement of Comprehensive Income**

	<b>Current Year Quarter Ended 31 December 2015 RM'000</b>	<b>Preceding Year Quarter Ended 31 December 2014 RM'000</b>	<b>Current Year Ended 31 December 2015 RM'000</b>	<b>Preceding Year Ended 31 December 2014 RM'000</b>
<b>After crediting:</b>				
Interest income	38	10	74	37
Gain on disposal of quoted investment	502	-	502	-
Gain on disposal of unquoted investment	-	-	31	-
Gain on disposal of interest in an associate	-	-	613	-
Writeback of allowance for impairment losses on receivables	94	98	204	141
Writeback of allowance/(Allowance) for impairment losses on assets	72	(1,382)	72	719
<b>After debiting:</b>				
Amortisation of intangible assets	212	213	848	849
Depreciation	6,623	4,703	22,384	21,253
Interest expense	694	637	2,634	2,644
(Gain)/Loss on foreign exchange	(3,602)	258	(3,861)	797
Net fair value (gain)/loss on marketable securities	(125)	37	(26)	234
Loss/(Gain) on disposal of property, plant and equipment	271	-	(34)	(35)
Property, plant and equipment written off (Writeback)/Allowance for impairment losses on inventories	437	72	699	72
Allowance for impairment losses on receivables	(3,014)	228	140	3,492
	136	278	204	471

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There is no gain or loss on derivatives for the respective periods.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015**

**B10. Corporate Proposals**

There was no corporate proposal announced but not completed as at 18 February 2016, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

**B11. Utilisation of proceeds**

The utilization of the RM64.845 million proceeds raised from the subscription of 11,000,000 new ordinary shares of RM1.00 each in Dominant Opto Technologies Sdn Bhd by Epistar Corporation on 9 November 2015 is as follows:

<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Transfer RM'000</b>	<b>Balance RM'000</b>	<b>Expected time frame for utilisation from date of proceeds are received (9.11.2015)</b>
Working capital	64,405	(46,337)	14	18,082	12 months
Estimated expenses for the corporate proposal	440	(426)	(14)	-	12 months
	<b>64,845</b>	<b>(46,763)</b>	<b>-</b>	<b>18,082</b>	

**B12. Off Balance Sheet Financial Instruments**

There was no financial instrument with off balance sheet risk as at 18 February 2016, the latest practical date which is not earlier than 7 days from the date of issue of these financial statements.

**B13. Material Litigation**

**Melaka High Court Civil Suit No. 22-125-2010**

**Dominant Opto Technologies Sdn Bhd (“Plaintiff”) vs Lai Kin Shin (“1<sup>st</sup> Defendant”), Goh Poh Lee (“2<sup>nd</sup> Defendant”), Lee Seng Khoon (3<sup>rd</sup> Defendant”), Geepar Enterprise Sdn Bhd (“4<sup>th</sup> Defendant”), Robert Chan Siew Kong (“5<sup>th</sup> Defendant”) and Lim Siew Yek (“6<sup>th</sup> Defendant”)**

On 20 January 2016, the High Court pursuant to an application filed by the 4<sup>th</sup> and 5<sup>th</sup> Defendants’ under Order 33 rule 2 and 5 of the Rules of Court 2012 struck out the claim against all Defendants on the ground of res judicata in that the High Court in Suit 22-132-2010 found that there was no fraud and or conspiracy to defraud committed by the 4<sup>th</sup> Defendant as the Plaintiff in that suit and the issue should not be re-litigated again.

On 26 January 2016, Dominant has filed an appeal to the Court of Appeal. The case management is on 22 March 2016.

**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 (**No: M-02-(W)-1708-10/2015**).

The appeal came up for hearing before the Court of Appeal at Putrajaya on 18 February 2016.

By consent, Defendant’s appeal was allowed and the Court of Appeal ordered that Plaintiff’s claim be remitted to the Melaka High Court for a re-trial before another High Court Judge. By consent, the judgement sum held jointly by both solicitors as stakeholders shall therefore be released forthwith to the Appellant/Defendant.

**B14. 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 24 February 2016.