

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**  
**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 2015.

**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 2015, except for the adoption of the following Amendments and Annual improvement to Standards that came into effect on 1 January 2016:-

- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception
- Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- Annual Improvements to MFRSs 2012 – 2014 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	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’	1 January 2018
Amendments to MFRS 107: Disclosures Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

**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 2016**

**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 2016.

**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 2016.

**A7. Dividend**

No dividend has been declared or paid in the current quarter and year ended 31 December 2016.

**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 2016.

**A9. Debt and Equity Securities**

During the current quarter and year ended 31 December 2016, 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 2016</b>	<b>Current Year Ended 31 December 2016</b>
Number of new ordinary share issued	0.17	1,300,700	3,100,700
	0.26	60,000	60,000
	0.30	75,000	214,000
Total		<u>1,435,700</u>	<u>3,374,700</u>

The new ordinary shares rank pari passu with the existing 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 2016.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016**

**A10. Segmental Information**

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

<b>Current Year</b>					
<b>Year-To-Date</b>	<b>Asia</b>	<b>Europe</b>	<b>USA</b>	<b>Others</b>	<b>Group</b>
<b>31 December 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	298,267	87,659	39,153	5,021	430,100
Segment assets	442,221	24,457	796	182	467,656
Capital expenditure	54,721	228	15	-	54,964
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<b>Preceding Year</b>					
<b>Year-To-Date</b>	<b>Asia</b>	<b>Europe</b>	<b>USA</b>	<b>Others</b>	<b>Group</b>
<b>31 December 2015</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	320,208	77,543	17,512	17,846	433,109
Segment assets	420,651	24,775	571	182	446,179
Capital expenditure	33,165	31	298	-	33,494
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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 and year ended under review.

**A12. Capital Commitments**

Capital commitments authorised but not provided for in the financial statements are as follows:

	<b>As at 31 December 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
Purchase of property, plant and equipment		
- Contracted but not provided for	17,869	10,185
- Authorised but not contracted for	1,736	7,764
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	19,605	17,949
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**A13. 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 31 December 2016.

**A14. Subsequent Events**

There was no material event subsequent to the end of the financial period reported up to 16 February 2017, 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 FOURTH QUARTER ENDED 31 DECEMBER 2016**

**A15. 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 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
Total retained profits		
- realised	92,862	53,282
- unrealised	(58,206)	(38,838)
	<u>34,656</u>	<u>14,444</u>
Add: Consolidation adjustments	5,421	13,855
	<u>40,077</u>	<u>28,299</u>

**A16. Significant Related Party Transaction**

The Group carried out the following significant transactions with related parties during the current quarter and year ended 31 December 2016.

	<b>Current Year Quarter Ended 31 December 2016 RM'000</b>	<b>Preceding Year Quarter Ended 31 December 2015 RM'000</b>	<b>Current Year Ended 31 December 2016 RM'000</b>	<b>Preceding Year Ended 31 December 2015 RM'000</b>
Sales	40	35	262	251
Purchases	31,428	11,633	111,008	12,063
Others	28	28	112	112

**A17. Deferred Income**

	<b>As at 31 December 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
Non-current		
- Government grant	143	429
Current		
- Government grant	286	286
Total Deferred Income	<u>429</u>	<u>715</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 current period ended 31 December 2016, RM285,939 (2015 – 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 2016**  
**PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD**  
**LISTING REQUIREMENTS**

**B1. Operating Segment review**

**4<sup>th</sup> Q 2016 versus 4<sup>th</sup> Q 2015**

Group revenue grew 20% to RM129 million in the current quarter under review, propelled by a 48% growth in Automotive Segment to RM121 million. The Non-Automotive Segment continued to decline sequentially, accounting for only 6% of Group turnover in 4Q 2016. This is in line with management's strategy to focus on LED for the automotive industry.

Gross margin rose to 25% in 4Q16 (4Q15: 21%), bolstered by a favourable change in sales mix and the strengthening of the US Dollar against the Malaysia Ringgit. Consequently, PBT rose sharply by 208% to RM 12.6 million. A provision for deferred tax of RM4.6 million however pared growth to 107% at PAT level to RM7.6 million. The provision for deferred tax is the result of the expiry of Dominant's pioneer status in 2017 which exempts the subsidiary from income tax.

**2016 versus 2015**

Despite a marginal 1% decrease in sales revenue, the Group's pre-tax profit rose 57% year-on-year to RM30 million in 2016 (2015: RM19 million) on margin improvements.

During the year under review, the Group's turnover of RM430 million was adversely affected by a 64% decline in the Non-Automotive Segment to RM58 million. This is attributable to Dominant's shift in focus from the highly competitive and volatile consumer electronic and general lighting markets to the automotive segment. The decline was largely offset by a 35% growth in automotive sales revenue to RM372 million.

The change in business focus, coupled with the strengthening of the US Dollar against the Malaysian Ringgit contributed to the Group's significant gross profit margin improvement from 19% in 2015 to 23% in 2016.

During the year, the Company made a deferred tax provision of RM6.8 million in anticipation of future income tax payable after the expiry of the pioneer status of Dominant in 2017. Consequently, the Group registered a slower growth rate of 22% in PAT to RM21 million in 2016.

**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 25% to RM129 million. The Automotive Segment sales revenue registered a 36% increase to a record level of RM121 million. In line with management's strategy, contribution from non-automotive segment further declined to less than 6% of Group sales.

Gross profit margin improved from 23% in the preceding quarter to 25% 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. Consequently, the Group registered a 79% increase in PAT to RM7.6 million.

**B3. Commentary on Prospects**

Despite a challenging market environment due to difficult macroeconomic conditions, Management maintains an optimistic outlook for the Group in 2017, buoyed by the burgeoning automotive industry. Dominant's widening and deepening product portfolio catering for the automotive industry is expected to continue to gain traction amongst global automotive players.

With the transitioning to a pure automotive play almost complete in 4Q 2016 and the successful rationalisation of its manufacturing capacities and processes, the Group is now well poised to further strengthen its market position in the automotive sector, especially in the exterior lighting applications.

Dominant has in October 2016 purchased a land cum factory building next to its existing plant in Melaka for RM11 million to address the short term capacity constraints and to cope with the anticipated medium-to-long term demand growth in the Automotive Segment. The transaction was completed in January 2017. Management is confident that its current business strategy will pave the way for sustainable growth in the coming years.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

**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 31 December 2016 RM'000	Preceding Year Quarter Ended 31 December 2015 RM'000	Current Year Ended 31 December 2016 RM'000	Preceding Year Ended 31 December 2015 RM'000
Current tax	387	220	1,489	1,130
Withholding tax on dividend received	-	247	290	247
Deferred tax	4,620	-	6,812	47
Under provision in prior year	-	(52)	2	(13)
	5,007	415	8,593	1,411

Dominant Opto Technologies Sdn Bhd has been granted pioneer status incentive under the Promotion of Investment Act 1986. This incentive will be expiring on 31 March 2017. The current taxation was mainly derived from profitable overseas subsidiaries.

**B6. Borrowings**

The Group's borrowings are as follows:

	As At 31 December 2016 RM'000	As At 31 December 2015 RM'000
<i>Short term borrowings</i>		
Secured denominated:		
- Ringgit Malaysia	25,678	58,405
- US Dollars	15,209	-
- Euro Dollars	3,304	3,283
	44,191	61,688
<i>Long term borrowings</i>		
Secured denominated:		
- Ringgit Malaysia	323	221
- US Dollars	4,351	-
Total Borrowings	48,865	61,909

**B7. Unquoted Investments**

Details of investment in unquoted investments are as follows:

*Other unquoted investments*

	As At 31 December 2016 RM'000	As At 31 December 2015 RM'000
Investment in unquoted shares (outside Malaysia)		
At beginning of year, at cost	8,530	8,530
Partial disposal of an unquoted shares	(81)	-
Transfer from marketable securities	4	-
At the end of the period/year, at cost	8,453	8,530

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

**B8. Earnings per Share**

1. *Basic*

	<b>Current Year Quarter Ended 31 December 2016</b>	<b>Preceding Year Quarter Ended 31 December 2015</b>	<b>Current Year Ended 31 December 2016</b>	<b>Preceding Year Ended 31 December 2015</b>
<b>Continuing operations</b>				
Profit after taxation (RM'000)	7,576	3,666	21,395	17,560
Non-controlling interests (RM'000)	(3,642)	(1,609)	(9,986)	(7,335)
Profit attributable to Owners of the Company (RM'000)	<u>3,934</u>	<u>2,057</u>	<u>11,409</u>	<u>10,225</u>
Weighted average number of ordinary shares:-				
Issued ordinary shares at 1 January ('000)	988,047	977,531	988,047	977,531
Effect of new ordinary shares issued under ESOS ('000)	<u>2,866</u>	<u>6,145</u>	<u>1,696</u>	<u>1,817</u>
Weighted average number of ordinary shares for the period (‘000)	<u>990,913</u>	<u>983,676</u>	<u>989,743</u>	<u>979,348</u>
Basic earnings per share (sen)	<u>0.40</u>	<u>0.21</u>	<u>1.15</u>	<u>1.04</u>

2. *Diluted*

	<b>Current Year Quarter Ended 31 December 2016</b>	<b>Preceding Year Quarter Ended 31 December 2015</b>	<b>Current Year Ended 31 December 2016</b>	<b>Preceding Year Ended 31 December 2015</b>
<b>Continuing operations</b>				
Profit attributable to Owners of the Company (RM'000) (as above)	3,934	2,057	11,409	10,225
Weighted average number of ordinary shares for the period ('000) (as above)	990,913	983,676	989,743	979,348
Weighted average number of shares deemed to have been issued at no consideration ('000)	<u>24,192</u>	<u>19,737</u>	<u>24,192</u>	<u>19,737</u>
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	<u>1,015,106</u>	<u>1,003,413</u>	<u>1,013,935</u>	<u>999,085</u>
Diluted earnings per share (Sen)	<u>0.39</u>	<u>0.21</u>	<u>1.13</u>	<u>1.02</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

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

	<b>Current Year Quarter Ended 31 December 2016 RM'000</b>	<b>Preceding Year Quarter Ended 31 December 2015 RM'000</b>	<b>Current Year Ended 31 December 2016 RM'000</b>	<b>Preceding Year Ended 31 December 2015 RM'000</b>
<b>After crediting:</b>				
Interest income	19	38	451	74
Gain on disposal of quoted investment	-	502	-	502
Gain on disposal of unquoted investment	-	-	9	31
Gain on disposal of interest in an associate	-	-	-	613
Net fair value gain on marketable securities	62	125	7	26
Reversal of impairment losses on trade receivables	100	94	142	204
Writeback of allowance for impairment losses on assets	-	73	-	73
<b>After debiting:</b>				
Amortisation of intangible assets	213	212	849	848
Depreciation	6,238	6,623	26,319	22,384
Interest expense	429	694	1,903	2,634
Allowance/(Writeback) for impairment losses on inventories	4,414	(3,014)	7,133	140
Allowance for impairment losses on trade receivables	144	136	144	202
Loss/(Gain) on disposal of property, plant and equipment	61	271	39	(34)
Loss/ (Gain) on foreign exchange	1,901	(3,602)	2,573	(3,861)
Property, plant and equipment written off	547	437	1,012	699

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

- a) gain or loss on derivatives

**B10. Corporate Proposals**

There was no corporate proposal announced but not completed as at 16 February 2017, 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 FOURTH QUARTER ENDED 31 DECEMBER 2016**

**B11. Off Balance Sheet Financial Instruments**

There was no financial instrument with off balance sheet risk as at 16 February 2017, 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 (“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”)**

The Court has decided to hear this case after the conclusion of the 132 Suit (before the delivery of the decision).

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

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

The matter is fixed for full retrial on 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> March 2017. The earlier retrial dates have been vacated.

**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 22 February 2017.