NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

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) and Issuers Communication No. 1/2017 – Guidance on Disclosures in Notes to Quarterly Report issued by Bursa Securities. This interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

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 2017, except for the adoption of the following Amendments and Annual improvement to Standards that came into effect on 1 January 2018:-

MFRS 9 Financial Instruments

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'

Amendments to MFRS 140 - Transfer of Investment Property

Annual Improvement to MFRS Standards 2014 - 2016 Cycles:

- Amendment to MFRS 1: Deletion of Short-term Exemptions for First- time Adopters
- Amendment to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

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**
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: (Plan Amendment, Curtailment or Settlement)	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycles	1 January 2019
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14 Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138 Intangible Assets	1 January 2020
Amendments to IC Interpretation 12 Service Concession Arrangements	1 January 2020

A2. Adoption of Revised Financial Reporting (Cont'd)

The following Standards were issued but not yet effective and have not been adopted by the Group (Cont'd):

MFRSs and IC Interpretations (Including The Consequential Amendments	Effective Date
Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendments to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets – Web Site Costs	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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 June 2018.

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 June 2018.

A7. Dividend

The dividend paid in the current quarter and period ended 30 June 2018 is disclosed in Note B12.

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 June 2018.

A9. Debt and Equity Securities

During the current quarter and period ended 30 June 2018, the Company has:

(a) Issued new ordinary shares arising from the exercise of options under the Company's Employees' Share Option Scheme ("ESOS") as follows:-

	Issue Price per share RM	Current Year Quarter Ended 30 June 2018 No of shares	Current Year Period Ended 30 June 2018 No of shares
Exercise of ESOS	0.17	790,000	2,462,000
Exercise of ESOS	0.25	50,000	50,000
Exercise of ESOS	0.28	94,000	723,300
Exercise of ESOS	0.30	272,000	1,524,000
Total		1,206,000	4,759,300

The new ordinary shares rank pari passu with the existing ordinary shares of the Company.

(b) Issued new ordinary shares arising from the conversion of ICPS:

	Current Year Quarter Ended 30 June 2018 No of shares	Current Year Period Ended 30 June 2018 No of shares
Conversion of ICPS	29,344,262	30,077,868

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 June 2018.

A10. Segmental Information

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

Current Year Year-To-Date 30 June 2018	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
Revenue	143,863	50,029	25,262	7,191	226,345
Segment assets	454,545	28,682	1,384	662	485,273
Capital expenditure	16,323	12	-	-	16,335

Preceding Year Year-To-Date 30 June 2017	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
Revenue	144,801	48,498	22,031	4,802	220,132
Segment assets	432,146	28,933	4,754	182	466,015
Capital expenditure	30,106	7	16	-	30,129

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter and period under review except for:

(i) Incorporation of a new subsidiary, Dominant Electronics Sdn Bhd

Dominant Opto Technologies Sdn Bhd ("Dominant"), a 89.79% subsidiary of the Company, had on 7 May 2018 incorporated a new wholly owned subsidiary known as Dominant Electronics Sdn Bhd ("Dominant Electronics"). Dominant Electronics was incorporated in Malaysia under the Malaysia Companies Act 2016 with its intended activities of design, production and sales of automotive LED modules and provision of engineering services.

(ii) Incorporation of a new subsidiary, Dominant Opto Technologies Japan K.K.

Dominant had on 12 June 2018 incorporated a new wholly owned subsidiary known as Dominant Opto Technologies Japan K.K. ("Dominant Japan"). Dominant Japan was incorporated in Japan under the Japanese Companies Act with its intended activities of merchandising semiconductor components including wholesale and retail of semiconductor devices, electronic components, electrical equipment for lighting, electronic display screen, lighting fittings; and import and export and receiving sales commission income of related products.

A12. Capital Commitments

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

	As at 30 June 2018 RM'000	**As at 31 December 2017 RM'000**
Purchase of property, plant and equipment	27,710	4,491
Renovations	28,619	16,709
	56,329	21,200

A13. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at 30 June 2018.

A14. Subsequent Material Events

There was no material event subsequent to the end of the financial period reported up to 15 August 2018, the latest practicable date which is not earlier than 7 days from the date of issue of these financial statements.

A15. Significant Related Party Transaction

The Group carried out the following significant transactions with related parties during the current quarter and period ended 30 June 2018.

	Current Year Quarter Ended 30 June 2018 RM'000	Preceding Year Quarter Ended 30 June 2017 RM'000	Current Year Period Ended 30 June 2018 RM'000	Preceding Year Period Ended 30 June 2017 RM'000
Sales	-	10	-	168
Purchases	27,012	23,416	50,696	48,676
Others	28	28	56	56

A16. Deferred Income

	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Current		
- Government grant	-	143
Total Deferred Income	-	143

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 30 June 2018, RM142,970 (2017 – RM142,970) has been amortised and recognised as other income in the profit or loss.

B1. Operating Segment review

2Q Year-on-Year Earnings Performance Review

	Current Year Quarter Ended 30 June 2018 (RM mil)	Preceding Year Quarter Ended 30 June 2017 (RM mil)	% Change
Revenue			
- Automotive	106.89	96.68	10.6%
- Non-Automotive	6.37	5.09	25.1%
	113.26	**101.77**	**11.3%**
Gross Profit	31.17	24.56	26.9%
Gross margin	***27.5%***	***24.1%***	
Other Income/(Expense)	2.33	(0.58)	NM
Distribution expenses	(1.61)	(1.22)	32.0%
Administrative expenses	(10.79)	(9.73)	10.9%
R&D expenses	(8.86)	(4.82)	83.8%
Finance costs	(0.45)	(0.56)	-19.6%
PBT	**11.79**	**7.65**	**54.1%**
Income Tax	(2.67)	(1.05)	154.3%
Net Profit	**9.12**	**6.60**	**38.2%**
Significant other income/(expense) items			
Foreign exchange gain/(loss)	0.70	(0.43)	NM
ESOS	(0.76)	(0.61)	24.6%
Customer compensation	(0.28)	(1.58)	-82.3%
Government R & D grant	2.20	2.05	7.3%
Inventory written off	(2.38)	-	NM
Net gain on litigation settlement	3.15	-	NM

Despite a stronger Malaysia Ringgit, Group revenue grew 11.3% year-on-year to RM113.3 million in the current quarter, bolstered by a 10.6% increase in sales of the Automotive Segment to RM106.9 million. Compared to a year ago, the Malaysia Ringgit averaged 8% and 2% stronger against the US Dollar and the Chinese Yuan (the Group's major export currencies accounting for 86% of total revenue) respectively. Excluding the currency effects, revenue would have shown a year-on-year growth of 18%.

Gross profit rose 26.9% to RM31.2 million. Gross margin increased from 24.1% to 27.5% on currency effects (a stronger Malaysia Ringgit lowered reported revenue without material impact on nominal gross profit in Ringgit term), better cost management and production efficiency improvements.

Sales and general administration expenses rose 13.2% to RM12.4 million. Total R&D expenses however increased 84% to RM8.9 million. The sharp increase in R&D expenses during the quarter was mainly attributable to additional outsourced product stress test qualification for new and existing products in compliance with the more onerous AEC-Q102 specification (as compared to AEC-Q101) issued by the Automotive Electronic Council, or other automotive stress test standards specified by customers e.g. the United States Council for Automotive Research's USCAR 33. To reduce future product qualification expenses, Dominant plans to invest approximately RM5 million in 2H2018 to strengthen its in-house test capabilities.

B1. Operating Segment review (cont'd)

2Q Year-on-Year Earnings Performance Review (cont'd)

Despite higher R&D expenses, pre-tax profit rose 54.1% to RM11.8 million, lifted by a RM3.2 million net gain from the settlement of a civil suit (refer B13 for details) and RM0.7 million forex gain (1Q2017: RM0.4 million forex loss), partially offset by a RM2.4 million inventory write-offs (1Q2017: nil). Net profit increased at a slower pace than pre-tax profit growth at 38.2% to RM9.1 million on higher effective tax rate.

1H year-on-year Earnings Performance Review

	Current Year Period Ended 30 June 2018 (RM mil)	**Preceding Year Period Ended 30 June 2017 (RM mil)**	**% Change**
Revenue			
- Automotive	213.64	210.06	1.7%
- Non-Automotive	12.71	10.07	26.2%
	226.35	**220.13**	**2.8%**
Gross Profit	62.01	54.21	14.4%
Gross margin	***27.4%***	***24.6%***	
Other Income/(Expense)	(1.74)	(4.11)	-57.7%
Distribution expenses	(3.08)	(2.48)	24.2%
Administrative expenses	(21.40)	(20.21)	5.9%
R&D expenses	(13.21)	(10.45)	26.4%
Finance costs	(0.91)	(1.13)	-19.5%
PBT	**21.67**	**15.83**	**36.9%**
Income Tax	(4.89)	(2.19)	123.3%
Net Profit	**16.78**	**13.64**	**23.0%**
Significant other income/expense items			
Foreign exchange loss	(0.91)	(0.17)	435.3%
ESOS	(1.53)	(1.22)	25.4%
Customer compensation	(0.28)	(2.45)	-88.6%
Provision for inventory impairment	(3.70)	(1.57)	135.7%
Profit/(loss) from asset realisation	0.03	(0.71)	NM
Government R&D grant	2.20	2.05	7.3%
Net gain on litigation settlement	3.15	-	NM

When compared to 1H2017, the Group reported a 2.8% growth in revenue to RM226.3 million in 1H2018. During the period, the US Dollar and the Chinese Yuan, which accounted for 86% of revenue, weakened 10% and 3% respectively against the Malaysia Ringgit. Removing the currency effects, revenue would have increased 10% year-on-year.

B1. Operating Segment review (cont'd)

1H year-on-year Earnings Performance Review (cont'd)

Gross margin improved from 24.6% to 27.4% in 1H2018 on the same reasons as explained in 2Q2018 performance review. Consequently, gross profit rose 14.4% to RM62.0million during the six-month period. Sales and general administration expenses increased 7.9% to RM24.5 million. R&D expenses rose 26.4% to RM13.2 million as a result of a significant increase in product stress test qualification expenses in 2Q2018 as explained earlier.

Pre-tax profit rose 36.9% to RM21.7 million mainly on higher gross profit, lower customer compensation (RM0.3 million in 1H2018 versus RM2.5 million in 1H2017) and the recognition of a RM3.2 million net gain from the settlement of a civil suit (refer B13 for details), partially offset by higher forex losses and higher provision for inventory. Net profit rose 23.0% to RM16.8 million.

Changes in key Balance Sheet items during the 6 months period

	As At 30 June 2018 (RM mil)	As At 31 December 2017 (RM mil)	Explanation
Non-Current Assets			
Property, Plant and Equipment	167.1	166.1	Total capital expenditure of RM16.3 million in 1H2018 on equipment purchase for new products, capacity expansion, machine upgrade, plant automation and quality control processes were offset by RM14.4 million depreciation charge and RM0.5 million asset disposal.
Current Assets			
Inventories	124.3	113.3	Inventory increased due to inventory build-up in anticipation of a stronger order book in 2H2018.
Trade Receivables	84.1	101.2	Trade receivable declined RM17.1 million on lower sales revenue in 2Q2018 when compared to 4Q2017.
Current Liabilities			
Trade Payables	84.9	92.0	Trade payable declined RM7.1 million mainly as a result of the civil suit settlement in 2Q2018 (refer note B13).

Cash flow analysis for 6-month period ended 30 June 2018

The Group generated a positive RM26.6 million in after tax cash flow from its operations in 1H2018 (after payment of RM10.1 million to long outstanding trade payable following the settlement of a civil suit as explained in note B13) and raised RM1.1 million from the issuance of new shares arising from the exercise of ESOS. In the same period, the Group spent RM16.3 million on capital expenditure, RM8.2 million on dividends paid to shareholders and minority shareholders of subsidiaries. Net cash position improved from RM5.6 million on 31 December 2017 to RM8.1 million as at 30 June 2018.

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

	Current Year Quarter Ended 30 June 2018 (RM mil)	**Current Year Quarter Ended 31 March 2018 (RM mil)**	**% Change**
Revenue			
- Automotive	106.89	106.75	0.1%
- Non-Automotive	6.37	6.33	0.6%
	113.26	**113.08**	**0.2%**
Gross Profit	31.17	30.84	1.1%
Gross margin	***27.5%***	***27.3%***	
Other Income/(Expense)	2.33	(4.07)	N/A
Distribution expenses	(1.61)	(1.48)	8.8%
Administrative expenses	(10.79)	(10.60)	1.8%
R&D expenses	(8.86)	(4.36)	103.2%
Finance costs	(0.45)	(0.46)	-2.2%
PBT	**11.79**	**9.87**	**19.5%**
Income Tax	(2.67)	(2.22)	20.3%
Net Profit	**9.12**	**7.65**	**19.2%**
Significant other income/expense items			
Foreign exchange gain/(loss)	0.70	(1.60)	NM
ESOS	(0.76)	(0.76)	-
Inventory written off	(2.38)	(1.32)	80.3%
Government R&D grant	2.20	-	NM
Net gain on litigation settlement	3.15	-	NM

Group revenue was flat at RM113.3 million when compared to the preceding quarter (1Q2018: RM113.1 million). There was no material change in the average exchange rates of the Malaysia Ringgit and Dominant's major export currencies between the two periods. Customer demand is typically softer in the second quarter after the festival seasons in the first quarter of the year.

Gross profit margin at 27.5% was stable quarter-on-quarter (20181Q: 27.3%). Consequently, gross profit only rose marginally by 1.1% to RM31.2 million.

Sales and general administration expenses were increased slightly by 2.6% to RM12.4 million. R&D expense doubled to RM8.9 million from RM4.4 million in the first quarter as a result of additional product stress test qualifications as alluded to above.

Despite significantly higher R&D expenses, pre-tax profit rose 19.5% to RM11.8 million (1Q2018: RM9.9 million), lifted by a RM2.2 million government grant, a RM3.2 million net gain from the settlement of a civil suit (refer note B13) and RM0.7 million foreign exchange gain (1Q2018: RM1.6 million loss), partially offset by higher inventory write offs.

B3. Commentary on Prospects

Management expects the second half of this year to be better than the first half, bolstered by seasonality factor and commercialisation of new business wins especially for the exterior automotive lighting applications such as RCL (Rear Combo Light). Geographically, growth is expected to be broad based with expected higher percentage growth achieved for newer markets such as the US and Japan on low base effect.

Capital expenditure in the second half is expected to be about RM38 million, compared to RM16.3 million in the first six months of the year. The expected increase in capital expenditure for the remaining quarters is mainly for the renovation of the new building (approximately RM10 million) and laboratory expansion to strengthen Dominant's in-house test capabilities as alluded to earlier (about RM5 million).

Renovation works at the new factory building next to Dominant's existing plant has started in July 2018 and will be carried out in three phases over a 6-year period from 2018 to 2023 at a total estimated cost of RM40 million (comprising civil and mechanical and electrical works, excluding equipment and machinery cost). Phase 1 of the renovation plan, comprising the office building is expected to be completed by 2Q2019 at a total cost of RM29 million. The completion of the new office building will enable Dominant to free up space in the existing plant for production capacity expansion.

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 June 2018 RM'000	Preceding Year Quarter Ended 30 June 2017 RM'000	Current Year Period Ended 30 June 2018 RM'000	Preceding Year Period Ended 30 June 2017 RM'000
Current tax	2,944	1,050	5,164	1,169
Deferred tax	(275)	-	(275)	1,024
Over provision in prior year	-	(1)	-	(1)
	2,669	1,049	4,889	2,192

Dominant Opto Technologies Sdn Bhd was granted pioneer status incentive under the Promotion of Investment Act 1986 in 2007. The pioneer status expired on 31 March 2017. The effective tax rate for the current quarter was lower than Malaysia statutory tax rate of 24% due to capital allowances.

B6. Borrowings

The Group's borrowings are as follows:

		As at 30 June 2018					
		Long term		**Short term**		**Total borrowings**	
		Foreign denomination **RM'000**	RM denomination **RM'000**	Foreign denomination **RM'000**	RM denomination **RM'000**	Foreign denomination **RM'000**	RM denomination **RM'000**
Secured:	**Exchange rate***						
Hire purchase		-	167	-	104	-	271
Term loan							
-USD	4.04	2,283	-	5,202	-	7,485	-
-EURO	4.70	-	-	3,293	-	3,293	-
-RM		-	4,985	-	1,682	-	6,667
Revolving credit		-	-	-	12,500	-	12,500
Bankers acceptances							
-USD	4.04	-	-	6,045	-	6,045	-
		2,283	5,152	14,540	14,286	16,823	19,438
Sub-total			7,435		28,826		36,261

		As at 31 December 2017					
		Long term		**Short term**		**Total borrowings**	
		Foreign denomination **RM'000**	RM denomination **RM'000**	Foreign denomination **RM'000**	RM denomination **RM'000**	Foreign denomination **RM'000**	RM denomination **RM'000**
Secured:	**Exchange rate***						
Hire purchase		-	219	-	104	-	323
Term loan							
-USD	4.05	4,981	-	5,100	-	10,081	-
-EURO	4.84	-	-	3,391	-	3,391	-
-RM		-	5,827	-	1,656		7,483
Revolving credit		-	-	-	10,000	-	10,000
Unsecured:							
Bankers acceptances							
-USD	4.05	-	-	7,033	-	7,033	-
		4,981	6,046	15,524	11,760	20,505	17,806
Sub-total			11,027		27,284		38,311

*The foreign exchange rate used is expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent for the translation of the foreign currency balances at the end of the reporting period.

B7. Unquoted Investments

Details of investment in unquoted investments are as follows:

Other unquoted investments

	As At 30 June 2018 RM'000	As At 31 December 2017 RM'000
Investment in unquoted shares (outside Malaysia)		
At the beginning of year, at cost	8,374	8,453
Partial disposal of an unquoted shares	(81)	(79)
At the end of the period/year, at cost	8,293	8,374

B8. Earnings per Share

1. *Basic*

	Current Year Quarter Ended 30 June 2018	Preceding Year Quarter Ended 30 June 2017	Current Year Period Ended 30 June 2018	Preceding Year Period Ended 30 June 2017
Continuing operations				
Profit after taxation (RM'000)	9,129	6,605	16,778	13,636
Non-controlling interests (RM'000)	(999)	(2,892)	(3,515)	(4,937)
Profit attributable to Owners of the Company (RM'000)	8,130	3,713	13,263	8,699
Weighted average number of ordinary shares:-				
Issued ordinary shares at 1 January ('000)	1,004,030	989,826	1,004,030	989,826
Effect of new ordinary shares issued under ESOS ('000)	3,979	7,307	3,455	3,965
Effect of new ordinary shares issued under ICPS ('000)	30,078	-	15,161	-
Weighted average number of ordinary shares for the period ('000)	1,038,087	997,133	1,022,646	993,791
Basic earnings per share (sen)	0.78	0.37	1.30	0.88

B8. Earnings per Share (con't)

2. *Diluted*

	Current Year Quarter Ended 30 June 2018	Preceding Year Quarter Ended 30 June 2017	Current Year Period Ended 30 June 2018	Preceding Year Period Ended 30 June 2017
Continuing operations				
Profit attributable to Owners of the Company (RM'000) (as above)	8,130	3,713	13,263	8,699
Weighted average number of ordinary shares for the period ('000) (as above)	1,038,087	997,133	1,022,646	993,791
Weighted average number of shares deemed to have been issued under ESOS at no consideration ('000)	49,625	37,380	49,625	37,380
Weighted average number of shares deemed to have been issued under ICPS at no consideration ('000)	421,090	-	285,617	-
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,508,802	1,034,513	1,357,888	1,031,171
Diluted earnings per share (Sen)	0.54	0.36	0.98	0.84

B9. Detailed Disclosure for Statement of Comprehensive Income

	Current Year Quarter Ended 30 June 2018 RM'000	Preceding Year Quarter Ended 30 June 2017 RM'000	Current Year Period Ended 30 June 2018 RM'000	Preceding Year Period Ended 30 June 2017 RM'000
After crediting:				
Interest income	47	16	67	71
Gain on disposal of unquoted investment	-	-	16	14
Gain on disposal of marketable securities	33	-	33	-
Net fair value gain/(loss) on marketable securities	-	47	(61)	48
After debiting:				
Amortisation of intangible assets	212	212	424	424
Depreciation	7,251	6,745	14,351	13,346
Interest expense	354	437	704	870
Inventories written down	2,538	10	3,884	1,685
Loss on disposal of property, plant and equipment	-	-	503	710
(Gain)/Loss on foreign exchange	(696)	427	907	169
Property, plant and equipment written off	-	-	85	-

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

B10. Corporate Proposals

There was no corporate proposal announced but not completed as at 15 August 2018, the latest practicable 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 15 August 2018, the latest practicable date which is not earlier than 7 days from the date of issue of these financial statements.

B12. Dividend

(a) A final single-tier-tax dividend of 0.5 sen per ordinary share for the financial year ended 31 December 2017 (2016 : NIL) amounting to RM5,194,334.82 was paid on 28 June 2018.

(b) A final single-tier-tax dividend of 0.5 sen per Irredeemable Convertible Preference Shares ("ICPS") for the financial year ended 31 December 2017 (2016 : NIL) amounting to RM2,105,450.82 was paid to ICPS holders on 28 June 2018, based on the terms of the ICPS.

B13. Material Litigation

Melaka High Court Civil Suit No. 22-132-2010
Geepar Enterprise Sdn Bhd ("Plaintiff") vs Dominant Opto Technologies Sdn Bhd ("Defendant")

The retrial of this case was completed on 14 August 2017.

On 30 May 2018, the Melaka High Court delivered judgement in favour of the Plaintiff, Geepar Enterprise Sdn Bhd. The judgement was in the total sum of RM18,964,923.38 inclusive of costs and allocator fees plus interest up to the date of judgement.

Since then, Geepar Enterprise Sdn Bhd has offered to settle the matter with Dominant by agreeing to accept the total sum of RM10,156,000.00 in full and final settlement of the amount payable under the said judgement in return for Dominant agreeing not to appeal against the said judgement. Dominant has accepted the offer and paid the said sum of RM10,156,000.00 on 18 June 2018.

The Melaka High Court judgement and the settlement has resulted in a net gain of RM3,154,116.33 which was recognised in the current quarter ended 30 June 2018. The amount represents the difference between the amount owing to Geepar Enterprise Sdn Bhd of RM13,310,116.33 as recorded in trade payable at 31 December 2017 and the agreed full and final settlement amount of RM10,156,000, including cost.

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 21 August 2018.