

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**  
**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 2019.

**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 2019, except for the adoption of the following Amendments and Annual improvement to Standards that came into effect on 1 January 2020:-

Amendments to MFRS 3: Definition of a Business  
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform  
Amendments to MFRS 101 and MFRS 108: Definition of Material  
Amendments to References to the Conceptual Framework in MFRS Standards

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 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 2020.

**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 2020.

**A7. Dividend**

No dividend has been declared or paid in the current quarter and period ended 30 June 2020.

**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 2020.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

**A9. Debt and Equity Securities**

During the current quarter and period ended 30 June 2020, 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:-

	<b>Issue Price per share</b>	<b>Current Year Quarter Ended 30 June 2020 No of shares</b>	<b>Current Year Period Ended 30 June 2020 No of shares</b>
	<b>RM</b>		
Exercise of ESOS	0.170	550,000	2,920,000
Exercise of ESOS	0.250	-	100,000
Exercise of ESOS	0.280	1,504,500	3,212,100
Exercise of ESOS	0.300	400,000	1,558,000
Exercise of ESOS	0.495	360,000	1,578,000
Exercise of ESOS	0.725	-	195,000
<b>Total</b>		<b>2,814,500</b>	<b>9,563,100</b>

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 period ended 30 June 2020.

**A10. Segmental Information**

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

<b>Current Year Year-To-Date 30 June 2020</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	141,446	46,476	15,438	3,991	207,351
Segment assets	588,837	29,764	2,168	-	620,769
Capital expenditure	18,650	132	-	-	18,782
<b>Preceding Year Year-To-Date 30 June 2019</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	142,629	52,688	24,911	7,863	228,091
Segment assets	517,509	34,439	4,900	-	556,848
Capital expenditure	34,290	8	-	-	34,298

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

There were no changes in the composition of the Group for the current quarter and period ended 30 June 2020 except for:

**Incorporation of a new subsidiary, Dominant Technologies (Taiwan) Co. Ltd.**

The Company had on 13 May 2020 through its 89.79% effective equity interest subsidiary, Dominant Technologies Sdn Bhd ("DTSB"), incorporated a new subsidiary known as, 台湾统明亮科技有限公司 or Dominant Technologies (Taiwan) Co. Ltd ("Dominant Taiwan"). Dominant Taiwan was incorporated in Taiwan, Republic of China under the Taiwan Company Act. The intended business activities of Dominant Taiwan are design, develop and wholesale of integrated circuits chips for LED applications.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

**A12. Capital Commitments**

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

	<b>As at 30 June 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Purchase of property, plant and equipment	<u>23,609</u>	<u>26,524</u>

**A13. Changes in Contingent Liabilities or Contingent Assets**

There were no contingent liabilities or contingent assets as at 30 June 2020.

**A14. Significant Event During the Reporting Period**

There was no significant event during the financial period reported up to 19 August 2020, the latest practicable date which is not earlier than 7 days from the date of issue of these financial statements, except for:

Movement Control Order (“MCO”)

The Malaysia government implemented Movement Control Order (MCO) on 18 March 2020 in response to the Covid-19 pandemic in the country. In conjunction with the MCO, Dominant operated at approximately 20% of its capacity from 21 March 2020 until a new approval was granted on 9 April 2020 from MITI which allowed Dominant to operate at 50% of its installed capacity. Subsequently, Dominant was allowed to operate at full capacity starting from 29 April 2020. The underutilisation of capacity has had significant impact to the Group's revenue as well as costs of production.

**A15. Significant Events After the Reporting Period**

There was no significant event subsequent to the end of the financial period reported up to 19 August 2020, the latest practicable date which is not earlier than 7 days from the date of issue of these financial statements.

**A16. Significant Related Party Transaction**

The Group carried out the following significant transactions with related parties during the current quarter and period ended 30 June 2020.

	<b>Current Year Quarter Ended 30 June 2020 RM'000</b>	<b>Current Year Quarter Ended 30 June 2019 RM'000</b>	<b>Current Year Period Ended 30 June 2020 RM'000</b>	<b>Preceding Year Period Ended 30 June 2019 RM'000</b>
Purchases	26,662	28,772	55,591	53,554
Rental	<u>47</u>	<u>37</u>	<u>94</u>	<u>74</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**  
**PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD**  
**LISTING REQUIREMENTS**

**B1. Operating Segment review**

**2Q Year-on-Year Earnings Performance Review**

	<b>Current Year Quarter Ended 30 June 2020 (RM mil)</b>	<b>Preceding Year Quarter Ended 30 June 2019 (RM mil)</b>	<b>% Change</b>
<b>Revenue</b>			
- Automotive	85.84	113.11	-24.1%
- Non-Automotive	3.32	1.93	72.0%
	<b>89.16</b>	<b>115.04</b>	<b>-22.5%</b>
Gross Profit	21.20	31.26	-32.2%
<i>Gross margin</i>	<b>23.8%</b>	<b>27.2%</b>	
Net Other Expense	(2.55)	(3.24)	-21.3%
Distribution expenses	(0.97)	(1.43)	-32.2%
Administrative expenses	(10.82)	(11.61)	-6.8%
R&D expenses	(5.09)	(6.06)	-16.0%
Finance costs	(0.78)	(0.77)	1.3%
<b>PBT</b>	<b>0.99</b>	<b>8.15</b>	<b>-87.8%</b>
Income Tax	(0.20)	(1.44)	-86.5%
<b>Net Profit</b>	<b>0.79</b>	<b>6.71</b>	<b>-88.1%</b>
<b>Significant other income/(expense) items</b>			
Amortisation	(0.26)	(0.05)	420.0%
Foreign exchange (loss)/gain	(1.29)	0.07	-1,942.9%
ESOS	(0.27)	(1.49)	-81.9%
Inventory impairment	(0.64)	(2.15)	-70.2%

Consolidated revenue for the second quarter ended 30 June 2020 declined 22.5% to RM89.2 million when compared to the preceding year corresponding quarter. Revenue in the current quarter was adversely affected by lower production capacity resulting from the Movement Control Order (MCO) in Malaysia and weaker customer demand as a result of production halts by automotive manufacturers, particularly in Europe, the US and India.

Gross profit declined 32.2% to RM21.2 million, attributable mainly to lower revenue and margin erosion on underutilisation of production capacities during the MCO period. Pre-tax profit declined at a sharper rate of 87.8% to RM0.99 million as a result of slower decline in administrative and R&D expenses, and higher FOREX loss as a result of a weaker Malaysia Ringgit against the US Dollar.

**B1. Operating Segment review (Cont'd)**

**1H Year-on-Year Earnings Performance Review**

	<b>Current Year Period Ended 30 June 2020 (RM mil)</b>	<b>Preceding Year Period Ended 30 June 2019 (RM mil)</b>	<b>% Change</b>
<b>Revenue</b>			
- Automotive	201.30	222.76	-9.6%
- Non-Automotive	6.05	5.33	13.5%
	<b>207.35</b>	<b>228.09</b>	<b>-9.1%</b>
Gross Profit	51.42	61.80	-16.8%
<i>Gross margin</i>	<b>24.8%</b>	<b>27.1%</b>	
Net Other Expense	(6.42)	(5.22)	23.0%
Distribution expenses	(2.77)	(3.15)	-12.1%
Administrative expenses	(23.95)	(23.53)	1.8%
R&D expenses	(10.13)	(12.01)	-15.7%
Finance costs	(1.68)	(1.49)	12.8%
<b>PBT</b>	<b>6.47</b>	<b>16.40</b>	<b>-60.5%</b>
Income Tax	(1.31)	(2.91)	-55.0%
<b>Net Profit</b>	<b>5.16</b>	<b>13.49</b>	<b>-61.7%</b>
<b>Significant other income/(expense) items</b>			
Amortisation	(0.53)	(0.11)	381.8%
Foreign exchange (loss)/gain	(2.99)	0.58	-615.5%
ESOS	(0.54)	(2.97)	-81.8%
Inventory impairment	(2.00)	(3.37)	-40.7%

When compared to 1H2019, the Group reported a 9.1% decline in revenue to RM207.4 million in 1H2020. The decline in revenue during the period was attributable to lower sales revenue in the 2Q2020 resulting from the MCO in Malaysia and production halts of automotive manufacturers in key markets in response to the Covid-19 pandemic.

Gross margin declined from 27.1% in 1H2019 to 24.8% in 1H2020 on lower plant capacity utilisation in the 1H2020 as a result of the MCO in Malaysia. Consequently, gross profit declined 16.8% to RM51.42 million during the six-month period.

Sales and general administration expenses were stable year-on-year at RM26.7 million. R&D expenses came in 15.7% lower on fewer outsourcing of product reliability testing. The other net expenses increased 23% to RM6.42 million mainly attributable to unrealised FOREX loss resulting from revaluation of US Dollar denominated liabilities on a weaker Ringgit, partially offset by lower ESOS expense.

Pre-tax profit declined 60.5% to RM6.47 million mainly on lower gross profit and higher net other expenses and finance cost.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

**B1. Operating Segment review (Cont'd)**

**Changes in key Balance Sheet items during the 3-months period**

	<b>As At 30 June 2020 (RM mil)</b>	<b>As At 31 December 2019 (RM mil)</b>	<b>Explanation</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	222.10	222.16	No major change due to RM18.8 million depreciation charge for the period was offset by RM18.8 million CAPEX on tools and equipment for new product lines, machinery upgrades, plant automation, QC improvements and construction of new factory.
<b>Current Assets</b>			
Inventories	173.74	151.64	Increase in minimum stock level (“MSL”) holding for key raw materials to lower the risk of supply interruptions during the Covid-19 pandemic and build up of inventory in anticipation of a stronger order book in 2H2020
Trade Receivables	76.53	117.24	Decrease was due to lower revenue in 2Q2020 when compared to 4Q2019.
<b>Current Liabilities</b>			
Trade Payables	85.43	113.93	Decrease was in line with lower purchases in accordance to production loading.

**Cash flow analysis for 6-month period ended 30 June 2020**

The Group generated a positive RM13.4 million in after tax cash flow from its operations in 1H2020 and raised RM2.8 million from the issuance of new shares arising from the exercise of ESOS. In the same period, the Group spent RM18.8 million on capital expenditure. Consequently, the Group’s net debt position increased from RM37.4 million on 31 December 2019 to RM41.4 million as at 30 June 2020.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

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

	<b>Current Year Quarter Ended 30 June 2020 (RM mil)</b>	<b>Preceding Year Quarter Ended 31 March 2020 (RM mil)</b>	<b>% Change</b>
<b>Revenue</b>			
- Automotive	85.84	115.47	-25.7%
- Non-Automotive	3.32	2.72	22.1%
	<b>89.16</b>	<b>118.19</b>	<b>-24.6%</b>
Gross Profit	21.20	30.22	-29.8%
<i>Gross margin</i>	<b>23.8%</b>	<b>25.6%</b>	
Net Other Expense	(2.55)	(3.86)	-33.9%
Distribution expenses	(0.97)	(1.80)	-46.1%
Administrative expenses	(10.82)	(13.13)	-17.6%
R&D expenses	(5.09)	(5.04)	1.0%
Finance costs	(0.78)	(0.90)	-13.3%
<b>PBT</b>	<b>0.99</b>	<b>5.49</b>	<b>-82.0%</b>
Income Tax	(0.20)	(1.12)	-82.6%
<b>Net Profit</b>	<b>0.79</b>	<b>4.37</b>	<b>-81.8%</b>
<b>Significant other income/(expense) items</b>			
Amortisation	(0.26)	(0.26)	-
Foreign exchange loss	(1.29)	(1.70)	-24.1%
ESOS	(0.27)	(0.27)	-
Inventories impairment	(0.64)	(1.36)	-52.9%

Revenue in the current quarter declined 24.6% sequentially to RM89.16 million from RM118.19 million in the preceding quarter on a 25.7% decrease in the sales of automotive LED. Compared to the previous quarter, the current quarter automotive order was adversely affected by the MCO in Malaysia and production halts by global automotive manufacturers.

Gross profit declined 29.8% to RM21.20 million as a result of slower revenue and gross margin compression on lower production capacity underutilisation. Pre-tax profit fell 82% to RM0.99 million on lower gross profit and slower decline in operating expenses.

**B3. Commentary on Prospects**

Revenue has recovered strongly to pre-pandemic levels in June, underpinned mainly by robust demand growth in China and gradual recovery of global automotive sales, especially in Europe. We expect the sequential growth momentum to continue in the remaining two quarters of this year, buoyed by higher seasonal demand and expected continuous recovery in the global automotive industry.

Capacity expansion is back on track following a three-month suspension (1H2020 CAPEX of RM18.8 million was 45% lower than RM34.3 million in the same period last year) to cope with anticipated demand growth moving forward.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

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

Management has also made use of the lull period in the 2Q2020 to embark on a major operational and headcount review with the aim of sharpening the Group's long-term competitive edge through process efficacy enhancement, better human resource planning and other cost reduction initiatives. We believe these efforts would start to show results from 3Q2020 and onwards in the form of margin improvements.

Barring unforeseen circumstances, we expect the second half performance to be significantly better than the first.

**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 30 June 2020</b>	<b>Current Year Quarter Ended 30 June 2019</b>	<b>Current Year Period Ended 30 June 2020 RM'000</b>	<b>Preceding Year Period Ended 30 June 2019 RM'000</b>
Current tax	140	1,231	3,022	2,701
Deferred tax	55	207	(1,707)	207
	<u>195</u>	<u>1,438</u>	<u>1,315</u>	<u>2,908</u>

The effective tax rate for the current quarter was lower than the Malaysia statutory tax rate of 24% due to capital allowances and reinvestment allowance.

**B6. Unquoted Investments**

Details of investment in unquoted investments are as follows:

Other unquoted investments

	<b>As At 30 June 2020 RM'000</b>	<b>As At 31 December 2019 RM'000</b>
Investment in unquoted shares (outside Malaysia)		
At the beginning of year, at fair value	-	5,123
Fair value adjustment	-	(5,123)
At the end of the period, at fair value	<u>-</u>	<u>-</u>



**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

**B7. Borrowings**

The Group's borrowings are as follows:

	Exchange rate*	As at 30 June 2020					
		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
<b>Secured:</b>							
<i>Term loan</i>							
-USD	4.28	21,192	-	26,810	-	48,002	-
-EURO	4.80	-	-	3,363	-	3,363	-
-RM	-	-	18,596	-	6,853	-	25,449
<i>Revolving credit</i>							
Bankers acceptances							
-USD	4.28	-	-	33,450	-	33,450	-
Sub-total		21,192	18,596	63,623	8,853	84,815	27,449
			<u>39,788</u>		<u>72,476</u>		<u>112,264</u>
As at 31 December 2019							
	Exchange rate*	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
<b>Secured:</b>							
<i>Term loan</i>							
-USD	4.09	22,342	-	26,781	-	49,123	-
-EURO	4.59	-	-	3,213	-	3,213	-
-RM	-	-	15,007	-	6,835	-	21,842
<i>Revolving credit</i>							
Bankers acceptances							
-USD	4.09	-	-	22,931	-	22,931	-
Sub-total		22,342	15,007	52,925	8,835	75,267	23,842
			<u>37,349</u>		<u>61,760</u>		<u>99,109</u>

\*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.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

**B8. Earnings per Share**

*1. Basic*

	<b>Current Year Quarter Ended 30 June 2020</b>	<b>Preceding Year Quarter Ended 30 June 2019</b>	<b>Current Year Period Ended 30 June 2020</b>	<b>Preceding Year Period Ended 30 June 2019</b>
<b>Continuing operations</b>				
Profit after taxation (RM'000)	788	6,713	5,159	13,495
Non-controlling interests (RM'000)	(102)	(747)	(559)	(1,490)
Profit attributable to Owners of the Company (RM'000)	686	5,966	4,600	12,005
Dividend on ICPS (RM'000)	-	(1,885)	-	(1,885)
	<u>686</u>	<u>4,081</u>	<u>4,600</u>	<u>10,120</u>
Weighted average number of ordinary shares:-				
Issued ordinary shares at 1 January ('000)	1,119,001	1,102,434	1,119,001	1,102,434
Effect of new ordinary shares issued under ESOS ('000)	8,304	5,575	6,758	4,205
Weighted average number of ordinary shares for the period (‘000)	<u>1,127,305</u>	<u>1,108,009</u>	<u>1,125,759</u>	<u>1,106,639</u>
Basic earnings per share (sen)	<u>0.06</u>	<u>0.37</u>	<u>0.41</u>	<u>0.91</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

**B8. Earnings per Share (Cont'd)**

2. *Diluted*

	<b>Current Year Quarter Ended 30 June 2020</b>	<b>Preceding Year Quarter Ended 30 June 2019</b>	<b>Current Year Period Ended 30 June 2020</b>	<b>Preceding Year Period Ended 30 June 2019</b>
<b>Continuing operations</b>				
Profit attributable to Owners of the Company (RM'000) (as above)	686	5,966	4,600	12,005
Weighted average number of ordinary shares for the period ('000) (as above)	1,127,305	1,108,009	1,125,759	1,106,639
Weighted average number of shares deemed to have been issued under ESOS at no consideration ('000)	21,436	36,235	21,436	36,235
Weighted average number of shares deemed to have been issued under ICPS at no consideration ('000)	377,074	377,074	377,074	377,074
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,525,815	1,521,318	1,524,269	1,519,948
Diluted earnings per share (Sen)	0.05	0.39	0.30	0.79

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

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

	<b>Current Year Quarter Ended 30 June 2020 RM'000</b>	<b>Preceding Year Quarter Ended 30 June 2019 RM'000</b>	<b>Current Year Period Ended 30 June 2020 RM'000</b>	<b>Preceding Year Period Ended 30 June 2019 RM'000</b>
<b>After crediting:</b>				
Interest income	129	96	279	119
<b>After debiting:</b>				
Amortisation of intangible assets	265	54	529	108
Depreciation	9,201	9,283	18,773	17,172
Depreciation on right-of-use assets	283	159	563	353
Interest expense	711	637	1,522	1,205
Interest expense on lease liabilities	6	10	20	25
Inventories written down	641	2,150	1,998	3,374
Loss on disposal of property, plant and equipment	-	1	-	1
Loss/(Gain) on foreign exchange	1,289	(77)	2,991	(575)
Property, plant and equipment written off	58	48	109	127

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

- a) gain or loss on disposal of quoted investments; and
- b) gain or loss on marketable securities

**B10. Corporate Proposals**

There was no corporate proposal announced but not completed as at 19 August 2020, 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 19 August 2020, the latest practicable date which is not earlier than 7 days from the date of issue of these financial statements.

**B12. Material Litigation**

The Group is not involved in any material litigation as at the date of this report.

**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 August 2020.