

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024
PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

These condensed consolidated 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 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. This interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2023.

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 2023, except for the adoption of the following Amendments and Annual improvement to Standards that came into effect for periods beginning on or after 1 January 2024:-

- Amendments to MFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101: Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101: Non-current Liabilities with Covenants
- Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangement

The initial adoption of the above does not have any material financial impact to the financial statements of the Group.

The following Standards have been 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: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

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 31 March 2024.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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 31 March 2024.

A7. Dividend

The dividend paid during the quarter and period ended 31 March 2024 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 31 March 2024.

A9. Debt and Equity Securities

During the current quarter and period ended 31 March 2024, 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	Current Year Quarter/Period Ended 31 March 2024 No of shares
	RM	
Exercise of ESOS	3.49	1,000
Exercise of ESOS	3.27	2,300
Total		<u>3,300</u>

The new ordinary shares ranked 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 31 March 2024.

A10. Segmental Information

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

Current Year Year-To-Date 31 March 2024	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
Revenue	166,744	86,541	16,868	3,585	273,738
Segment assets	1,689,937	106,970	2,320	-	1,799,227
Capital expenditure	<u>34,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,888</u>
Preceding Year Year-To-Date 31 March 2023	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
Revenue	137,464	59,310	14,298	3,651	214,723
Segment assets	1,564,710	91,646	1,877	-	1,658,233
Capital expenditure	<u>29,214</u>	<u>132</u>	<u>-</u>	<u>-</u>	<u>29,346</u>

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 31 March 2024.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

A12. Capital Commitments

As at 31 March 2024, the Group has the following capital commitments:

	As at 31 March 2024 RM'000
Property, plant and equipment	
Approved and contracted for	<u>52,959</u>

A13. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at 31 March 2024.

A14. Significant Events During the Reporting Period

There was no significant event during the current quarter and period ended 31 March 2024.

A15. Significant Events After the Reporting Period

There was no significant event subsequent to the end of the financial period reported up to 21 May 2024.

A16. Significant Related Party Transaction

The Group carried out the following significant transactions with related parties during the current quarter and period ended 31 March 2024.

	Current Year Quarter Ended 31 March 2024 RM'000	Preceding Year Quarter Ended 31 March 2023 RM'000
Purchases	83,749	61,248
Rental	<u>47</u>	<u>57</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024
PART B: ADDITIONAL DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA
MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

B1. Operating Segment review

1Q Year-on-Year Earnings Performance Review

	Current Year	Preceding Year	
	Quarter Ended	Quarter Ended	
	31 March 2024	31 March 2023	% Change
	(RM mil)	(RM mil)	
Revenue			
- Automotive	267.59	210.55	27.1%
- Non-Automotive	6.15	4.17	47.5%
	273.74	214.72	27.5%
Gross Profit	57.57	33.87	70.0%
<i>Gross margin</i>	21.0%	15.8%	
Net other expense	(8.49)	(1.99)	326.6%
Distribution expenses	(4.32)	(4.27)	1.2%
Administrative expenses	(16.65)	(15.74)	5.8%
R&D expenses	(8.82)	(8.74)	0.9%
Finance costs	(5.85)	(4.33)	35.1%
Share of results of Joint Venture	#	#	
PBT/(LBT)	13.44	(1.20)	1219%
Income Tax	(1.02)	1.83	-156%
Net Profit	12.42	0.63	1874%
<i># - Amount less than RM10,000</i>			
Significant other (expense)/income items			
Loss on foreign exchange	(5.74)	(0.18)	3089%
Gain on derivatives	3.82	0.08	4675%
Interest income	1.88	2.55	-26%
Inventory impairment	(4.00)	(4.27)	-6%
Customer compensation	(1.40)	(0.81)	73%
Amortisation	(1.55)	(0.41)	278%
Impairment losses on trade receivables	(2.05)	-	NM

The global automobile sales market experienced a robust start in the first quarter of 2024, with sales reaching 20.15 million units, marking a 3% increase compared to the same quarter in the previous year. The Group's performance outpaced global car sales growth, with year-on-year revenue surging by 27.5% (RM59.02 million), bringing total revenue to RM273.74 million.

Higher capacity utilisation, coupled with better cost management and productivity improvements pushed gross margin up by 5.2% to 21.0% and gross profit rose 70% to RM57.57 million.

In the current quarter under review, the Group incurred a net other expenses of RM8.49 million (1Q2023:RM1.99 million). This was primarily driven by higher loss on foreign exchange, impairment losses on trade receivables, amortisation and customer compensation, partially offset by gains on derivatives from currency hedging contracts.

Driven by higher revenue, the Group's pre-tax result swung from a loss of RM1.2 million in the corresponding period last year to a profit of RM13.4 million in the current quarter under review.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

B1. Operating Segment review (Cont'd)

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

	As At 31 March 2024 (RM mil)	As At 31 December 2023 (RM mil)	Explanation
Non-Current Assets			
Property, Plant and Equipment	529.71	514.67	The increase was due to RM34.9 million Capex spent on tools and equipment for new product lines, machinery upgrades, plant automation and QC improvements partially offset by RM19.8 million depreciation charge.
Current Assets			
Inventories	615.20	579.00	The rise in inventories was primarily attributed to the buildup in preparation for the Hari Raya holiday production shutdown and a strategic decision to increase IC chip inventory to mitigate supply chain disruption risks.
Trade Receivables	248.02	270.58	Trade receivable is stable and within normal range of credit terms.
Current Liabilities			
Trade Payables	309.02	291.14	The increase in trade payable is primarily attributed to an increase in raw material purchases to support 1Q2024 production loading and also due to foreign currencies exchange.

Cash flow analysis for 3-month period ended 31 March 2024

The Group achieved a positive cash flow of RM28 million from its operating activities for the period ended 31 March 2024 (1Q2023:RM2 million). The cash flow position has improved consistently quarter by quarter over the past few quarters. Management is dedicated to sustaining this positive trend by enforcing tighter controls over spending.

In the current period, the Group spent RM34.9 million on capital expenditure and RM4.85 million on dividend payments to shareholders of the Company. The cash outflow from investing activities were primarily financed by cashflow from operations and new banking facilities. The Group's balance sheet remains healthy with the net gearing ratio at 26% at the end of 1Q2024.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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

	Current Year Quarter Ended 31 March 2024	Current Year Quarter Ended 31 December 2023	% Change
	(RM mil)		
Revenue			
- Automotive	267.59	301.40	-11.2%
- Non-Automotive	6.15	8.57	-28.2%
	273.74	309.97	-11.7%
Gross Profit	57.57	81.19	-29.1%
<i>Gross margin</i>	21.0%	26.2%	
Net other expense	(8.49)	(14.60)	-41.8%
Distribution expenses	(4.32)	(6.74)	-35.9%
Administrative expenses	(16.65)	(17.10)	-2.6%
R&D expenses	(8.82)	(8.30)	6.3%
Finance costs	(5.85)	(6.00)	-2.5%
Share of results of Joint Venture	#	#	
PBT	13.44	28.45	-52.8%
Income Tax	(1.02)	(1.64)	-37.8%
Net Profit	12.42	26.81	-53.7%

- Amount less than RM10,000

Significant other income/(expense) items

(Loss)/Gain on foreign exchange	(5.74)	3.12	-284%
Gain/(Loss) on derivatives	3.82	(2.19)	274%
Inventory impairment	(4.00)	(12.07)	-244%
Interest income	1.88	2.77	-116%
Customer compensation	(1.40)	(3.26)	-57%
ESOS	-	(0.94)	NM
Amortisation	(1.55)	(1.24)	25%
Impairment losses on trade receivables	(2.05)	(1.24)	65%

The first quarter is typically the weakest quarter in any given calendar year due mainly to a shorter operating period resulting from the Lunar New Year holidays and seasonal decline in demand for cars. Consequently, the Group's turnover registered a 11.7% decline quarter-on-quarter to RM273.74 million.

The Group's gross profit margin for the current quarter was 21.0% (4Q2023: 26.2%) as a result of lower capacity utilisation. This resulted in a pre-tax profit of RM13.44 million, as compared to a pre-tax profit of RM28.45 million in the previous quarter.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

B3. Commentary on Prospects

Contrary to the usual sales drop-off at the beginning of a year, it was encouraging to see the strong global car sales momentum in the previous quarter continue in the first quarter of 2024, with sales reaching 20.15 million units, marking a 3% year-on-year increase as compared to the previous year corresponding period. Chinese car manufacturers performed exceptionally well, capturing 32% of global market share and demonstrating strong international competitiveness.

According to the most recent MarketandMarkets article, the combined global passengers and commercial vehicle sales are projected at 95 million units in 2024, representing a 3% increase over 2023's 92 million units.

With the rise in global car sales and the increasing use of LEDs in new car designs, driven by the pursuit of enhanced safety features, aesthetic appeal and comfort, the outlook for the automotive LED industry remains positive. D&O is strategically positioned to capitalise on this trend, given its extensive product portfolio and ready capacity. Barring any unforeseen circumstances, the Group remains optimistic of achieving double digit revenue growth in 2024.

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 March 2024 RM'000	Preceding Year Quarter Ended 31 March 2023 RM'000
Current tax	1,208	181
Deferred tax	(189)	(2,010)
	<u>1,019</u>	<u>(1,829)</u>

The effective tax rate for the current quarter and period ended 31 March 2024 was lower than the Malaysian statutory tax rate of 24% mainly due to the potential tax credit arising from unutilised capital allowance and reinvestment allowance from capital expenditure investment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

B6. Borrowings

The Group's borrowings are as follows:

	← As at 31 March 2024 (Unaudited) →				
	← Denominated in →				
	RM RM'000	USD RM'000	Euro RM'000	RMB RM'000	Total RM'000
<u>Current</u>					
<u>Secured</u>					
-Term loans	18,732	63,198	-	-	81,930
-Revolving credits	40,700	-	-	41,329	82,029
-Bankers' acceptances	61,822	-	19,465	90,138	171,425
-Hire purchase	160	-	-	-	160
Total current borrowings	<u>121,414</u>	<u>63,198</u>	<u>19,465</u>	<u>131,467</u>	<u>335,544</u>
<u>Non-current</u>					
<u>Secured</u>					
-Term loans	65,415	60,895	-	-	126,310
-Revolving credits	10,000	-	-	-	10,000
-Hire purchase	503	-	-	-	503
Total non-current borrowings	<u>75,918</u>	<u>60,895</u>	<u>-</u>	<u>-</u>	<u>136,813</u>
Total borrowings	<u>197,332</u>	<u>124,093</u>	<u>19,465</u>	<u>131,467</u>	<u>472,357</u>
Exchange rate*	-	4.72	5.09	0.65	-
	← As at 31 December 2023 (Audited) →				
	← Denominated in →				
	RM RM'000	USD RM'000	Euro RM'000	RMB RM'000	Total RM'000
<u>Current</u>					
<u>Secured</u>					
-Term loans	19,116	61,414	-	-	80,530
-Revolving credits	41,600	-	-	49,877	91,477
-Bankers' acceptances	66,500	-	13,332	77,173	157,005
-Hire purchase	60	-	-	-	60
Total current borrowings	<u>127,276</u>	<u>61,414</u>	<u>13,332</u>	<u>127,050</u>	<u>329,072</u>
<u>Non-current</u>					
<u>Secured</u>					
-Term loans	62,609	74,734	-	-	137,343
-Hire purchase	145	-	-	-	145
Total non-current borrowings	<u>62,754</u>	<u>74,734</u>	<u>-</u>	<u>-</u>	<u>137,488</u>
Total borrowings	<u>190,030</u>	<u>136,148</u>	<u>13,332</u>	<u>127,050</u>	<u>466,560</u>
Exchange rate*	-	4.59	5.08	0.65	-

*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 FIRST QUARTER ENDED 31 MARCH 2024

B7. Earnings per Share

1. Basic

	Current Year Quarter Ended 31 March 2024	Preceding Year Quarter Ended 31 March 2023
Continuing operations		
Profit after taxation (RM'000)	12,426	626
Non-controlling interests (RM'000)	(1,150)	237
Profit attributable to Owners of the Company (RM'000)	11,276	863
Dividends on ICPS (RM'000)	(1,131)	-
	<u>10,145</u>	<u>863</u>
Weighted average number of ordinary shares:-		
Issued ordinary shares at 1 January ('000)	1,238,291	1,237,261
Effect of new ordinary shares issued under ESOS ('000)	2	312
Weighted average number of ordinary shares for the period ('000)	<u>1,238,293</u>	<u>1,237,573</u>
Basic earnings per share (sen)	<u>0.82</u>	<u>0.07</u>

2. Diluted

	Current Year Quarter Ended 31 March 2024	Preceding Year Quarter Ended 31 March 2023
Continuing operations		
Profit attributable to Owners of the Company (RM'000) (as above)	11,276	863
Weighted average number of ordinary shares for the period ('000) (as above)		
	1,238,293	1,237,573
Weighted average number of shares deemed to have been issued under ESOS at no consideration ('000)	534	289
Weighted average number of shares deemed to have been issued under ICPS at no consideration ('000)	377,074	377,074
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	<u>1,615,901</u>	<u>1,614,936</u>
Diluted earnings per share (Sen)	<u>0.70</u>	<u>0.05</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2024

B8. Detailed Disclosure for Statement of Comprehensive Income

	Current Year Quarter Ended 31 March 2024 RM'000	Preceding Year Quarter Ended 31 March 2023 RM'000
After crediting:		
Interest income	1,876	2,554
Fair value gain on derivatives	3,820	78
After debiting:		
Amortisation of intangible assets	1,549	409
Depreciation	19,844	18,157
Depreciation on right-of-use assets	269	289
Impairment losses on trade receivables	2,048	-
Interest expense	5,736	4,203
Interest expense on lease liabilities	12	10
Inventories written down	3,996	4,266
Property, plant and equipment written off	-	1
Loss on foreign exchange	5,741	182

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

B9. Derivatives

As at 31 March 2024, the contract amount, fair value and maturity tenor of the outstanding forward foreign currency contracts are as follows:

	As At 31 March 2024	
	Contract/ Nominal Amount	Fair Value of the Statement of Financial Position Asset/(Liability)
	RM'000	RM'000
Forward Foreign Currency Contracts – Less than 1 year	268,316	3,037

The Group entered into forward foreign currency contracts to hedge against its future receipt of trade receivable denominated in Euro, US Dollar and RMB. The settlement dates of the outstanding forward foreign currency contracts at the end of the reporting period range between 1 and 9 months.

There is no significant change in the credit risk, market risk and liquidity risk associated with the derivatives, the cash requirements of the derivatives and the risk management objectives and policies on financial derivatives since the previous financial year ended 31 December 2023.

B10. Corporate Proposals

There was no corporate proposal announced before the end of period but not completed as at 21 May 2024, the latest practicable 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 FIRST QUARTER ENDED 31 MARCH 2024

B11. Status of Utilisation of Proceeds

The Company received proceeds from the Private Placement of RM216,370,000 from the issuance of 38,500,000 D&O Shares at the issue price of RM5.62 per Placement Shares. The proceeds have been utilised in the following manner as at 31 March 2024:

Details	Proposed Utilisation RM'000	Proposed Utilisation (Revised) RM'000 (Note 1)	Actual Utilisation RM'000	Unutilised Proceeds RM'000	Intended timeframe of utilisation from the listing date of the Placement Shares (1.12.2021)
1. Capital expenditure	202,985	214,008	892	213,116	Within 4 years
2. Estimated expenses relating to the Proposed Private Placement	2,220	2,362	2,362	-	
	205,205	216,370	3,254	213,116	

(Note 1)

Revised following the actual receipt of proceeds of RM216,370,000

The unutilised funds have been placed in interest bearing deposits with licensed financial institution and short term money market instruments.

B12. Dividend

(a) Ordinary Share

An interim dividend of 0.30 sen per ordinary share for the financial year ended 31 December 2023 was paid on 29 March 2024.

(b) Irredeemable Convertible Preference Shares ("ICPS")

An interim dividend of 0.30 sen per ICPS for the financial year ended 31 December 2023 was paid on 29 March 2024.

(c) Total dividend declared

No dividend has been declared during the quarter and period ended 31 March 2024.

B13. Material Litigation

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

B14. Authorisation for Issue

The Board of Directors of D&O approved this interim financial report announcement to the Bursa Securities at the Board meeting held on 27 May 2024.