

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 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 30 June 2024.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 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 30 June 2024.

A7. Dividend

The dividend paid during the quarter and period ended 30 June 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 30 June 2024.

A9. Debt and Equity Securities

During the current quarter and period ended 30 June 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 Ended 30 June 2024 No of shares	Current Year Period Ended 30 June 2024 No of shares
	RM		
Exercise of ESOS	3.49	1,080,600	1,081,600
Exercise of ESOS	3.27	84,600	86,900
Total		1,165,200	1,168,500

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 30 June 2024.

A10. Segmental Information

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

Current Year Year-To-Date 30 June 2024	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
Revenue	340,151	161,391	30,504	7,326	539,372
Segment assets	1,656,925	110,206	2,202	-	1,769,333
Capital expenditure	70,672	-	-	-	70,672
Preceding Year Year-To-Date 30 June 2023	Asia RM'000	Europe RM'000	USA RM'000	Others RM'000	Group RM'000
Revenue	279,125	115,638	32,880	7,049	434,692
Segment assets	1,585,627	102,299	2,218	-	1,690,144
Capital expenditure	53,011	152	-	-	53,163

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 2024.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2024

A12. Capital Commitments

As at 30 June 2024, the Group has the following capital commitments:

	As at 30 June 2024 RM'000
Property, plant and equipment	
Approved and contracted for	<u>44,562</u>

A13. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets as at 30 June 2024.

A14. Significant Events During the Reporting Period

There was no significant event during the current quarter and period ended 30 June 2024.

A15. Significant Event After the Reporting Period

There was no significant event subsequent to the end of the financial period reported up to 17 August 2024.

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 2024.

	Current Year Quarter Ended 30 June 2024 RM'000	Preceding Year Quarter Ended 30 June 2023 RM'000	Current Year Period Ended 30 June 2024 RM'000	Preceding Year Period Ended 30 June 2023 RM'000
Purchases	63,280	59,084	147,029	120,333
Rental	<u>46</u>	<u>58</u>	<u>93</u>	<u>115</u>

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

2Q Year-on-Year Earnings Performance Review

	Current Year	Preceding Year	
	Quarter Ended	Quarter Ended	
	30 June 2024	30 June 2023	% Change
	(RM mil)	(RM mil)	
Revenue			
- Automotive	261.08	216.43	20.6%
- Non-Automotive	4.55	3.54	28.5%
	265.63	219.97	20.8%
Gross Profit	52.05	35.66	46%
<i>Gross margin</i>	19.6%	16.2%	
Net other expense	(7.32)	(3.31)	121.1%
Distribution expenses	(5.89)	(2.95)	99.7%
Administrative expenses	(16.13)	(14.97)	7.8%
R&D expenses	(8.25)	(8.40)	-1.8%
Finance costs	(5.83)	(5.28)	10.4%
Share of results of Joint Venture	#	#	
PBT	8.63	0.75	1050%
Income Tax	(0.60)	(0.30)	100%
Net Profit	8.03	0.45	1684%
<i># - Amount less than RM10,000</i>			
Significant other (expense)/income items			
Loss on foreign exchange	(1.09)	(1.64)	-34%
(Loss)/Gain on derivatives	(0.69)	1.63	-142%
Interest income	1.97	2.05	-4%
Inventory impairment	(0.44)	(2.98)	-85%
Customer compensation	(4.82)	(1.87)	158%
Amortisation	(1.87)	(0.26)	619%

Despite the global automobile sales experienced a negative growth of 2% compared to 2Q2023, the Group's revenue grew 20.8% year-on-year to RM265.63 million, underpinned by a 20.6% growth in the Automotive Segment. The improvement was primarily due to new design wins, particularly in Smart LED ambient lighting, rear combination lamp, and headlamp applications.

Higher capacity utilisation, coupled with better cost management and productivity improvements led to gross margin improvement by 3.4% to 19.6% and gross profit uptake by 46% to RM52.05 million.

In the current quarter under review, the Group incurred net other expenses of RM7.32 million (2Q2023:RM3.31 million). This was primarily driven by higher amortisation and customer compensation for defects on certain new products shipped at the end of 2022 which has since been rectified.

Driven by higher revenue, the Group's pre-tax result improved from a profit of RM0.75 million in the corresponding period last year to a profit of RM8.63 million in the current quarter under review.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2024

B1. Operating Segment review (Cont'd)

1H Year-on-Year Earnings Performance Review

	Current Year Period Ended 30 June 2024 (RM mil)	Preceding Year Period Ended 30 June 2023 (RM mil)	% Change
Revenue			
- Automotive	528.67	426.98	23.8%
- Non-Automotive	10.7	7.71	38.8%
	539.37	434.69	24.1%
Gross Profit	109.62	69.53	57.7%
<i>Gross margin</i>	20.3%	16.0%	
Net other expense	(15.80)	(5.30)	198.1%
Distribution expenses	(10.21)	(7.22)	41.4%
Administrative expenses	(32.78)	(30.71)	6.7%
R&D expenses	(17.07)	(17.14)	-0.4%
Finance costs	(11.68)	(9.61)	21.5%
Share of results of Joint Venture	#	#	
PBT/(LBT)	22.08	(0.45)	5007%
Income Tax	(1.62)	1.53	-206%
Net Profit	20.46	1.08	1794%
<i># - Amount less than RM10,000</i>			
Significant other (expense)/income items			
Loss on foreign exchange	(6.83)	(1.82)	275%
Gain on derivatives	3.14	1.71	84%
Inventory impairment	(4.44)	(7.25)	-39%
Interest income	3.85	4.60	-16%
Customer compensation	(6.22)	(2.68)	132%
Amortisation	(3.42)	(0.53)	545%
Impairment losses on trade receivables	(2.05)	-	-

For the 6-month period ended 30 June 2024, the Group achieved a revenue growth of 24.1% to RM539.37 million, fueled by a 23.8% increase in automotive LED sales. The performance was achieved despite a slower global new car sales growth of about 1% in 1H2024 compared to 1H2023 due to new design wins as explained above.

Gross profit margin for the 6-month period stood at 20.3%, a 4.3 percentage point improvement from 16.0% registered in the same period last year. The margin improvement was achieved on the back of higher capacity utilisation, coupled with better cost management and productivity improvements. Consequently, gross profit rose 57.7% to RM109.62 million.

The Group incurred net other expenses of RM15.80 million (1H2023: RM5.30 million) in the first half of 2024. This was primarily due to higher loss on foreign exchange, impairment losses on trade receivables, customer compensation and amortisation, 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 RM0.45 million in the corresponding period last year to a profit of RM22.08 million in the first half of current year under review.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2024

B1. Operating Segment review (Cont'd)

Changes in key Balance Sheet items during the 6-months period

	As At	As At	
	30 June 2024	31 December 2023	Explanation
	(RM mil)	(RM mil)	
Non-Current Assets			
Property, Plant and Equipment	545.23	514.67	The increase was due to RM70.7 million Capex spent on tools and equipment for new product lines, machinery upgrades, plant automation and QC improvements partially offset by RM40.6 million depreciation charge.
Current Assets			
Inventories	599.71	579.00	The rise in inventories was primarily attributed to production loading to meet current demand and preparation for future orders, and a strategic decision to increase IC chip inventory to reduce supply chain interruption risks.
Trade Receivables	231.31	270.58	Trade receivable is stable and within normal range of credit terms.
Current Liabilities			
Trade Payables	266.24	291.14	The decrease in trade payable is primarily attributed to effective control of overall spending, including raw material purchases.

Cash flow analysis for 6-month period ended 30 June 2024

The Group achieved a positive cash flow of RM46 million from its operating activities for the period ended 30 June 2024 (1H2023: -RM23 million). The cash flow has shown consistent improvement over the past few quarters. Management is committed to maintaining this positive trend by implementing strict spending controls.

In the current period, the Group spent RM70.7 million on capital expenditure and RM4.85 million on dividend payments to shareholders of the Company. The cash outflow from investing activities were primarily funded by cashflow from operations and new banking facilities. The Group's balance sheet remains healthy with the net gearing ratio of 28% at 30 June 2024.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2024

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

	Current Year Quarter Ended 30 June 2024 (RM mil)	Current Year Quarter Ended 31 March 2024 (RM mil)	% Change
Revenue			
- Automotive	261.08	267.59	-2.4%
- Non-Automotive	4.55	6.15	-26%
	265.63	273.74	-3.0%
Gross Profit	52.05	57.57	-9.6%
<i>Gross margin</i>	19.6%	21.0%	
Net other expense	(7.32)	(8.49)	-13.8%
Distribution expenses	(5.89)	(4.32)	36.3%
Administrative expenses	(16.13)	(16.65)	-3.1%
R&D expenses	(8.25)	(8.82)	-6.5%
Finance costs	(5.83)	(5.85)	-0.3%
Share of results of Joint Venture	#	#	
PBT	8.63	13.44	-35.8%
Income Tax	(0.60)	(1.02)	-41.2%
Net Profit	8.03	12.42	-35.3%

- Amount less than RM10,000

Significant other income/(expense) items

Loss on foreign exchange	(1.09)	(5.74)	-81%
(Loss)/Gain on derivatives	(0.69)	3.82	-118%
Inventory impairment	(0.44)	(4.00)	-89%
Interest income	1.97	1.88	-5%
Customer compensation	(4.82)	(1.40)	244%
Amortisation	(1.87)	(1.55)	21%
Impairment losses on trade receivables	-	(2.05)	-

Revenue in the current quarter declined slightly by 3.0% to RM265.63 million as compared to RM273.74 million in the previous quarter. This was partly due to change in sales mix arising from inventories alignment by Tier 1 module maker.

Gross profit declined 9.6% to RM52.05 million as a result of lower revenue and lower production capacity utilisation. Consequently, pretax profit fell 35.8% to RM8.63 million.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2024

B3. Commentary on Prospects

According to the latest publication by GlobalData, global light vehicle sales are projected to increase by 2.6% to 89 million units in 2024. The share of electric vehicle (EV) sales is expected to continue growing albeit at a slower pace. BloombergNEF forecasts a deceleration in EV growth, with a projected annual rate of 21% over the next four years, down from 61% between 2020 and 2023. This slowdown is primarily due to economic, regulatory and consumer behavioural challenges in the US and Europe.

Despite the slower growth in EV sales, there is no significant impact anticipated on Dominant’s LED sales. The global demand for automotive LEDs is driven by the increasing LED density in new car designs—whether EVs, PHEVs or traditional vehicles—driven by the pursuit of enhanced safety features, aesthetic appeal, and a better driving experience.

D&O is strategically well-positioned to capitalise on this trend, given its extensive product portfolio and available capacity. Barring any unforeseen circumstances, the Board is confident in achieving positive 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 30 June 2024 RM'000	Preceding Year Quarter Ended 30 June 2023 RM'000	Current Year Period Ended 30 June 2024 RM'000	Preceding Year Period Ended 30 June 2023 RM'000
Current tax	868	1,152	2,076	1,333
Deferred tax	(271)	(1,324)	(460)	(3,334)
	597	(172)	1,616	(2,001)
Under provision in prior year	-	472	-	472
	<u>597</u>	<u>300</u>	<u>1,616</u>	<u>(1,529)</u>

The effective tax rate for the current quarter and period ended 30 June 2024 was lower than the Malaysian statutory tax rate of 24% mainly due to the tax credit arising from unutilised capital allowance and reinvestment allowance from capital expenditure investment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2024

B6. Borrowings

The Group's borrowings are as follows:

	← As at 30 June 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	17,526	58,278	-	-	75,804
-Revolving credits	50,372	-	-	50,650	101,022
-Bankers' acceptances	64,935	-	19,766	83,723	168,424
-Hire purchase	160	-	-	-	160
Total current borrowings	132,993	58,278	19,766	134,373	345,410
<u>Non-current</u>					
<u>Secured</u>					
-Term loans	63,329	49,906	-	-	113,235
-Revolving credits	14,367	-	-	-	14,367
-Hire purchase	473	-	-	-	473
Total non-current borrowings	78,169	49,906	-	-	128,075
Total borrowings	211,162	108,184	19,766	134,373	473,485
Exchange rate*	-	4.72	5.05	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	127,276	61,414	13,332	127,050	329,072
<u>Non-current</u>					
<u>Secured</u>					
-Term loans	62,609	74,734	-	-	137,343
-Hire purchase	145	-	-	-	145
Total non-current borrowings	62,754	74,734	-	-	137,488
Total borrowings	190,030	136,148	13,332	127,050	466,560
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 SECOND QUARTER ENDED 30 JUNE 2024

B7. Earnings per Share

1. Basic

	Current Year Quarter Ended 30 June 2024	Preceding Year Quarter Ended 30 June 2023	Current Year Period Ended 30 June 2024	Preceding Year Period Ended 30 June 2023
Continuing operations				
Profit after taxation (RM'000)	8,035	449	20,461	1,075
Non-controlling interests (RM'000)	(271)	267	(1,421)	503
Profit attributable to Owners of the Company (RM'000)	7,764	716	19,040	1,578
Dividend on ICPS (RM'000)	-	-	(1,131)	-
	<u>7,764</u>	<u>716</u>	<u>17,909</u>	<u>1,578</u>
Weighted average number of ordinary shares:-				
Issued ordinary shares at 1 January ('000)	1,238,290	1,237,261	1,238,290	1,237,261
Effect of new ordinary shares issued under ESOS ('000)	448	557	225	434
Weighted average number of ordinary shares for the period (‘000)	<u>1,238,738</u>	<u>1,237,818</u>	<u>1,238,515</u>	<u>1,237,695</u>
Basic earnings per share (sen)	<u>0.63</u>	<u>0.06</u>	<u>1.45</u>	<u>0.13</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2024

B7. Earnings per Share (Cont'd)

2. *Diluted*

	Current Year Quarter Ended 30 June 2024	Preceding Year Quarter Ended 30 June 2023	Current Year Period Ended 30 June 2024	Preceding Year Period Ended 30 June 2023
Continuing operations				
Profit attributable to Owners of the Company (RM'000) (as above)	7,764	716	19,040	1,578
Weighted average number of ordinary shares for the period ('000) (as above)	1,238,738	1,237,818	1,238,515	1,237,695
Weighted average number of shares deemed to have been issued under ESOS at no consideration ('000)	139	265	139	265
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)	1,615,951	1,615,157	1,615,728	1,615,034
Diluted earnings per share (Sen)	0.48	0.04	1.18	0.10

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2024

B8. Detailed Disclosure for Statement of Comprehensive Income

	Current Year Quarter Ended 30 June 2024 RM'000	Preceding Year Quarter Ended 30 June 2023 RM'000	Current Year Period Ended 30 June 2024 RM'000	Preceding Year Period Ended 30 June 2023 RM'000
After crediting:				
Interest income	1,968	2,045	3,844	4,599
After debiting:				
Amortisation of intangible assets	1,866	519	3,415	928
Depreciation	20,249	18,524	40,093	36,681
Depreciation on right-of-use assets	262	286	531	575
Interest expense	5,714	5,163	11,450	9,366
Interest expense on lease liabilities	10	75	22	85
Inventories written down	441	2,979	4,437	7,245
Loss on foreign exchange	1,093	1,638	6,834	1,820
Fair value loss/(gain) on derivatives	685	(1,627)	(3,135)	(1,705)
Property, plant and equipment written off	-	-	-	1

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 30 June 2024, the contract amount, fair value and maturity tenor of the outstanding forward foreign currency contracts are as follows:

	As At 30 June 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	93,461	2,352

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 6 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 17 August 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 SECOND QUARTER ENDED 30 JUNE 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 30 June 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 7 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 30 June 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 23 August 2024.