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Stock Profile/Statistics	
Bloomberg Ticker	DOV MK
KLCI	924.91
Issued share capital (m)	730
Market Capitalisation (RMm)	412.5
52 week High (RM)	0.59
52 week Low (RM)	0.40
Average Volume (3m) '000	126.8
YTD Returns (%)	9.7
5 yr Average ROE (%)	N.A.
5 yr Average ROA (%)	N.A.
Net gearing (x)	-0.2
Altman Z-Score	7.26
ROCE/WACC	0.39
Beta (x)	N.A.
Cash Ratio (x)	1.3
FCF/share (x)	0.0
Price/FCF/share (x)	-47.7
Book Value/share (RM)	0.16

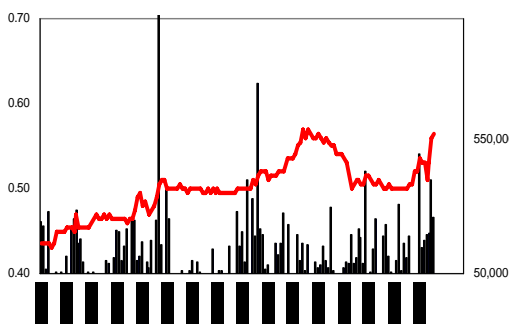
Major Shareholders (%)	
PRT Capital Pte Ltd	16.46%
Magna Reserve SB	14.51%
Omega Riang SB	11.59%

Share Performance				
(%)	1m	3m	6m	12m
Absolute	13.0	5.6	18.9	8.9
Relative	11.7	3.3	13.3	5.1

Growth Profile (%)				
	04a	05	06f	07f
Revenue	n/a	12.75	18.15	20.95
PBT	n/a	64.16	40.29	18.89
NP	n/a	59.38	40.61	18.76

Margin (%)				
	04a	05	06f	07f
EBITDA	21.9	29.5	21.4	21.9
PBT	15.9	23.2	27.5	27.0
NP	15.4	21.8	26.0	25.5

Historical Price Ratio				
(x)	01a	02a	03a	04a
P/Sales	n/a	n/a	n/a	1.22
P/E	n/a	n/a	n/a	0.26
P/BV	n/a	n/a	n/a	3.34



D&O Ventures Bhd

BUY
Price Target RM0.565
RM0.74

This year good, next year great...

Our favourite LED manufacturer's 4QFY05 results came in very much **within our expectations**. EPS of 3.43sen achieved in FY05 was slightly higher compared with our expectations of 3.36sen. Y-o-y the Group reported a **12.8% growth in revenue and a 59.4% jump in net income (NI)** with the addition of **profits from associate Dominant Semiconductors of RM5.7m which was also within expectations**. We note that NI achieved this year also exceeds forecasts stated in the Group's prospectus by 8%.

Going forward, revenue growth may range from 15-20%. It will be driven by new OEM products as well as the group's new RFID (Radio Frequency Identification Device – see Appendix 1) production line which commenced operations just this month. As mentioned before we are expecting at least **RM1.3-1.5m monthly revenue contribution from this venture at its initial stages and are confident for operating margins to hover around 15-20%**.

As for Dominant, we expect to see at least a **RM15m contribution for the whole of the coming FY06**. We are optimistic that these expectations will be met and hope to adjust up our estimates during the year to capture Dominant's growth potential. To recap, Dominant's core business is the Original Design Manufacture (ODM) of Surface Mount LEDs.

With **capacity expansion in place** to further drive growth, capex incurred this year will be around RM6m for the building expansion as well as machinery and equipment. We expect that there might be another RM1-2m added if the Group gets more orders for its new RFID product.

Definitely a buy. D&O trades on a **forward PE of 11.8x based on a prospective EPS of 4.8sen for FY06** which is relatively cheaper than other listed semiconductor peers. For valuation, we approach using a market cap PE pegging smaller semiconductor players KESM and Globetronics and derive a **weighted average PE of 14.9x** translating into a **fair value of RM0.74**.

FYE Dec (RMm)	FY04	FY05	FY06f	FY07f
Revenue	101.63	114.59	135.39	163.76
% Growth		12.8%	18.2%	21.0%
Profit from Associate		5.71	14.97	17.14
Net Profit	15.69	25.00	35.16	41.75
% Change y-o-y		59.4%	40.6%	18.8%
Consensus EPS (sen)				
EPS (sen)	2.15	3.43	4.82	5.72
Gross DPS (sen)	0.100	0.300	0.300	0.500
Gross Div. Yield (%)	0.30%	0.54%	0.54%	0.89%
PER (x)	26.29	16.50	11.73	9.88
P/BV (x)	0.21	0.23	0.28	0.35
ROE (%)	44.0%	28.0%	28.2%	28.8%

Results Table (RMm)	4QFY05	3QFY05	% chg	YTD FY05	YTD FY04	% chg
FYE Dec 31						
Turnover	27.5	29.5	-6.8%	114.6	101.6	12.8%
EBITDA	11.6	12.0	-3.2%	39.1	22.2	76.1%
Depreciation	(1.6)	(0.9)	84.9%	(6.1)	(5.0)	21.7%
Net interest expense	(0.2)	(0.1)	44.9%	(0.8)	(1.1)	-23.8%
Associates	1.8	2.9	-35.9%	5.7	0.0	
PBT	8.0	8.1	-2.0%	26.5	16.2	64.2%
Tax	(0.3)	(0.4)	-31.1%	(1.5)	(0.5)	219.3%
MI	0.0	0.0		0.0	0.0	
Net Profit	7.7	7.7	-0.4%	25.0	15.7	59.4%
EPS (sen)	1.1	1.1		3.4	2.1	
Gross DPS (sen)				0.1		
EBITDA margin	42.4%	40.8%		34.2%	21.9%	
NTA/share (RM)				0.23	0.21	

Revenue Breakdown and Assumptions.

Revenue Breakdown	2006F	2007F
Captive Line	110.23	123.48
<i>% Rev</i>	<i>81.4%</i>	<i>75.4%</i>
OEM	13.47	14.29
<i>% Rev</i>	<i>9.9%</i>	<i>8.7%</i>
RFID	11.70	26.00
<i>% Rev</i>	<i>8.6%</i>	<i>15.9%</i>
EBIT Breakdown - Assumptions	2006F	2007F
Captive Line	18.09	20.27
<i>Margin%</i>	<i>16.4%</i>	<i>16.4%</i>
OEM	2.42	2.57
<i>Margin%</i>	<i>18.0%</i>	<i>18.0%</i>
RFID	2.14	4.75
<i>Margin%</i>	<i>18.3%</i>	<i>18.3%</i>

Balance Sheet FYE 31st Dec	2004	2005	2006F	2007F
Tangible Fixed Assets	79.9	112.8	127.6	148.6
Intangible Fixed Assets	0.0	0.0	0.0	0.0
Current Assets	71.0	54.7	78.0	108.6
Current Liabilities	30.5	23.2	30.0	31.9
Working Capital	40.5	31.5	48.0	76.7
Total Assets less Current Liability	40.5	144.3	175.6	225.3
Total Assets	150.9	167.5	205.6	257.2
	0.0	0.0	0.0	0.0
Non Current Liabilities	6.7	6.7	17.6	18.3
Total Liabilities (Ex-MI)	37.2	29.9	47.6	50.2
Total Shareholders' Equity	113.7	137.6	158.1	206.9
Total Liabilities and Equity	150.9	167.5	205.6	257.2
Tangible Book Value/Shr (RM)	0.2	0.2	0.3	0.4
Book Value per Share (RM)	0.2	0.2	0.3	0.4
Shares Outstanding (mil)	730.0	730.0	730.0	730.0

Financial Ratios	2004	2005	2006F	2007F
Safety				
Current Ratio	2.33	2.36	2.60	3.41
Quick Ratio	2.06	2.00	2.22	2.98
Cash Ratio	1.26	0.83	1.11	1.71
Profitability				
ROA	33.1%	22.1%	22.4%	22.7%
ROE	44.0%	28.0%	0.0%	0.0%
NTA/SHARE	0.21	0.23	28.2%	28.8%
Net Gearing	netcash	0.07	0.28	0.35
Inventories Turnover	10.1	14.0	0.002	0.007
<i>Inventory turnover days</i>	<i>36.0</i>	<i>38.0</i>	<i>13.8</i>	<i>13.2</i>
AR Turnover	4.9	6.6	40.0	40.0
<i>AR Days</i>	<i>75.2</i>	<i>72.0</i>	<i>6.5</i>	<i>5.1</i>
AP Turnover	8.9	11.0	75.0	80.0
<i>AP Days</i>	<i>41.2</i>	<i>41.2</i>	<i>11.7</i>	<i>11.4</i>
Cash Conversion Cycle	70.1	68.8	41.2	30.0

Appendix 1.

What is RFID?

RFID, or *Radio Frequency Identification Device*, is a technology that incorporates the use of electromagnetic or electrostatic coupling in radio frequency. RFID is sometimes called Dedicated Short Range Communication (DSRC). It is an automatic identification technology which uses wireless radio communications to uniquely identify objects, animals, or persons. RFID is coming into increasing use in industry as an alternative to the bar code. The advantage of RFID is that it does not require direct contact or line-of-sight scanning.

How does RFID work?

A RFID system consists of three components: an antenna, a transceiver (often combined into one reader) and a transponder (the tag). The antenna uses radio frequency waves to submit a signal that activates the transponder. When activated, the tag transmits data back to the antenna. The data is used to notify a programmable logic controller that an action should occur. The action could be as simple as raising an access gate or as complicated as interfacing with a database to carry out a monetary transaction. Low-frequency RFID systems (30KHz to 500KHz) have short transmission ranges, generally less than six feet. High-frequency RFID systems (850MHz to 950MHz and 2.4GHz to 2.5GHz) offer longer transmission ranges (more than 90 feet).

General uses of RFID.

The RFID technology has been implemented in many custom-made solutions for various customers, including libraries, e.g. the Singapore National Library, Personnel Tracking System in Malaysia and Singapore prisons and patients tagging for hospitals. It has also implemented solutions for areas such as rifle tagging, drugs label authentication and document management. It can also be deployed in Government document authentications, asset management, supply chain management, logistic, truck tracking, military tracking, security/authentication solutions.

Source: www.dominant-semi.com, OSK Research

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