

DYNAQUEST SDN BHD

1Q2007 RESULTS

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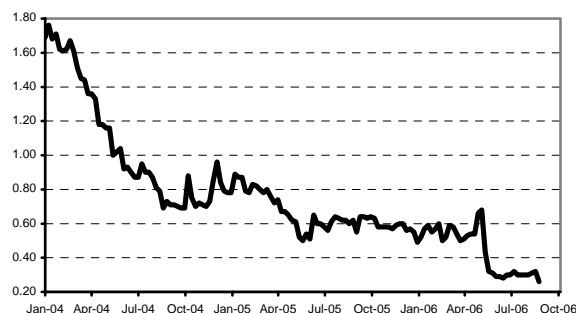
1 September 2006

DATAPREP HOLDINGS BHD (DATAPRP)		Price:	RM0.25
		Market Capitalisation:	RM19.03 m
		Board:	Second Board
		Sector:	Technology
Stock Code:	8338	Recommendation:	SELL

<u>Key Stock Statistics</u>	<u>2006P</u>	<u>2007F</u>
EPS (sen)	-2.38	1.45
P/E (x)	NM	17.24
Dividend/Share (RM)	0.00	0.00
NTA/Share (RM)	0.12	0.12
Book Value/Share (RM)	0.16	0.18
Issued Capital (m shares)	76.12	76.12
52-weeks Share Price Range	RM0.25 - RM0.75	
<u>Major Shareholders:</u>	<u>% Held</u>	
VXL Holdings Sdn Bhd	53.19%	
Sabit Sdn Bhd	9.53%	

Note: P – Preliminary, F – Forecast.

Weekly Share Price Chart of DATAPRP.



1. 1Q2007 Result Highlights:

<u>Per Share Data</u>	<u>2004</u>	<u>2005</u>	<u>2006P</u>	<u>2007F</u>
Book Value (RM)	0.18	0.22	0.16	0.18
Cash Flow (sen)	-27.25	3.32	3.56	4.89
Earnings (sen)	-51.34	3.69	-2.38	1.45
Net Dividend (sen)	0.00	0.00	0.00	0.00
Payout Ratio (x)	0.00	0.00	0.00	0.00
PER (x)	NM	6.78	NM	17.24
P/Cash Flow (x)	NM	7.52	7.03	5.11
P/Book Value (x)	1.36	1.13	1.55	1.42
Dividend Yield (%)	0.00	0.00	0.00	0.00
ROE (%)	NM	16.76	-14.72	8.24
Net Gearing (%)	-56.51	-41.63	-10.38	-6.38

Note: P – Preliminary, F – Forecast.

<u>P&L Analysis (RM m)</u>	<u>2004</u>	<u>2005</u>	<u>2006P</u>	<u>2007F</u>
Year-end: Mar				
Revenue	85.55	71.28	74.66	76.00
Operating Profit	-37.52	3.46	1.18	2.73
Depreciation	5.60	2.29	1.97	1.40
Interest Expenses	0.99	1.76	1.14	1.00
Pre-tax Profit	-38.17	2.05	0.39	1.93
Effective Tax Rate (%)	-1.01	-12.65	NM	35.00
Net Profit	-39.28	2.37	-1.81	1.11
Operating Margin (%)	-43.85	4.86	1.57	3.59
Pre-tax Margin (%)	-44.62	2.87	0.52	2.54
Net-Margin (%)	-45.91	3.32	-2.43	1.45

Note: P – Preliminary, F – Forecast.

<u>(RM m)</u>	<u>1Q06</u>	<u>4Q06</u>	<u>1Q07</u>	<u>% Change</u>	
				<u>Y-o-Y</u>	<u>Q-o-Q</u>
Revenue	18.11	21.86	17.50	-3.4%	-19.9%
Operating Profit	1.12	0.63	0.81	-28.0%	28.7%
Depreciation	0.50	0.50	0.35	-29.4%	-29.4%
Interest Expenses	0.18	0.28	0.30	67.6%	9.1%
Pre-tax Profit	0.94	0.43	0.51	-46.1%	17.1%
Net Profit	0.03	0.14	0.30	>100%	>100%
Operating Margin	6.19%	2.87%	4.62%	-25.5%	60.7%
PBT Margin	5.21%	1.99%	2.90%	-44.3%	46.2%
Net-Margin	0.15%	0.65%	1.70%	>100%	>100%

Despite the 3.4% y-o-y decline in revenue to RM17.5 m, Dataprep registered a RM269,000 improvement in net profit to RM297,000 for 1Q07 ended 30 June 2006. Q-o-q, the group reported a RM155,000 increase in net profit and a 19.9% fall in revenue. The better net margin seen in 1Q07 was due to the favourable earnings impact from the adoption of new financial reporting standard (FRS), lower taxation, and lower minority interests.

With the adoption of FRS 3 in relation to business combinations and FRS 116 in relation to property, plant and equipment, Dataprep benefited from the cessation of goodwill amortisation amounting to RM42,000 and savings in depreciation charges amounting to RM105,000 respectively.

While its effective income tax rate of 35.0% for 1Q07 is higher than the statutory income tax rate due to deferred tax expenses arising from the reversal of temporary differences, this rate is still lower than the 37.8% of 1Q06 and the 55.8% of 4Q06. The lower minority interests was due to lower profit contributions from its subsidiaries that are not wholly-owned.

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On the whole, Dataprep's bottom-line was within our expectation. Although the group's revenue was below our forecast, better profit margins made up for the shortfall. Hence, we are maintaining the EPS projection while fine-tuning the other projected figures.

2. Recent Development:

On 18 July 2006, Dataprep made marginal revisions to its proposed reduction of share premium as well as its proposed issuance of ICULS. The group also included free warrants to its proposed rights issue exercise. As a result, a shareholder of 32 shares is now entitled to subscribe for 36 rights shares and 9 free warrants at the indicative rights issue price of RM0.25 per share. The warrants have a 2-year duration but the exercise price of the warrants has not yet been finalised.

On 20 July 2006, Dataprep sold a 5% stake in Solsis (M) to Solsis' Managing Director, Ahmad Rizan bin Ibrahim, for RM68,688. Following the sale, Dataprep's stake in Solsis (M) has been reduced to 55%. The sale has no material impact on the group's EPS and its NTA per share.

3. Recommendation:

Since our **SELL** recommendation on its shares at 62 sen in October last year, Dataprep's share price has fallen substantially to the current level of 25 sen. While its valuation has returned to a more realistic level, the current valuation is still not attractive considering its unexciting prospects. Based on its current share base and our FY07 EPS forecast of 1.5 sen, its forward PE multiple is at 17.2 times. Furthermore, its shares offer no dividend.

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Our definitions of stock recommendations/ratings are as follows:- 1. **BUY** -- The total return from stocks of this category is expected to outperform the KLCI or the EMAS indices over the next 12 months. We would expect the stocks to provide a positive absolute return over the same time period. 2. **BUY ON WEAKNESS** -- While stocks of this category is expected to outperform the KLCI or the EMAS over the next 12 months; the margin of out-performance is expected to be of smaller magnitude than the first category. In order to provide a margin of safety, we would recommend the purchase of these stocks at a somewhat lower price level than prevailing currently. We would expect these stocks to provide a positive absolute return over the next 12 months. 3. **HOLD** -- The total return from stocks of this category is expected to be close to the total return provided by the KLCI or EMAS over the next 12 months. The expectation is that over the long run, this category of stocks is expected to provide a positive total return. 4. **SELL ON STRENGTH** -- While stocks of this category is expected to under-perform the KLCI or the EMAS over the next 12 months; the margin of under-performance is expected to be of smaller magnitude than the last category. Thus, the probability of a positive absolute return from this category of stocks is limited. Further price rise from the current level would further decrease the probability of a positive absolute return over the next 12 months. 5. **SELL** -- The total return from stocks of this category is expected to underperform the KLCI or the EMAS indices over the next 12 months. We believe that the stocks in this category will not be able to provide a positive absolute return over the same time period.