

DATA CRAFT ASIA LTD
(Registration no: 199301842Z)
Second Quarter Financial Statement And Dividend Announcement for the Period Ended 31 March 2005
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS
1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i)	Group			Group		
	Q2 2005 US\$'000	Q2 2004 US\$'000	Change %	1H 2005 US\$'000	1H 2004 US\$'000	Change %
Revenue	109,024	88,952	22.6	212,517	176,947	20.1
Cost of sales	(90,753)	(74,949)	21.1	(176,438)	(149,242)	18.2
Gross profit	18,271	14,003	30.5	36,079	27,705	30.2
Add : Other operating income (Note 1(a)(ii))	1,417	732	93.6	2,632	1,171	124.8
Less: Other expenses						
Distribution and sales	(10,063)	(8,084)	24.5	(19,595)	(15,880)	23.4
Administrative	(5,135)	(4,583)	12.0	(10,315)	(8,987)	14.8
Profit from operating activities	4,490	2,068	117.1	8,801	4,009	119.5
Finance costs	(6)	(29)	(79.3)	(27)	(58)	(53.4)
Profit before amortisation of goodwill (net) and income tax	4,484	2,039	119.9	8,774	3,951	122.1
Amortisation of goodwill (net)	-	(942)	(100.0)	-	(1,884)	(100.0)
Profit before income tax (Note 1(a)(iii))	4,484	1,097	308.8	8,774	2,067	324.5
Income tax expense	(1,881)	(961)	95.7	(3,596)	(1,881)	91.2
Profit after income tax	2,603	136	1,814.0	5,178	186	2,683.9
Minority interests	21	22	(4.5)	51	29	75.9
Profit attributable to the shareholders of the Company	2,624	158	1,560.8	5,229	215	2,332.1

1(a)(ii) Other operating income comprise of :

	Group		Group	
	Q2 2005 US\$'000	Q2 2004 US\$'000	1H 2005 US\$'000	1H 2004 US\$'000
Interest income	455	213	790	385
Investment income	171	113	327	319
Gain on sale of investments	-	406	-	406
Foreign exchange gain	791	-	1,515	61
	1,417	732	2,632	1,171

1(a)(iii) Notes to the Income Statement

	Group		Group	
	Q2 2005 US\$'000	Q2 2004 US\$'000	1H 2005 US\$'000	1H 2004 US\$'000
Profit before income tax is arrived at after charging :				
Interest expense	(6)	(29)	(27)	(58)
Depreciation of plant and equipment and other amortisation	(2,056)	(1,978)	(3,826)	(4,012)
Amortisation of goodwill (net)	-	(942)	-	(1,884)
Allowance for doubtful debts	(634)	(728)	(1,240)	(1,412)
Allowance for stock obsolescence	(344)	(502)	(726)	(858)
Foreign exchange loss	-	(67)	-	-
Write-off of investment in associates	-	-	(8)	-
Gain/(loss) on sale of plant and equipment	93	(45)	90	(45)

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		
	<u>31/03/05</u> (US\$ million)	Note 1 <u>31/12/04</u> (US\$ million)	Note 2 <u>30/09/04</u> (US\$ million)
<u>Current assets</u>			
Cash and short term investments	115.28	115.02	112.31
Receivables from external customers	89.14	87.35	81.55
Inventories	15.02	16.48	16.25
Other current assets	39.41	38.93	34.96
Total current assets	<u>258.85</u> =====	<u>257.78</u> =====	<u>245.07</u> =====
<u>Non-current assets</u>			
Plant and equipment	14.73	15.75	16.14
Intangibles	0.44	0.46	0.08
Deferred tax assets	3.34	3.30	3.71
Long term investments	1.14	1.18	1.10
Total non-current assets	<u>19.65</u> =====	<u>20.69</u> =====	<u>21.03</u> =====
<u>Current liabilities</u>			
Trade creditors	47.69	49.04	49.46
Other current liabilities	42.54	44.53	40.81
Total current liabilities	<u>90.23</u> =====	<u>93.57</u> =====	<u>90.27</u> =====
<u>Non-current liabilities</u>			
Deferred tax liabilities	1.41	1.45	1.48
Net assets	<u>186.86</u> =====	<u>183.45</u> =====	<u>174.35</u> =====
Shareholders' funds	186.02	182.59	173.47
Minority interests	0.84	0.86	0.88
	<u>186.86</u> =====	<u>183.45</u> =====	<u>174.35</u> =====

Note 1 : Balance sheet as at 31 December 2004 is used for meaningful comparison.

Note 2 : Balance sheet as at 30 September 2004 is included being the latest audited balance sheet.

Note 3 : Comparatives amounts have been reclassified in order to achieve a consistent presentation.

1(b)(i) Balance sheet (Cont'd)

Holding Company

	<u>31/03/05</u> (US\$ million)	<u>30/09/04</u> (US\$ million)
<u>Current assets</u>		
Cash and bank balances	17.33	4.40
Receivables from subsidiaries	50.18	33.45
Other current assets	0.39	0.20
	-----	-----
Total current assets	67.90	38.05
	=====	=====
<u>Non-current assets</u>		
Subsidiaries	190.62	209.33
Plant and equipment	2.02	2.55
	-----	-----
Total non-current assets	192.64	211.88
	=====	=====
<u>Current liabilities</u>		
Other creditors	15.40	16.69
Other current liabilities	2.16	1.89
	-----	-----
Total current liabilities	17.56	18.58
	=====	=====
<u>Non-current liability</u>		
Deferred tax liabilities	0.83	0.89
	-----	-----
Net assets	242.15	230.46
	=====	=====
Shareholders' funds	242.15	230.46
	=====	=====

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31/03/2005		As at 30/09/2004	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 31/03/2005		As at 30/09/2004	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

Not applicable.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Q2 2005 US\$'000	Q2 2004 US\$'000	1H 2005 US\$'000	1H 2004 US\$'000
Cashflows from operating activities :				
Profit before income tax	4,484	1,097	8,774	2,067
Adjustments for				
Depreciation of plant and equipment	2,037	1,960	3,786	3,976
Amortisation of deferred expenditure	19	18	40	36
Amortisation of goodwill (net)	-	942	-	1,884
Allowance for doubtful trade receivables	634	728	1,240	1,412
Allowance for inventory obsolescence	344	502	726	858
Write-off of investment in associates	-	-	8	-
(Gain)/loss on disposal of plant and equipment	(93)	45	(90)	45
Interest income	(455)	(213)	(790)	(385)
Interest expense	6	29	27	58
Operating profit before working capital changes	6,976	5,108	13,721	9,951
Inventories	1,206	1,315	1,245	119
Trade and other debtors	(3,128)	1,919	(8,308)	10,606
Trade and other creditors	(3,299)	(8,828)	(4,687)	(6,956)
Cash generated from/(used in) operations	1,755	(486)	1,971	13,720
Interest paid	(6)	(29)	(27)	(58)
Interest received	455	213	790	385
Income tax paid	(1,565)	(705)	(1,653)	(2,524)
Net cash from/(used in) operating activities	639	(1,007)	1,081	11,523
Cashflows from investing activities :				
Purchase of plant and equipment	(864)	(867)	(1,743)	(2,575)
Cashflow on acquisition of new business	-	-	(531)	-
Proceed from disposal of plant and equipment	-	-	9	-
Payment for deferred purchase consideration	-	-	-	(495)
Increase in long term investments	-	(17)	-	(106)
Net cash used in investing activities	(864)	(884)	(2,265)	(3,176)
Cashflows from financing activities :				
Net proceeds from issue of shares	307	395	807	1,041
Repayment of bank loans	-	(812)	-	(1,487)
Repayment of finance leases	-	-	(2)	-
Net cash from/(used in) financing activities	307	(417)	805	(446)
Net effect of exchange rate changes in consolidating subsidiaries	178	1,339	3,345	50
Net increase/(decrease) in cash and short term investments	260	(969)	2,966	7,951
Cash and short term investments at beginning of period	115,017	92,959	112,311	84,039
Cash and short term investments at end of period	115,277	91,990	115,277	91,990

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group (US\$'000)	Share capital	Share premium	Statutory reserve	Exchange difference reserve	Goodwill on consolidation	Accumulated profits	Total
Q2 2005 movement							
Balance at 1 January 2005	28,025	205,323	321	(3,360)	(151,746)	104,025	182,588
Exchange differences arising during the period	-	-	4	493	-	-	497
Net profit for the period	-	-	-	-	-	2,624	2,624
Issue of shares	26	281	-	-	-	-	307
Balance at 31 March 2005	28,051	205,604	325	(2,867)	(151,746)	106,649	186,016
Q2 2004 movement							
Balance at 1 January 2004	27,951	248,132	284	(9,745)	(151,746)	69,734	184,610
Exchange differences arising during the period	-	-	2	1,995	-	-	1,997
Net profit for the period	-	-	-	-	-	158	158
Issue of shares	32	363	-	-	-	-	395
Balance at 31 March 2004	27,983	248,495	286	(7,750)	(151,746)	69,892	187,160

1(d)(i) A statement of equity changes (Cont'd)

<u>Holding Company</u> (US\$'000)	Share capital	Share premium	Exchange difference reserve	Accumulated profits/ (losses)	Total
Q2 2005 movement					
Balance at 1 January 2005	28,025	205,323	1,180	6,838	241,366
Exchange differences arising during the period	-	-	(427)	-	(427)
Net profit for the period	-	-	-	904	904
Issue of shares	26	281	-	-	307
	<hr/>				
Balance at 31 March 2005	28,051	205,604	753	7,742	242,150
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Q2 2004 movement					
Balance at 1 January 2004	27,951	248,132	(1,720)	(26,097)	248,266
Exchange differences arising during the period	-	-	853	-	853
Net profit for the period	-	-	-	1,134	1,134
Issue of shares	32	363	-	-	395
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Balance at 31 March 2004	27,983	248,495	(867)	(24,963)	250,648
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1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the quarter ended 31 March 2005, the issued share capital of the Company was increased to 467,268,683 (S\$46,726,868.30) by the issue of 424,000 new ordinary shares of S\$0.10 each fully paid at US\$0.725 for cash under the Datacraft Asia Share Option Scheme.

An amount of approximately S\$23.3 million is planned to be returned to shareholders in cash on the basis of S\$0.05 for each share held. On 31 March 2005, the shareholders approved the reduction in par value of the Company's shares from S\$0.10 to S\$0.05 per share, thereby reducing the issued and paid-up share capital of the Company from S\$46.7 million as at 31 January 2005 to S\$23.3 million. The exact amount of capital reduction and cash distribution to shareholders will depend on the number of shares issued as at the Books Closure Date to be announced after court approval.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 30 September 2004.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group Figures		Group Figures	
	Q2 2005	Q2 2004	1H 2005	1H 2004
Earnings per ordinary share for the period:				
(i) Based on the weighted average number of ordinary shares in issue	0.56 US cents	0.03 US cents	1.12 US cents	0.05 US cents
(ii) On a fully diluted basis	0.56 US cents	0.03 US cents	1.11 US cents	0.05 US cents

Note to item 6(i) :

The weighted average number of ordinary shares in issue for Q2 2005 and 1H 2005 is 466,943,850 and 466,590,793 respectively (Q2 2004: 465,693,419 and 1H 2004: 465,251,863).

Note to item 6(ii):

The earnings per share on a fully diluted basis is calculated on the adjusted weighted average number of ordinary shares of 471,047,381 (Q2 2005) and 469,301,092 (1H 2005) in issue during the period reported on. (Q2 2004: 471,382,211 and 1H 2004: 469,643,146)

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Holding Company	
	31/03/05	30/09/04	31/03/05	30/09/04
Net asset value per ordinary share based on issued share capital	39.72 US cents	37.20 US cents	51.82 US cents	49.44 US cents

The net asset value per ordinary share is computed based on 467,268,683 (30 September 2004: 466,155,683) ordinary shares.

Note: Net asset value herein refers to net tangible assets.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The second quarter of FY2005 produced another good set of results with double-digit revenue growth and triple-digit operating profit after tax growth compared to the same period last year. The strong performance was driven by continued strength in the enterprise and service provider markets, and success in the Group's solutions lines of business. Results for the half year to March 2005 also reported similarly robust year-over-year improvements.

Review of results for the second quarter – 3 months ended March 2005

Revenue for the second quarter continued to grow sequentially despite being a traditionally slower period, gaining 5% from the first quarter, to US\$109 million. Compared to the same quarter last year, revenue recorded a growth of 23% fuelled by continued improvement in the market conditions. Enterprise customers are spending to refresh their infrastructure while service provider customers are displaying a renewed interest in investing in infrastructure and solutions that enable value-added services. Overall results also benefited from a strong performance from the solutions lines of business, a key area of investment for the Group, with strong results from Security and IP Convergence solutions during the quarter.

Gross margin for the second quarter of FY2005 was 16.8% compared to 15.7% for the same quarter last year. The year-over-year increase in gross margin was driven by a robust 19% growth in the higher margin services revenue, coupled with stronger services margin from improved operational efficiency, offsetting a slight decline in hardware margin. Compared with the 17.2% reported in the prior quarter, gross margin eased slightly due to comparatively strong hardware sales.

Distribution, selling and administrative expenses were US\$15.2 million or 13.9% of revenue, an improvement compared with the 14.2% registered in the same quarter last year, and the prior quarter. The results reflect increased business activity, continuous investments in solution sales, brand promotion expenses and investment in a sales CRM system.

On the back of rising revenues and year-over-year margin improvements, operating profit before income tax increased 120% to US\$4.5 million. Compared to the prior quarter, this represents a sequential increase of 5%. Operating profit after tax and minority interests increased to US\$2.6 million, representing a 139% increase over the same quarter last year, and despite the traditional seasonality, a 1% increase compared with the prior quarter.

From a geographic perspective, India and Asean delivered another quarter of strong results. Operations in China have yet to report a major improvement, while performance in Japan was below expectations. Korea, however, having reported a turnaround in the prior quarter, continued to contribute positively.

Review of results for the half year ended March 2005

Compared to the corresponding period in the previous year, Group revenue for the half year increased 20% to US\$212.5 million and gross margin increased from 15.7% to 17%. Operating profit before tax increased 122% to US\$8.8 million on the back of higher revenue and improved margins from the services business. Operating profit after tax and minority interests rose 149% to US\$5.2 million.

Improved demand and success in the solutions lines of business were the key contributors to the good performance. The Group's operating results also reflected a US\$1.5 million foreign exchange gain due to the depreciation of the US\$ against local currencies.

During the 6-month period, the Group generated operating cash flow of US\$1.1 million. Net cash and short term investments increased from US\$112.3 million to US\$115.3 million, while Days Sales Outstanding has improved further, falling to 76 days compared to 79 days six months ago and 88 days a year ago.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was made previously.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The near term outlook for the Group's business is underpinned by a healthy backlog which stands at US\$111 million. An increasing proportion of the backlog is attributed to large network infrastructure projects from the global MNCs which have a higher hardware content, but will help pull through service revenue in the future. Going forward, the Group will continue to focus on growing services revenue, and driving greater operational efficiency and margin improvement.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the 3 months ended 31 March 2005.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable.

- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

- 15. A breakdown of sales.**

Not applicable.

- 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year ()	Previous Full Year ()
Ordinary	0	0
Preference	0	0
Total:	0	0

BY ORDER OF THE BOARD

Patrick Quarmby
Chairman
11 May 2005