

DATA CRAFT ASIA LTD

(Registration no: 199301842Z)

Second Quarter Financial Statement And Dividend Announcement for the Period Ended 31 March 2006

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 2006 US\$'000	Q2 2005 US\$'000	Change %	1H 2006 US\$'000	1H 2005 US\$'000	Change %
Revenue	116,882	109,024	7.2	237,702	212,517	11.9
Cost of sales	(94,854)	(90,753)	4.5	(193,905)	(176,438)	9.9
Gross margin	22,028	18,271	20.6	43,797	36,079	21.4
Gross margin %	18.8%	16.8%		18.4%	17.0%	
Add : Other operating income (Note 1(a)(ii))	6,401	1,417	351.7	6,963	2,632	164.6
Less: Other expenses						
Distribution and sales	(9,837)	(10,063)	(2.2)	(20,055)	(19,595)	2.3
Administrative	(5,555)	(5,135)	8.2	(11,042)	(10,315)	7.0
Share options expense	(427)	(487) #	(12.3)	(897)	(975) #	(8.0)
Finance costs	(29)	(6)	383.3	(52)	(27)	92.6
Profit before tax (Note 1(a)(iii))	12,581	3,997	214.8	18,714	7,799	140.0
Profit before tax %	10.8%	3.7%		7.9%	3.7%	
Income tax expense	(2,260)	(1,881)	20.1	(4,188)	(3,596)	16.5
Effective tax rate %	18.0%	47.1%		22.4%	46.1%	
Profit after tax	10,321	2,116	387.8	14,526	4,203	245.6
Profit after tax margin %	8.8%	1.9%		6.1%	2.0%	
Attributable to:						
Shareholders of the Company	10,297	2,137	381.8	14,533	4,254	241.6
Minority interests	24	(21)	214.3	(7)	(51)	(86.3)
	10,321	2,116	387.8	14,526	4,203	245.6

For comparison purposes, Q2 and 1H FY2005 have been adjusted to include the impact of share options expense.

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

	Group		Group	
	Q2 2006 US\$'000	Q2 2005 US\$'000	1H 2006 US\$'000	1H 2005 US\$'000
Insurance settlement *	5,150	-	5,150	-
Interest income	790	455	1,331	790
Investment income	195	171	298	327
Foreign exchange gain	266	791	184	1,515
	6,401	1,417	6,963	2,632

* During the financial period, the Company received full and final settlement of US\$5.15 million from its insurers for loss previously suffered in relation to the China accounts receivables provided for in full in FY2002/2003.

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

	Group		Group	
	Q2 2006 US\$'000	Q2 2005 US\$'000	1H 2006 US\$'000	1H 2005 US\$'000
Disclosure of expenses included in the Profit before tax :				
Interest expense	(29)	(6)	(52)	(27)
Depreciation of plant and equipment and other amortisation	(2,091)	(2,056)	(3,982)	(3,826)
Allowance for doubtful trade receivables	(49)	(634)	(99)	(1,240)
Allowance for inventory obsolescence	(110)	(344)	(222)	(726)

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>31/03/06</u> (US\$ million)	Note 1 <u>31/12/05</u> (US\$ million)	Note 2 <u>30/09/05</u> (US\$ million)
<u>Current assets</u>			
Cash and short term investments	137.17	127.82	113.71
Receivables from external customers	93.15	85.76	92.48
Inventories	10.02	8.13	15.69
Other current assets	39.03	37.86	40.27
Total current assets	<u>279.37</u> =====	<u>259.57</u> =====	<u>262.15</u> =====
<u>Non-current assets</u>			
Plant and equipment	13.04	13.72	14.71
Intangibles	0.65	0.65	0.65
Deferred tax assets	2.42	2.50	2.37
Long term investments	1.05	1.04	1.08
Total non-current assets	<u>17.16</u> =====	<u>17.91</u> =====	<u>18.81</u> =====
<u>Current liabilities</u>			
Trade creditors	54.86	44.78	53.18
Other current liabilities	48.91	49.29	49.75
Total current liabilities	<u>103.77</u> =====	<u>94.07</u> =====	<u>102.93</u> =====
<u>Non-current liabilities</u>			
Deferred tax liabilities	0.90	1.17	1.16
Net assets	<u>191.86</u> =====	<u>182.24</u> =====	<u>176.87</u> =====
Shareholders' funds	191.02	181.28	175.91 #
Minority interests	0.84	0.96	0.96
	<u>191.86</u> =====	<u>182.24</u> =====	<u>176.87</u> =====

Note 1 : Balance sheet as at 31 December 2005 is used for meaningful comparison.

Note 2 : Balance sheet as at 30 September 2005 is included being the latest audited balance sheet.

For comparison purposes, Q4 FY2005 has been adjusted to include the impact of share options expense.

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

Holding Company

	<u>31/03/06</u> (US\$ million)	<u>30/09/05 #</u> (US\$ million)
<u>Current assets</u>		
Cash and bank balances	10.82	2.30
Receivables from subsidiaries	44.61	50.33
Other current assets	3.58	2.99
	<u>59.01</u>	<u>55.62</u>
	=====	=====
<u>Non-current assets</u>		
Subsidiaries	99.89	106.61
Plant and equipment	1.74	2.01
	<u>101.63</u>	<u>108.62</u>
	=====	=====
<u>Current liabilities</u>		
Other creditors	16.86	17.12
Other current liabilities	3.74	3.09
	<u>20.60</u>	<u>20.21</u>
	=====	=====
<u>Non-current liability</u>		
Deferred tax liabilities	0.38	0.45
	<u>139.66</u>	<u>143.58</u>
	=====	=====
Net assets	139.66	143.58
	<u>139.66</u>	<u>143.58</u>
	=====	=====
Shareholders' funds	139.66	143.58
	<u>139.66</u>	<u>143.58</u>
	=====	=====

For comparison purposes, Q4 FY2005 has been adjusted to include the impact of share options expense and exchange differences arising from translation of long term loans to subsidiaries.

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

Amount repayable in one year or less, or on demand

<u>As at 31/03/2006</u>		<u>As at 30/09/2005</u>	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

<u>As at 31/03/2006</u>		<u>As at 30/09/2005</u>	
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 2006 US\$'000	Q2 2005 US\$'000	1H 2006 US\$'000	1H 2005 US\$'000
Cashflows from operating activities :				
Profit before tax	12,581	3,997	18,714	7,799
Adjustments for				
Depreciation of plant and equipment	2,091	2,037	3,982	3,786
Amortisation of deferred expenditure	-	19	-	40
Allowance for doubtful trade receivables	49	634	99	1,240
Allowance for inventory obsolescence	110	344	222	726
Share options expense	427	487 #	897	975 #
Write-off of investment in associates	-	-	-	8
Gain on disposal of plant and equipment	-	(93)	-	(90)
Interest income	(790)	(455)	(1,331)	(790)
Interest expense	29	6	52	27
Operating profit before movements in working capital	14,497	6,976	22,635	13,721
Inventories	(1,729)	1,206	5,839	1,245
Trade and other receivables	(5,752)	(3,128)	3,765	(8,308)
Trade and other creditors	8,422	(3,299)	(1,307)	(4,687)
Cash generated from operations	15,438	1,755	30,932	1,971
Interest paid	(29)	(6)	(52)	(27)
Interest received	790	455	1,331	790
Income tax paid	(2,736)	(1,565)	(3,774)	(1,653)
Net cash from operating activities	13,463	639	28,437	1,081
Investing activities :				
Purchase of plant and equipment	(1,314)	(864)	(2,276)	(1,743)
Cashflow on acquisition of new business	-	-	-	(531)
Proceed from disposal of plant and equipment	-	-	-	9
Net cash used in investing activities	(1,314)	(864)	(2,276)	(2,265)
Financing activities :				
Net proceeds from issue of shares	150	307	666	807
Purchase of treasury shares	(4,276)	-	(4,276)	-
Increase/(payment) of finance leases	12	-	4	(2)
Net cash (used in)/from financing activities	(4,114)	307	(3,606)	805
Net effect of exchange rate changes in consolidating subsidiaries	1,319	178	902	3,345
Net increase in cash and short term investments	9,354	260	23,457	2,966
Cash and short term investments at beginning of period	127,817	115,017	113,714	112,311
Cash and short term investments at end of period*	137,171	115,277	137,171	115,277

* Included in cash and short term investments at end of period are cash bank deposits of US\$2.0 million pledged as security for projects and banking facilities. The pledges are short term in nature.

For comparison purposes, Q2 and 1H FY2005 have been adjusted to include the impact of share options expense.

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)	Attributable to shareholders of the Company								Minority <u>interests</u>	Total <u>equity</u>	
	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Statutory reserve</u>	<u>Share options reserve</u>	<u>Exchange difference reserve</u>	<u>Goodwill on consolidation</u>	<u>Accumulated profits</u>			<u>Total</u>
Q2 2006 movement											
Balance at 1 January 2006	14,296	206,148	-	323	3,359	(5,833)	(151,746)	114,737	181,284	960	182,244
Transfer of share premium account to share capital account ^	206,148	(206,148)	-	-	-	-	-	-	-	-	-
Exchange differences arising during the period	-	-	-	6	-	3,131	-	-	3,137	(144)	2,993
Cost of share-based payment	-	-	-	-	427	-	-	-	427	-	427
Net profit for the period	-	-	-	-	-	-	-	10,297	10,297	24	10,321
Repurchase of shares and held as treasury shares	-	-	(4,276)	-	-	-	-	-	(4,276)	-	(4,276)
Re-issue of treasury shares upon option exercise	(17)	-	226	-	(59)	-	-	-	150	-	150
Balance at 31 March 2006	220,427	-	(4,050)	329	3,727	(2,702)	(151,746)	125,034	191,019	840	191,859

^ Following the recent amendments to the Companies Act, Chapter 50 which takes effect on 30 January 2006, any amount standing to the credit of a company's share premium account shall become part of the company's share capital. Accordingly, the amount standing to the credit of Datacraft Asia Ltd's ("DAL") share premium account has been combined into DAL's share capital.

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

Group (Cont'd) (US\$'000)	Attributable to shareholders of the Company								Minority interests	Total equity	
	Share capital	Share premium	Treasury shares	Statutory reserve	Share options reserve	Exchange difference reserve	Goodwill on consolidation	Accumulated profits			Total
Q2 2005 movement											
Balance at 1 January 2005 :											
As previously reported	28,025	205,323	-	321	-	(3,360)	(151,746)	104,025	182,588	861	183,449
Change in accounting standard :											
FRS 102 : Accounting for share options	-	-	-	-	1,623	-	-	(1,623)	-	-	-
As restated	28,025	205,323	-	321	1,623	(3,360)	(151,746)	102,402	182,588	861	183,449
Exchange differences arising during the period	-	-	-	4	-	493	-	-	497	6	503
Net profit/(loss) for the financial period, as previously reported	-	-	-	-	-	-	-	2,624	2,624	(21)	2,603
Change in accounting standard :											
FRS 102 : Accounting for share options	-	-	-	-	487	-	-	(487)	-	-	-
Net profit for the period, restated	-	-	-	-	487	-	-	2,137	2,624	(21)	2,603
Issue of shares	26	281	-	-	-	-	-	-	307	-	307
Balance at 31 March 2005, as restated	28,051	205,604	-	325	2,110	(2,867)	(151,746)	104,539	186,016	846	186,862

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

<u>Holding Company</u> (US\$'000)	Share <u>capital</u>	Share <u>premium</u>	Treasury <u>shares</u>	Share options <u>reserve</u>	Exchange difference <u>reserve</u>	Accumulated (losses)/ <u>profits</u>	<u>Total</u>
Q2 2006 movement							
Balance at 1 January 2006 :							
As previously reported	14,296	206,148	-	3,359	(696)	(79,128)	143,979
Change in accounting standard :							
FRS 21 : Recognition of exchange differences from translation of long term loans to subsidiaries	-	-	-	-	696	(696)	-
As restated	14,296	206,148	-	3,359	-	(79,824)	143,979
Transfer of share premium account to share capital account ^	206,148	(206,148)	-	-	-	-	-
Cost of share-based payment	-	-	-	427	-	-	427
Net loss for the period	-	-	-	-	-	(621)	(621)
Repurchase of shares and held as treasury shares	-	-	(4,276)	-	-	-	(4,276)
Re-issue of treasury shares upon option exercise	(17)	-	226	(59)	-	-	150
Balance at 31 March 2006	220,427	-	(4,050)	3,727	-	(80,445)	139,659
Q2 2005 movement							
Balance at 1 January 2005 :							
As previously reported	28,025	205,323	-	-	1,180	6,838	241,366
Change in accounting standard :							
FRS 21 : Recognition of exchange differences from translation of long term loans to subsidiaries	-	-	-	-	(1,180)	1,180	-
FRS 102 : Accounting for share options	-	-	-	1,623	-	(743)	880
As restated	28,025	205,323	-	1,623	-	7,275	242,246
Net profit for the financial period, as previously reported	-	-	-	-	-	904	904
Change in accounting standard :							
FRS 21 : Recognition of exchange differences from translation of long term loans to subsidiaries	-	-	-	-	-	(427)	(427)
FRS 102 : Accounting for share options	-	-	-	487	-	(192)	295
Net profit for the period, restated	-	-	-	487	-	285	772
Issue of shares	26	281	-	-	-	-	307
Balance at 31 March 2005, as restated	28,051	205,604	-	2,110	-	7,560	243,325

^ Following the recent amendments to the Companies Act, Chapter 50 which takes effect on 30 January 2006, any amount standing to the credit of a company's share premium account shall become part of the company's share capital. Accordingly, the amount standing to the credit of Datacraft Asia Ltd's ("DAL") share premium account has been combined into DAL's share capital.

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 2006, the Company acquired 3,800,000 of its own shares through on-market purchases on the Singapore Exchange Securities Trading Limited. Such shares are held as 'treasury shares'. The total amount paid to acquire the shares was US\$4.3 million and this was deducted against shareholder's equity.

The Company re-issued the following ordinary shares from treasury shares to employees who exercised their share options during the quarter ended 31 March 2006 :

- a) 134,000 shares at US\$0.725 each for cash under the Datacraft Asia Share Option Scheme; and
- b) 65,000 shares at US\$0.835 each for cash under the Datacraft Asia Share Option Scheme 2003.

Following the recent amendments to the Companies Act, Chapter 50 which takes effect on 30 January 2006, any amount standing to the credit of a company's share premium account shall become part of the company's share capital. Accordingly, the amount standing to the credit of Datacraft Asia Ltd's ("DAL") share premium account has been combined into DAL's share capital during the quarter ended 31 March 2006.

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 2005 except for the adoption of the following Financial Reporting Standards ("FRSs"):-

- (i) FRS 102 on Share-based Payment relating to the expensing of share options; and
- (ii) FRS 21 on The Effects of Changes in Foreign Exchange Rates whereby exchange differences arising from long term loans to subsidiaries are recognized in the profit and loss statement of the reporting entity.

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.

Share-based Payment

In accordance with FRS 102, the share options expense was accounted for in the profit and loss statement and reflected in the share options reserve. The comparative figures have been adjusted on adoption. The expense amounted to US\$427,000 for Q2 FY2006 (Q2 FY2005: US\$487,000).

Effect of Changes in Foreign Exchange Rates

In accordance with FRS 21 (revised), the exchange differences arising from long term loans to subsidiaries that form part of the Company's net investment in subsidiaries are to be accounted in the Company's profit and loss statement. In the previous years, the Company took exchange differences arising from these long term loans to subsidiaries directly to equity. The adoption of FRS 21 (revised) by the Company resulted in the reclassification of exchange difference reserve to accumulated profits. This is accounted for retrospectively and comparative figures have been adjusted accordingly.

The adoption of FRS 21 (revised) does not have any financial impact to the Group.

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		Group	
	Q2 2006	Q2 2005 #	1H 2006	1H 2005 #
Earnings per ordinary share for the period:				
(i) Based on the weighted average number of ordinary shares in issue	2.20 US cents	0.46 US cents	3.11 US cents	0.91 US cents
(ii) On a fully diluted basis	2.19 US cents	0.45 US cents	3.09 US cents	0.91 US cents

Note to item 6(i):

The weighted average number of ordinary shares in issue for Q2 2006 and 1H 2006 is 467,122,283 and 467,272,925 respectively (Q2 2005: 466,943,850 and 1H 2005: 466,590,793).

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 470,245,842 (Q2 2006) and 469,818,484 (1H 2006) in issue during the period reported on. (Q2 2005: 471,047,381 and 1H 2005: 469,301,092)

For comparison purposes, Q2 and 1H FY2005 have been adjusted to include the impact of share options expense.

- 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	
	31/03/06	30/09/05 #	31/03/06	30/09/05 #
Net asset value per ordinary share based on issued share capital	40.99 US cents	37.50 US cents	30.07 US cents	30.72 US cents

The net asset value per ordinary share is computed based on 464,411,683 (30 September 2005: 467,339,683) ordinary shares.

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

For comparison purposes, Q4 FY2005 has been adjusted to include the impact of share options expense.

- 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 Group benefited from an insurance settlement in Q2 FY2006 amounting to US\$5.15 million. The following commentary illustrates the Group's performance before the effect of this one-off gain.

For the second quarter of FY2006, Datacraft delivered strong earnings and healthy cash generation. The Group's after-tax operating profit more than doubled year-over-year to US\$5.1 million, the highest in 14 quarters, as a result of revenue growth, margin improvements and lower effective tax rate. Including the US\$5.15 million insurance settlement, the Group's after-tax profit was US\$10.3 million. The Group's cash position continued to be strong and during the quarter, US\$4.3 million was utilized in a share buyback program.

Group revenue for Q2 FY2006 rose 7% year-over-year to US\$116.9 million, reflecting growth in both hardware and services revenue. Compared to the prior quarter, revenue declined 3% due to lower hardware and Training Service revenues, but this was mostly offset by an increase in the higher margin Managed and Professional Service revenues.

The Group's strategic focus on quality business and margins continued to yield good results in margin performance. Gross margin has improved further, achieving 18.8% in Q2 FY2006, the highest in 14 quarters. On a 6-month basis, gross margin improved substantially from 17.0% in H1 FY2005 to 18.4% in H1 FY2006. The solid performance was driven by continued margin growth in the Services business units, namely Managed and Professional Services, accompanied by some strengthening in hardware margin.

Distribution, selling and administrative expenses (SG&A) were US\$15.4 million or 13.2% of revenue. This is an improvement compared with 13.9% registered in the same quarter last year and is up slightly from 13.0% last quarter.

On the back of rising revenues and substantial margin improvements, operating profit before income tax rose 86% year-over-year to US\$7.4 million. Compared to the prior quarter, this represents an increase of 21%. These comparisons include the impact of share options expenses for the respective periods.

Operating profit at the after-tax and minority interests level grew at an even faster pace than pre-tax profit due to a substantial reduction in the effective tax rate. For Q2 FY2006, the Group generated an after-tax profit of US\$5.1 million, which represents 141% year-over-year growth and 22% sequential growth.

The Group's effective tax rate has reduced progressively from 47.1% in Q2 last year to 30.4% in Q2 this year due to the reduced losses in some countries and as a result of operational and tax initiatives.

From a geographic perspective, the Group's results reflect growth across most markets, with encouraging bottom line progress in China and Japan.

The Group continues to generate good cash flow and maintains a strong balance sheet. The Group generated US\$8.3 million operational cash flow in Q2 FY2006 and a total of US\$23.3 million for the 6 months to March 2006 in addition to the insurance settlement of US\$5.15 million. The operational cash generated was driven by earnings growth and working capital management. Net cash and investments increased by US\$23.5 million or 21% to US\$137.2 million, compared with US\$113.7 million at the start of the financial year. During the quarter, the Group utilized US\$4.3 million to repurchase 3.8 million of its outstanding shares.

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.

Looking ahead, prospects are underpinned by a healthy order backlog valued at US\$127 million. Backlog has increased 11% or US\$13 million over the prior quarter reflecting a significant increase in new multi-year annuity contract wins which was partially offset by a decline in product backlog. This is a direct result of the Group's intense focus on services and margins and it being more selective on product business. As annuity contracts are deliverable over longer periods while product contracts have more immediate impact on revenue, the existing backlog mix suggests short term revenue growth may be moderate but margin outlook remains strong.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(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/recommended, a statement to that effect.

No dividend has been declared or recommended for the 3 months ended 31 March 2006.

13. Interested Person Transactions (“IPTs”)

In US\$'000

Q2 FY2006

Name of interested person	Aggregate value of all IPTs during Q2 FY2006 (excluding transactions less than S\$100,000 and excluding transactions conducted under the shareholders' mandate on 20 January 2006)	Aggregate value of all IPTs during Q2 FY2006 conducted under the shareholders' mandate on 20 January 2006 (excluding transactions less than S\$100,000)
Transactions > S\$100,000	Yes	Yes
Defined by shareholders' mandate on 20 January 2006	No	Yes
Dimension Data Commerce Centre	642	-

BY ORDER OF THE BOARD

Patrick Quarmby
Chairman
10 May 2006