

News Release

Datacraft closes FY2004 on a high note with strong operational performance

Singapore, 17 November 2004 – Datacraft, the region's leading independent IT services company, has reported higher revenue, gross margin and operating profit for the fourth quarter ended 30 September 2004. This represents the company's strongest operational performance in eight quarters and maintains its sequential improvement in revenue and gross margin since the start of FY 2004.

Financial Highlights

Forth Quarter Ended 30 Sep	2004 US\$ million	2003 US\$ million	Y-o-Y % improvement
Revenue	95.6	86.2	11 %
Pre-tax Profit *	3.0	2.8	10%
Profit Attributable to Shareholders*	1.8	0.3	597%
12 Months Ended 30 Sep	2004 US\$ million	2003 US\$ million	Y-o-Y % Improvement
Revenue	362.3	328.7	10%
Pre-tax Profit *	9.0	3.5	158 %
Profit Attributable to Shareholders*	5.2	(1.0)	N.M.
As at	30 Sep 2004 US\$ million	30 Sep 2003 US\$ million	% Improvement
Net Cash + Short Term Investments	112.3	80.2	40%

*excluding goodwill amortisation and exceptional items

Results for the Fourth Quarter ended 30 September 2004

During Q4 FY2004, Datacraft's operating profit was US\$3.0 million on revenue of US\$95.6 million, representing the highest level achieved in eight quarters. Compared to Q4 FY2003, quarterly operating profit was up 10% and revenue increased 11%, while gross margins improved from 16.6% to 16.9%.

Following the review of goodwill relating to a previous acquisition in Korea, mentioned in the Q3 FY2004 results announcement, the Group decided to write off the remaining goodwill balance. This has largely contributed to an exceptional charge of US\$13.4 million, which has no impact on the Group's cash or operations.

On a sequential basis, on-going operating profit before tax for Q4 FY2004 increased by a substantial 54% over Q3 FY2004 to US\$3.0 million. The improvement is attributed to a 7% growth in revenue, higher gross margin (from 16.3% to 16.9%) and stable SG&A (distribution, selling and administrative expenses).

Results for the 12 Months ended 30 September 2004

For the full year FY2004, Datacraft's revenue increased 10% to US\$362.3 million and its operating profit before tax surged 158% to US\$9 million. On-going after-tax operating profit attributable to shareholders reversed from a US\$1 million loss last year to a profit of US\$5.2 million.

Gross margin for the Group improved to 16.2% from 15.7% last year. Hardware margin reported a moderate increase due to a higher proportion of solutions revenues, while margin for services improved substantially primarily as a result of improved efficiency in Managed Services and Training Services.

Overheads continued to be managed carefully with the Group's SG&A expenses amounting to US\$52.0 million, representing a year-over-year increase of 2%, considerably lower than the 10% growth in revenue.

The Group's financial strength and cash flow continued to improve in FY2004. For the year, the Group generated a positive operating cash flow of US\$39 million with net cash and investments growing 40% to US\$112.3 million. Receivables were well managed with Days Sales Outstanding falling to 79 days, a record low in the Group's history.

"It is great to be able to cap a year of steady financial recovery with such a strong quarter and the strongest operational performance in two years," said Bill Padfield, CEO of Datacraft Asia.

"FY2004 was all about execution, with the key focus on the three "Ss" – Solutions, Services and the Standard Operating Environment. Our strong results affirm that we

are on the right track and making good progress. Our investment in enhancing our solutions portfolio has been well received by our customers and contributed to revenue growth, whilst our initiative in standardising our business processes across the region has led to productivity gains and reduced cost. Our gross margin, which has been trending up all year, has improved as a result of higher services margin due to improved operational efficiency.

“The strong finish to the year, coupled with an order backlog of US\$97.8 million - the highest in 8 quarters - gives us reasons to be positive about the future. The recent surveys we have conducted show a pleasing improvement in employee satisfaction as well as a substantial year-over-year improvement in customer satisfaction. These findings give the management the conviction that its efforts to transform the business since FY2003 are starting to bear fruit.”

During the fourth quarter, Datacraft won a number of significant deals:

- A major Service Provider in Indonesia - US\$3.4m IP backbone and data centre
- Globe Telecom - US\$3.3m contract to enhance Globe's GPRS performance and implement mobile telephone call signaling over IP network (SS7 over IP)
- State Bank of India (SBI) - US\$3.3m security solution for antivirus, content security, endpoint security and five years Uptime maintenance services
- China Netcom - US\$1.2m Metropolitan Area Network (MAN) and three years Uptime maintenance services
- Global investment bank, HK - \$1.5m IPT solution
- SBI – US\$1m contract to design, build and manage a network connecting all its 57 overseas branch offices across 20 countries
- Global investment bank, Japan - \$1m network infrastructure
- NTT – a US\$0.9m contract for storage and security infrastructure

During FY2004, Datacraft also undertook a few key initiatives which include:

- The company consolidated its multiple Managed Services operations into a Global Service Centre (GSC) in Bangalore, India, which was launched officially on 8 Oct. Singapore serves as the Disaster Recovery Centre for this facility. Delivering high-quality, consistent services to clients both regionally and globally, this state-of-the-art facility operates in areas such as Call Management, Help Desk services, and the end-to-end monitoring and management of the IT environment.
- A thorough review of Datacraft's brand was also undertaken and the results of this exercise were rolled out across the region in the fourth quarter. The new corporate identity was specifically developed to project a younger, more agile and energetic image as the company makes its transition into a leading IT services and solutions specialist. The exercise also serves to reinforce a distinct brand identity that is relevant to our customers and partners, and gives us the strategic advantage in attracting new customers and retaining committed, long-term business relationships.
- Datacraft maintained its strong focus on customer satisfaction and achieved a significant improvement on this metric. This was a 49% improvement on the already strong score achieved in 2003. This measure reflects Datacraft's position as an industry leader in the region, providing clear evidence that our high quality solutions and services strategy resonates strongly with customers.

Datacraft's gain in revenue was broad-based, with growth from most geographies and fairly evenly distributed between hardware and services. By geographic regions, India, Singapore, Hong Kong and Thailand reported strong performances. Malaysia, Indonesia, the Philippines and New Zealand also put in good performances.

China, led by the new management team since April 2004, has seen steady progress on its recovery programme. In Korea, the management is making headway in its efforts to realign the team to the Group's solutions and services focus, and to diversify its revenue stream. While still tentative, Q4 FY2004 results and current indications suggest that business prospects in Korea are improving.

Strong market reception for the Group's suite of value-enhancing solutions is another contributing factor to the revenue growth. The investments in broadening and deepening the Group's solutions portfolio comprising Security, IP Convergence, Storage, iBOSS operational support systems, Customer Interactive Solutions and the newly launched Microsoft solutions have generated positive results. Solutions revenue reported strong year-on-year growth to account for 19% of revenue, up from 12% in FY2003.

Hardware margin increased moderately due to a higher proportion of solutions and advanced technology revenues, and more stringent criteria in selecting contracts. Services reported a more substantial improvement in margin despite pricing pressure, driven primarily by improved efficiency in Managed Services. For the Professional Services unit, more work is still needed to improve margins but its revenue has achieved encouraging year-on-year growth.

Going forward, Datacraft's management will remain focused on generating profitable growth and cash flow, and improving execution, particularly on the turnaround in Korea and China. The Group will continue to invest in enhancing its portfolio of solutions and services, to differentiate itself from the competition, which is expected to remain intense.

About Datacraft

"Best Asian Systems Integrator" for fifth consecutive year - Telecom Asia

Datacraft is a leading independent IT services and solutions company in Asia Pacific. The company helps clients plan, build and support their IT infrastructures. Datacraft combines an expertise in networking, security, operating environments, storage and contact centre technologies, with advanced skills in consulting, integration and managed services, to craft IT solutions for businesses.

A member of the Dimension Data Group, Datacraft is listed on the main board of the Singapore Exchange and is a component company of the Straits Times Index. Headquartered in Singapore, Datacraft spans more than 50 major offices and has over 1,100 employees across 13 Asia Pacific markets.

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