

DATA CRAFT ASIA LTD
(Registration no: 199301842Z)

First Quarter Financial Statement And Dividend Announcement for the Period Ended 31 December 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		
	3 months to 31/12/05 US\$'000	3 months to 31/12/04 # US\$'000	Change %
Revenue	120,820	103,493	16.7
Cost of sales	(99,051)	(85,685)	15.6
Gross margin	21,769	17,808	22.2
<i>Gross margin %</i>	<i>18.0%</i>	<i>17.2%</i>	
Add : Other operating income (Note 1(a)(ii))	562	1,215	(53.7)
Less: Other expenses			
Distribution and sales	(10,218)	(9,532)	7.2
Administrative	(5,487)	(5,180)	5.9
Share options expense	(470)	(488) #	(3.7)
Profit from operating activities	6,156	3,823	61.0
Finance costs	(23)	(21)	9.5
Profit before income tax (Note 1(a)(iii))	6,133	3,802	61.3
<i>Profit before income tax %</i>	<i>5.1%</i>	<i>3.7%</i>	
Income tax expense	(1,928)	(1,715)	12.4
<i>Effective tax rate %</i>	<i>31.4%</i>	<i>45.1%</i>	
Profit after income tax	4,205	2,087	101.5
Minority interests	31	30	3.3
Profit attributable to the shareholders of the Company	4,236	2,117	100.1
<i>Net profit margin %</i>	<i>3.5%</i>	<i>2.0%</i>	

For comparison purposes, Q1 FY2005 (3 months ended 31 December 2004) has been adjusted to include the impact of share options expense.

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

	Group	
	3 months to 31/12/05 US\$'000	3 months to 31/12/04 US\$'000
Interest income	541	335
Investment income	103	156
Foreign exchange (loss) / gain	(82)	724
	562	1,215

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

	Group	
	3 months to 31/12/05 US\$'000	3 months to 31/12/04 US\$'000
Disclosure of expenses included in the Profit before income tax :		
Interest expense	(23)	(21)
Depreciation of plant and equipment and other amortisation	(1,891)	(1,770)
Allowance for doubtful trade receivables	(50)	(606)
Allowance for inventory obsolescence	(112)	(382)

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>31/12/05</u> (US\$ million)	Note 1 <u>31/12/04</u> (US\$ million)	Note 2 <u>30/09/05</u> (US\$ million)
<u>Current assets</u>			
Cash and short term investments	127.82	115.02	113.71
Receivables from external customers	85.76	87.35	92.48
Inventories	8.13	16.48	15.69
Other current assets	37.86	38.93	40.27
Total current assets	<u>259.57</u> =====	<u>257.78</u> =====	<u>262.15</u> =====
<u>Non-current assets</u>			
Plant and equipment	13.72	15.75	14.71
Intangibles	0.65	0.46	0.65
Deferred tax assets	2.50	3.30	2.37
Long term investments	1.04	1.18	1.08
Total non-current assets	<u>17.91</u> =====	<u>20.69</u> =====	<u>18.81</u> =====
<u>Current liabilities</u>			
Trade creditors	44.78	49.04	53.18
Other current liabilities	49.29	44.53	49.75
Total current liabilities	<u>94.07</u> =====	<u>93.57</u> =====	<u>102.93</u> =====
<u>Non-current liabilities</u>			
Deferred tax liabilities	1.17	1.45	1.16
Net assets	<u>182.24</u> =====	<u>183.45</u> =====	<u>176.87</u> =====
Shareholders' funds	181.28	182.59 #	175.91 #
Minority interests	0.96	0.86	0.96
	<u>182.24</u> =====	<u>183.45</u> =====	<u>176.87</u> =====

Note 1 : Balance sheet as at 31 December 2004 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, Q1 FY2005 and Q4 FY2005 have been adjusted to include the impact of share options expense.

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

Holding Company

	<u>31/12/05</u> (US\$ million)	<u>30/09/05</u> (US\$ million)
<u>Current assets</u>		
Cash and bank balances	2.35	2.30
Receivables from subsidiaries	49.96	50.33
Other current assets	3.63	2.99
	-----	-----
Total current assets	55.94	55.62
	=====	=====
<u>Non-current assets</u>		
Subsidiaries	104.23	104.85
Plant and equipment	1.90	2.01
	-----	-----
Total non-current assets	106.13	106.86
	=====	=====
<u>Current liabilities</u>		
Other creditors	16.44	17.12
Other current liabilities	3.25	3.09
	-----	-----
Total current liabilities	19.69	20.21
	=====	=====
<u>Non-current liability</u>		
Deferred tax liabilities	0.45	0.45
	-----	-----
Net assets	141.93	141.82
	=====	=====
Shareholders' funds	141.93	141.82 #
	=====	=====

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

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 31/12/2005</u>		<u>As at 30/09/2005</u>	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

<u>As at 31/12/2005</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.

	3 months to 31/12/05 US\$'000	3 months to 31/12/04 # US\$'000
Cashflows from operating activities :		
Profit before income tax	6,133	3,802
Adjustments for		
Depreciation of plant and equipment	1,891	1,749
Amortisation of deferred expenditure	-	21
Allowance for doubtful trade receivables	50	606
Allowance for inventory obsolescence	112	382
Share options expense	470	488 #
Write-off of investment in associates	-	8
Loss on disposal of plant and equipment	-	3
Interest income	(541)	(335)
Interest expense	23	21
Operating profit before working capital changes	<u>8,138</u>	<u>6,745</u>
Inventories	7,568	39
Trade and other debtors	9,517	(5,180)
Trade and other creditors	(9,729)	(1,388)
Cash generated from operations	<u>15,494</u>	<u>216</u>
Interest paid	(23)	(21)
Interest received	541	335
Income tax paid	(1,038)	(118)
Net cash from operating activities	<u>14,974</u>	<u>412</u>
Cashflows from investing activities :		
Purchase of plant and equipment	(962)	(879)
Cashflow on acquisition of new business	-	(531)
Proceeds from disposal of plant and equipment	-	9
Net cash used in investing activities	<u>(962)</u>	<u>(1,401)</u>
Cashflows from financing activities :		
Net proceeds from issue of shares	516	500
Repayment of finance leases	(5)	(2)
Net cash from financing activities	<u>511</u>	<u>498</u>
Net effect of exchange rate changes in consolidating subsidiaries	(420)	3,197
Net increase in cash and short term investments	14,103	2,706
Cash and short term investments at beginning of period	113,714	112,311
Cash and short term investments at end of period *	<u>127,817</u> =====	<u>115,017</u> =====

* Included in cash and short term investments at end of period are cash bank deposits of US\$2.4 million pledged as security for projects and banking facilities. The pledges are short term in nature.

For comparison purposes, Q1 FY2005 (3 months ended 31 December 2004) has been adjusted to include the impact of share options expense.

Subsequent to Q1 FY2006, the Company received US\$5.15 million in respect of an insurance settlement which will be included in the Q2 FY2006 results.

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 equity holders of the Company							Minority interests	Total equity	
	Share capital	Share premium	Statutory reserve	Share options reserve	Exchange difference reserve	Goodwill on consolidation	Accumulated profits/(losses)			
								Total		
Q1 2006 movement										
Balance at 1 October 2005 : As previously reported	14,080	205,652	309	-	(5,975)	(151,746)	113,586	175,906	965	176,871
Change in accounting standard :										
FRS 102 : Accounting for share options	-	-	-	3,085	-	-	(3,085)	-	-	-
As restated	14,080	205,652	309	3,085	(5,975)	(151,746)	110,501	175,906	965	176,871
Exchange differences arising during the period	-	-	14	-	142	-	-	156	26	182
Cost of share-based payment	-	-	-	470	-	-	-	470	-	470
Net profit/(loss) for the period	-	-	-	-	-	-	4,236	4,236	(31)	4,205
Issue of shares	20	496	-	-	-	-	-	516	-	516
Balance at 31 December 2005	14,100	206,148	323	3,555	(5,833)	(151,746)	114,737	181,284	960	182,244
Q1 2005 movement										
Balance at 1 October 2004 : As previously reported	27,983	204,865	303	-	(9,353)	(151,746)	101,420	173,472	882	174,354
Change in accounting standard :										
FRS 102 : Accounting for share options	-	-	-	1,135	-	-	(1,135)	-	-	-
As restated	27,983	204,865	303	1,135	(9,353)	(151,746)	100,285	173,472	882	174,354
Exchange differences arising during the period	-	-	18	-	5,993	-	-	6,011	9	6,020
Net profit/(loss) for the financial period, as previously reported	-	-	-	-	-	-	2,605	2,605	(30)	2,575
Change in accounting standard :										
FRS 102 : Accounting for share options	-	-	-	488	-	-	(488)	-	-	-
Net profit for the period, restated	-	-	-	488	-	-	2,117	2,605	(30)	2,575
Issue of shares	42	458	-	-	-	-	-	500	-	500
Balance at 31 December 2004, as restated	28,025	205,323	321	1,623	(3,360)	(151,746)	102,402	182,588	861	183,449

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

<u>Holding Company</u> (US\$'000)	Share capital	Share premium	Share options reserve	Exchange difference reserve	Accumulated (losses)/ profits	Total
Q1 2006 movement						
Balance at 1 October 2005 :						
As previously reported	14,080	205,652	-	(175)	(77,742)	141,815
Change in accounting standard :						
FRS 102 : Accounting for share options	-	-	1,320	-	(1,320)	-
As restated	14,080	205,652	1,320	(175)	(79,062)	141,815
Exchange differences arising during the period	-	-	-	(521)	-	(521)
Cost of share-based payment	-	-	181	-	-	181
Net loss for the period	-	-	-	-	(66)	(66)
Issue of shares	20	496	-	-	-	516
Balance at 31 December 2005	14,100	206,148	1,501	(696)	(79,128)	141,925
Q1 2005 movement						
Balance at 1 October 2004 :						
As previously reported	27,983	204,865	-	(1,457)	(926)	230,465
Change in accounting standard :						
FRS 102 : Accounting for share options	-	-	551	-	(551)	-
As restated	27,983	204,865	551	(1,457)	(1,477)	230,465
Exchange differences arising during the period	-	-	-	2,637	-	2,637
Net profit for the financial period, as previously reported	-	-	-	-	7,764	7,764
Change in accounting standard :						
FRS 102 : Accounting for share options	-	-	192	-	(192)	-
Net profit for the period, restated	-	-	192	-	7,572	7,764
Issue of shares	42	458	-	-	-	500
Balance at 31 December 2004, as restated	28,025	205,323	743	1,180	6,095	241,366

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 period ended 31 December 2005, the issued share capital of the Company was increased to 468,012,683 shares (S\$23,400,634.15) by the issue of the following new ordinary shares of S\$0.05 each fully paid:

- a) 414,000 shares at US\$0.725 each for cash under the Datacraft Asia Share Option Scheme; and
- b) 259,000 shares at US\$0.835 each for cash under the Datacraft Asia Share Option Scheme.

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 Financial Reporting Standard ("FRS") 102 on Share-based Payment relating to the expensing of employees and Directors share options.

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.

In accordance with FRS 102 Share-based Payment, the employees and Directors share options expense was accounted for in the profit and loss statement and share option reserve. The comparative figures have been adjusted on adoption. The expense amounted to US\$470,000 for Q1 FY2006 (Q1 FY2005: US\$488,000).

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	
	3 months to 31/12/05	3 months to 31/12/04 #
Earnings per ordinary share for the period:		
(i) Based on the weighted average number of ordinary shares in issue	0.91 US cents	0.45 US cents
(ii) On a fully diluted basis	0.90 US cents	0.45 US cents

Note to item 6(i):

The weighted average number of ordinary shares in issue for the financial period is 467,420,292 (31 December 2004: 466,245,411).

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 469,448,951 in issue during the period reported on. (31 December 2004: 467,913,793)

For comparison purposes, Q1 FY2005 (3 months ended 31 December 2004) has 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	
	31/12/05	30/09/05 #	31/12/05	30/09/05 #
Net asset value per ordinary share based on issued share capital	38.60 US cents	37.50 US cents	30.33 US cents	30.35 US cents

The net asset value per ordinary share is computed based on 468,012,683 (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.**

For the first quarter of FY2006, Datacraft delivered a 100% year-over-year increase in after-tax profit to US\$4.2 million. The result, which includes the impact of share options expensing, is the highest in 13 quarters. The good performance was achieved on the back of higher revenue, improvement in operating margins and lower effective tax rate. From the balance sheet perspective, the Group continued to make great strides in improving working capital efficiency and cash generation.

Revenue for Q1 FY2006 grew 17% year-over-year to US\$120.8 million, reflecting growth across most geographic regions and solutions lines of business. Compared to the prior quarter Q4 FY2005, revenue declined US\$2.2 million or 2% due entirely to a sequential decline in hardware revenue, as the Group was more selective with regard to low margin hardware business.

Q1 FY2006's gross margin of 18.0% compares favourably with the 17.2% registered for Q1 FY2005 and Q4 FY2005. The healthy improvement of 80 basis points in the quarter demonstrates the benefits of the Group's focus on more profitable, high value business which helps hardware gross margin, and the continued emphasis on productivity which helps services gross margin.

The Group's selling, general and administration (SG&A) expenses totalled US\$15.7 million for the quarter. The SG&A expense-to-revenue ratio improved from 14.2% in Q1 FY2005 to 13.0% for this quarter. The ratio is also better compared to 13.2% in the prior quarter.

Consequently, profit before income tax increased 61% year-over-year to US\$6.1 million. On a sequential basis, the increase was 17%. This comparison includes the impact of share options expenses for the respective periods. As a result of FRS 102, the expenses for share options, amounting to US\$470,000 for Q1 FY2006 and US\$488,000 for Q1 FY2005, have been included for the first time.

At the after tax and minority interests level, the Group generated a profit of US\$4.2 million, representing a 100% increase over the same quarter last year, and a 37% increase compared with the prior quarter. Accordingly, net profit margin has expanded from 2.0% for Q1 last year to 3.5% for the current quarter. Besides operating efficiency gains, the other driver for net profit margin expansion is lower effective tax rate.

The effective tax rate for the Group has been declining progressively from 45.1% in Q1 last year, to 31.4% for this quarter. The improvement is due to a combination of factors including the positive impact of operational and tax initiatives and reduced losses in some countries.

From a geographic perspective, positive revenue growth was achieved in the majority of regions compared to the same period last year. Growth is led by India which achieved strong double digit year-over-year growth as a result of continued strong demand from both enterprise and service provider customers. Elsewhere, the operations in China and Japan have made good progress in their recovery programs.

The Group's balance sheet and cash continue to strengthen. During the quarter, the Group generated operating cash flow of US\$15.0 million, driven by profit growth and improvements in working capital. Receivables collection continued to improve with Days Sales Outstanding declining to 67 days, compared to 78 days a year ago and 70 days in the previous quarter. Inventory was reduced by half to US\$8.1 million, compared to \$16.5 million last year and US\$15.7 million in the prior quarter. Consequently the Group's net cash and short term investments has increased to US\$127.8 million, up from US\$115.0 million a year ago, and US\$113.7 million a quarter ago.

Subsequent to the close of Q1 FY2006, several positive developments took place.

At the Extraordinary General Meeting held on 20 January 2006, the mandate for a share buyback program was approved by the shareholders. Following this, the Group will set aside US\$15 million for on-market purchases of its shares.

Further, the Board has approved a dividend policy and intends to commence a regular dividend program with effect from this financial year, profitability and cash permitting.

On 25 January 2006, the Group 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. The settlement will be recorded as other income in Q2 FY2006.

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 Group remains well positioned to benefit from the favourable market trends currently prevailing. There remains significant demand for the solutions and services offered by the Group. Near term demand is underpinned by a healthy order backlog of US\$114 million as at the end of Q1. The Group will continue to execute on its priorities – maintaining high margins, further enhancing client experience, developing its people and culture and driving sustainable profitable growth.

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/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the 3 months ended 31 December 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
8 February 2006