



DATACRAFT ASIA LTD
(Registration no: 199301842Z)

Proposed Capital Reduction

1. Introduction

To facilitate Datacraft Asia Ltd (the "Company") to declare dividends sometime in the future, the Board of Directors wishes to announce that the Company is proposing to undertake a capital reduction ("Capital Reduction") exercise pursuant to Section 78A of the Companies Act (Cap 50) of Singapore. As at 31 March 2006, the Datacraft Group (Datacraft Asia Ltd and its subsidiaries) has retained earnings of approximately US\$125.0 million which includes accumulated losses of approximately US\$80.4 million sitting in the books of Datacraft Asia Ltd. As dividends are declared from the Datacraft Asia Ltd's distributable reserves and not from the Group's distributable reserves, the objective of the Capital Reduction is to offset this deficit.

The Capital Reduction exercise is a legal and accounting process. It will entail a cancellation of the Company's issued and paid-up share capital from the existing sum of approximately US\$220.2 million to US\$139.8 million. The amount of US\$80.4 million arising therefrom shall be applied to write off the Company's accumulated loss account.

The financial impact of this exercise will be minimal. There will be no change to the number of issued ordinary shares in the capital of the Company as a result of the Capital Reduction exercise. The exercise will not have any effect on the earnings, net tangible assets and gearing of the Company and the Group. There will be no adjustment made to the number and exercise price of the share options after the Capital Reduction exercise.

2. Conditions of the Proposed Capital Reduction Exercise

The proposed Capital Reduction is subject to, inter alia, the following:-

- a. the approval of shareholders at an extraordinary general meeting ("EGM") to be convened;
- b. all other relevant approvals and consents being obtained.

A circular containing further details of the Capital Reduction exercise and convening the EGM for the purpose of seeking shareholders' approval will be despatched to shareholders in due course.

Submitted by Low Beng Lan, M&A Director on 18/05/2006 to the SGX