

News Release

Datacraft kick-starts FY2007 with 47% increase in Q1 profits and strong growth in services business

Q1 FY2007 Financial Highlights

First Quarter ended 31 Dec	2006 US\$ million	2005 US\$ million	y-o-y % improvement
Revenue	128.7	120.8	7%
Pre-tax profit	8.5	6.1	39%
Profit attributable to shareholders	6.2	4.2	47%
Cash and short term investments	147.9	127.7	16%

Singapore, 02 February 2007 - Datacraft Asia, the region's leading independent IT solutions and services company, has reported robust earnings for the first quarter of FY2007, delivering a 47% year-over-year increase in profit after-tax and minority interests to US\$6.2 million on a 7% growth in revenue to US\$128.7 million. The strong results were led by Datacraft's services business.

Revenue for Q1 FY2007 grew 7% year-over-year to US\$128.7 million thanks to a 13% increase in services revenue to US\$48.1 million and a 3% increase in hardware revenue to US\$80.6 million. When compared to the prior quarter Q4 FY2006, traditionally a strong quarter for the Group, revenue declined US\$2.2 million or 2%.

"I am pleased to kick off the new fiscal year with a strong 13% growth in our services business and a gross margin of 19.2% in Q1. We also ended the quarter with the highest backlog in five years at US\$156 million, boosted by growth in annuity service contracts as well as hardware orders. Clearly, our strategy of focusing on more profitable, services-attached business and emphasis on productivity has paid off," said Bill Padfield, CEO of Datacraft.

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“Going forward, the Q2 outlook remains positive underpinned by a healthy backlog, although overall gross margin may moderate due to the increase in hardware backlog. The prevailing market trends look favourable and demand for our solutions and services remains healthy, particularly in the areas of IP convergence and multi-sourcing. Our priority in FY2007 is to continue to drive services opportunities and build on our solid fundamentals by continuing to execute well,” Padfield added.

In Q1 FY2007, the Group achieved a gross margin of 19.2% compared with the 18.0% for Q1 FY2006 and 18.7% in Q4 FY2006. The positive trend in margins was largely due to an improvement in services margin, led by the managed services business unit, demonstrating continued success in focusing on more profitable, high value business, together with improvements in productivity. The revenue mix in favour of services also helped lift the overall gross margin.

On the back of higher revenue and improved margins, profit before-tax increased 39% year-over-year to US\$8.5 million while profit after-tax and minority interests rose 47% to US\$6.2 million. Compared to the prior quarter Q4 FY2006, profit before-tax and profit after-tax and minority interests were lower by 5% and 4% respectively.

The Group’s effective tax rate for the quarter reduced to 27.1% compared to approximately 30% prevailing in the prior quarters. The decline in effective tax rate was mainly due to a one-time favourable resolution of a prior tax issue.

From a geographic perspective, India, New Zealand, Greater China and Asean outperformed with positive revenue growth. East Asia saw a decline in revenue compared to the same period last year, which was primarily due to Japan’s performance. Compared with Q4 FY2006, Japan saw an improvement in revenue.

The Group continued to maintain a healthy balance sheet and cash position. As at 31 December 2006, the Group had net cash and short term investments of US\$147.9 million, compared with US\$127.7 million a year ago.

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The share buy-back programme continued into FY2007 as a means of enhancing our shareholders' value. During Q1 FY2007, the Group bought back 450,000 shares at a cost of US\$527,000. To-date, the cumulative total of shares purchased since the inception of the share buy-back programme in January 2006 amounted to 17.6 million shares at a cost of US\$18.2 million.

Significant contracts announced during Q1 of FY2007 included:

- Leading Philippines wireless service provider - US\$3.4m to re-engineer and support its distribution and core network.
- Daewoo Securities - US\$1.5m to design, build and support a new high-speed network.
- Hitachi Malaysia - an innovative IP wide area network in 13 branch offices.
- Leading Singapore mobile communications provider – two-year managed services contract.
- Leading Malaysian gaming company - US\$2.4m new IP - based network.
- In October Asia Netcom and Datacraft announced a partnership that will see them offer managed security services to enterprise customers.
- In November Reef Point Systems and Datacraft signed a partnership which will allow Datacraft to market, sell and support Reef Point's Universal Convergence Gateway™ as a network convergence element in Datacraft's next-generation solutions for the telecommunications service providers.

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About Datacraft

Datacraft is the leading independent IT services and solutions company in Asia Pacific. The company helps clients plan, build, support and manage 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 1,200 employees across 13 Asia Pacific markets. More information can be found at www.datacraft-asia.com

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