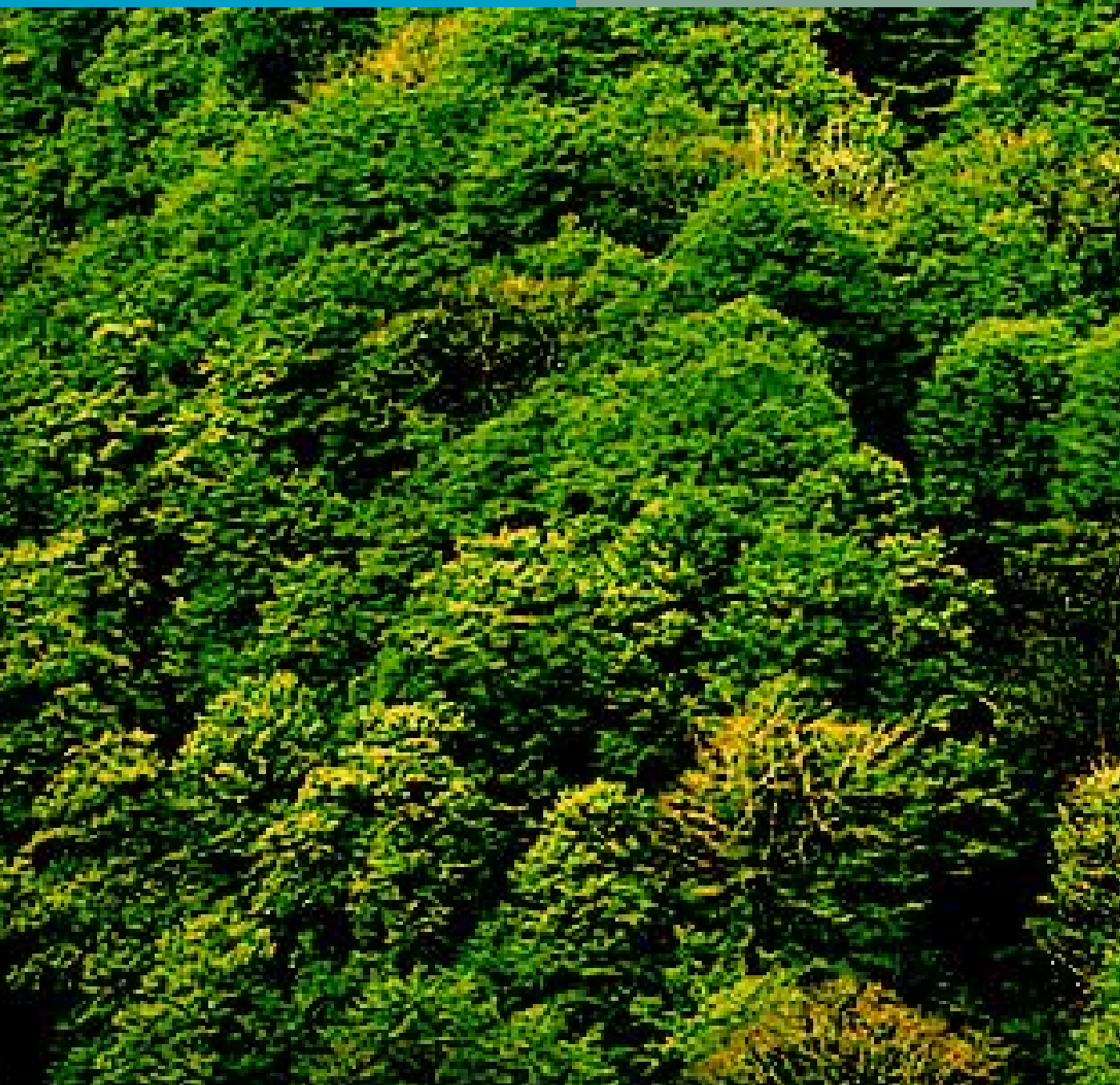


22 BUSINESS REVIEW

VERDANT VIEW.
PREPARING THE GROUND FOR
A LUSH CANOPY.





MARKET OVERVIEW

For the second successive year, trading conditions in most markets remained challenging and demand subdued in the face of continuing economic uncertainties. Business volume in the third quarter was impacted by the SARS outbreak in the region, which caused disruptions to the training business in Greater China and delays in decision-making for major projects, but the situation recovered in the fourth quarter.

In response to reduced business volumes, the company continued to address its cost and expense structure. Overall headcount was reduced to 1141 at the close of the year compared to 1502 at the beginning of FY2003. The effect of the reduction in fixed costs was, however, partially offset by additional resources being invested in the development of professional services, new capabilities in network storage and IP convergence, as well as additional managed services personnel supporting large projects. These investments enable the company to capture a higher proportion of customers' IT expenditure, thereby positioning it well for the future.



OPERATIONAL HIGHLIGHTS

TRANSFORMING AND EXPANDING DATACRAFT SERVICES

MANAGED SERVICES

Japan is clearly a huge market for managed IT services but developing markets such as China, India, Indonesia, Korea, Malaysia, and Thailand offer Datacraft the largest growth opportunities. Within the region, a number of trends can be seen at work in the managed services market place:

- End-to-end outsourcing is on the increase. While Datacraft does not undertake such “glass-house” outsourcing deals on its own, its strong specialist skills make it a valuable partner for the large generalist IT outsourcing firms.
- Decision-making is migrating from country to a regional or even global level in some major enterprise accounts. Datacraft is well placed to manage regional infrastructure and works with Dimension Data to capture global opportunities.
- Cost-cutting through agreed reductions in service-level and, in some cases, on-line bidding for service contracts which puts downward pressure on service rates.
- There is increased demand for out-tasking including placement of engineers at customer sites.

With its regional delivery capabilities, Datacraft Managed Services is positioned for growth. To complement its

successful Uptime support service and Insite management service, the company recently launched Assure, a suite of network and security infrastructure support services for mid-to-large enterprises.

With a view to differentiating Datacraft from its global competitors, Managed Services is upgrading its skills in line with the company’s solution focus based around the Cisco Advanced Technologies, EMC and Microsoft platforms. It has also been proactively benchmarking against best-in-class competitors, adopting best practices and stepping up its service management systems to enhance contract, call and logistics management in order to improve productivity.

TRAINING SERVICES

Training is one of Datacraft’s more predictable business units but SARS had a negative impact on Training Partners’ courses during the third quarter, especially in Greater China. Fortunately the business recovered well in the fourth quarter, although the soft market conditions throughout the year resulted in some discounting pressure. The trend towards training focused on technology solutions, rather than training for IT certification, validates Training Partners’ drive to broaden its curriculum.

Training Partners continues to look at ways to broaden its market reach, especially through expansion into new locations such as Cebu (Philippines) and Brunei, as well as partnership

WE HAVE ALSO BEEN PROACTIVELY BENCHMARKING AGAINST BEST-IN-CLASS COMPETITORS, ADOPTING BEST PRACTICES AND STEPPING UP OUR SERVICE MANAGEMENT SYSTEMS TO ENHANCE CONTRACT, CALL AND LOGISTICS MANAGEMENT IN ORDER TO IMPROVE PRODUCTIVITY.

opportunities with local training organisations, such as Hong Kong's Vocational Training Council. At the same time, the company is also looking at reselling courses from other training companies to provide a one-stop shop for IT training.

In line with the corporate strategy, Training Partners will maintain a strong focus on solution training based on Datacraft's three core partners: Cisco, EMC and Microsoft. Under the company's new go-to-market model, each training facility is an independent profit centre that can diversify its training portfolio to address local customer demand. Therefore, courses addressing platforms such as Oracle, Sun Microsystems and Linux will also be offered in selected locations across the region.

PROFESSIONAL SERVICES

With the impact of the Iraq war and the SARS outbreak weighing on markets in ASEAN and Greater China, FY2003 was a challenging year for Datacraft to establish a fully fledged Professional Services business unit. Customers remained cautious about major IT investments, preferring to focus on making the best of their existing infrastructure through optimisation, enhancement and integration. Nonetheless, the company experienced strong consulting growth as the year progressed with the business increasing by over 40% in key mature markets such as Japan, Singapore and New Zealand. Professional Services as a discrete offering is making

good progress across the region, even in developing markets such as India and China where growth rates of 80% and 30% were achieved respectively.

The downside in FY2003 was the general erosion in market billing rate due to reduced IT services spending coupled with aggressive discounting by certain competitors, averaging approximately 15% across the region.

A key achievement during 2003 was the integration of the iCommerce subsidiaries into a unified Solutions Development Group (SDG) within Professional Services, creating a critical mass of software development and integration expertise that was previously distributed in "pockets" across the company. The SDG acts as a "factory" that develops and packages replicable business solutions and related services, in the process creating re-useable intellectual property for the company.

In 2004 there will be even more focus on consulting and delivery of services based around Application Network solutions. The customer focus will remain on service providers, global and regional multinational companies, together with the public sector in selected markets. Technical skills within the Professional Services business unit will continue to be enhanced, particularly in the areas of Cisco Advanced Technologies, EMC network storage solutions and Microsoft business applications.

IN 2004 THERE WILL BE EVEN MORE FOCUS ON CONSULTING AND DELIVERY OF SERVICES BASED AROUND APPLICATION NETWORK SOLUTIONS.

DRIVING INTO HIGH-END SOLUTIONS

During the year, the SDG delivered on a number of key offerings:

IP CONVERGENCE SOLUTIONS

The company kicked off its drive into high-value solutions in November 2002 with the launch of the Datacraft IP Convergence solution set. These enable customers to achieve productivity enhancements, support mobility, and realise infrastructure efficiencies by integrating voice, fax, video and data IP networking to support innovative new business applications. Converged networks will capture 55% of the US\$3 billion-plus Asia-Pacific enterprise telephony systems market in 2008, according to research firm Frost & Sullivan.

The company also launched a set of Customer Interactive Solutions (CIS) to help businesses improve the performance and customer satisfaction generated by their contact centres and self-service systems. Datacraft India secured several wins for the CIS practice, including a workforce management solution for eFunds, a help desk workflow management engagement for Tata Consultancy Services and two projects for AXA Business Services.

STORAGE-READY NETWORKS

On the back of its strategic relationships with EMC, announced in December 2002, the company launched a range of network storage solutions and related services during the first half of FY2003. IDC expects network storage to account for almost 77% of worldwide external storage systems revenue and around 67% of global disk storage revenue by 2005. The storage systems market therefore provides Datacraft with significant pull-through services opportunities in areas such as storage infrastructure assessment, network storage implementation, storage consolidation, automated storage management, backup and recovery, and high availability.



OPPORTUNITY: CONVERGED NETWORKS WILL CAPTURE 55% OF THE US\$3 BILLION-PLUS ASIA-PACIFIC ENTERPRISE TELEPHONY SYSTEMS MARKET IN 2008, ACCORDING TO RESEARCH FIRM FROST & SULLIVAN.

EXPANDED SECURITY SERVICES

The company also received a favourable reception for the launch of Surveyor Secure, a vendor-independent security assessment and risk management service that adds a consulting layer to the company's already successful security integration and outsourcing business. During the year, over 30 Surveyor Secure deals were won across the region against competition from other consulting firms, thanks to Datacraft's precise methodology and unique tie-up with American International Underwriters that enables companies to manage diverse network security and liability exposure.

INTEGRATED MANAGEMENT SOLUTIONS

Reflecting a softening of demand in the service provider market and an increase in demand from enterprise customers, the Integrated Business/Operational Support System (iBOSS) team is taking a more balanced approach towards integrated management solutions that will be consistent with Datacraft's solution focus areas. While maintaining its focus on service providers in order to capture ongoing large project opportunities, particularly in the Voice over IP space, the iBOSS team is extending its integrated management solutions to encompass the entire Application Network Architecture — including network, system, storage and application management.



OPPORTUNITY: NETWORK STORAGE WILL ACCOUNT FOR ALMOST 77% OF WORLDWIDE EXTERNAL STORAGE SYSTEMS REVENUE AND AROUND 67% OF GLOBAL DISK STORAGE REVENUE BY 2005.

MAJOR TURNKEY BUSINESS WINS

CITIGROUP CONSOLIDATES REGIONAL SUPPORT

In September 2003, Citigroup's Technology Infrastructure Division awarded the company a 40-month, multi-country maintenance contract worth more than US\$8 million for Datacraft Uptime managed services. The 16 countries covered by the agreement include Australia, Brunei, China, Guam, Hong Kong, Indonesia, India, Korea, New Zealand, Macau, Malaysia, the Philippines, Singapore, Taiwan, Thailand and Vietnam. Datacraft is providing pro-active monitoring and troubleshooting from its STARtrac centre in Singapore, together with on-site problem resolution. Citigroup's staff are able to view status information and interact with Datacraft service engineers via a customised service management portal.

BANKING ON INDIA'S SUCCESS

Following the successful first phase implementation of the project, the State Bank of India (SBI) awarded Datacraft a US\$29 million second phase contract for SBI Connect, its high-speed, nation-wide corporate wide area network. The network is being expanded to provide connectivity for 2500 more branches of SBI and its seven associate banks across 270 cities throughout India.

Capping off this success, the company was also awarded a five-year, US\$11.4 million services contract by SBI for outsourced management and support of SBI Connect. The service elements include Insite managed network services delivered from the STARtrac centre in Bangalore, Uptime maintenance services and subsequent management of its IP bandwidth.

CHINA ROLLS OUT TELECOM NETWORKS

In China, the company has continued to win telecom projects that involve extensions to provincial digital data networks (DDNs) and the implementation of new metropolitan area networks (MANs). In Southern China, Datacraft designed and implemented the core network for Guangzhou Telecom's new MAN. Datacraft has also completed a DDN/MAN integration project for Shandong Telecom, and received DDN expansion and services orders from China Telecom's provincial and local subsidiaries in Jilin, Sichuan and Chongqing. To date, Datacraft has installed more than 750,000 DDN nodes in 11 provinces.

SOPHISTICATED INTERNET ACCESS MANAGEMENT SYSTEM FOR KT

For KT (formerly known as Korean Telecom), the country's leading telecommunications service provider, Datacraft set up a system to authenticate and grant access rights to customers using its wireless and fixed wired networks. Its real-time accounting capabilities log all access for billing, tracking and auditing purposes and a unique module was also developed that enables KT to provide usage-based billing for prepaid services and flat rate based billing for its regular customers.

BANKTHAI APPLICATION NETWORK DEAL

In Thailand, Datacraft beat strong competition to win an Internet banking system integration contract from BankThai, a leading commercial bank. The state-of-the-art Internet banking solution gives BankThai's customers fast, convenient 7X24 on-line access to corporate cash management, trade finance and personal banking services, while freeing BankThai staff to provide high value advisory services.

CITIGROUP'S TECHNOLOGY INFRASTRUCTURE DIVISION AWARDED DATACRAFT A 40-MONTH, MULTI-COUNTRY MAINTENANCE CONTRACT WORTH MORE THAN US\$8 MILLION

US\$2.1M PROJECT IN HO CHI MINH CITY

In Vietnam, Datacraft won its second full-scale service provider networking project, by securing a US\$2.1 million deal from Ho Chi Minh Post & Telecommunications (HCM P&T). To deal with rapidly growing Internet traffic, HCM P&T needed a new load-sharing network that could provide dial-up access, email and billing services to its customers in the city. This network can scale to accommodate a projected 400,000 customers by 2005.

KEY INTEGRATED MANAGEMENT SOLUTION WINS

- KT has awarded a US\$4 million iBOSS and Professional Services project to develop a traffic monitoring and provisioning system.
- A global bank in Hong Kong is using iBOSS integrated network management system and customised service level management tool to automate network management.
- A leading Japanese electronics manufacturer has implemented an iBOSS performance management project to pro-actively manage and monitor its extensive infrastructure and avoid potential network failures.
- eFunds International has implemented an iBOSS workforce management solution that will meet their needs for volume contract centre management.
- LogicaCMG in India has deployed an iBOSS helpdesk solution to track interactions with its customers in the UK and bill them accordingly.
- Asia Netcom (previously known as Asia Global Crossing) is using iBOSS trouble ticketing services for its helpdesk to track and resolve customer faults and unplanned network events.

SECURITY SUCCESSES

- In one of the largest security deployments in the education field, the National University of Singapore has deployed a Datacraft designed and integrated firewall and intrusion detection system to protect the campus network from external and internal security breaches.
- A large luxury hotel chain in India is leveraging Datacraft Surveyor Secure service to assess its network and system vulnerabilities.
- A leading Japanese securities house engaged Datacraft to help evaluate its overall security positioning and devise a plan to implement a new security strategy.

THE STATE BANK OF INDIA AWARDED DATACRAFT A US\$29 MILLION CONTRACT.