

Chairman's Statement



Ng Khim Guan • Chairman

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Financial Statements of Datapulse Technology Limited ("Datapulse") for the financial year ended 31 July 2002.

Datapulse had exhibited solid growth in turnover and profitability for the last five financial years from FY 1997 to FY 2001. Amid the global economic downturn, this growth trend had been disrupted. The sharp slowdown in the global electronic industry during FY 2002 had adversely affected the performance of Datapulse. Despite operating in this difficult and challenging environment, Datapulse had managed to remain profitable during the financial year ended 31 July 2002.

The Year In Review

The Group achieved a profit before taxation of \$6.5 million for the year, a decline of 73.1% from the previous year. The reduction in profit before taxation was primarily due to a substantial fall in the turnover of the Singapore operations, which recorded a 41.6% drop in turnover to \$43.0 million. This was mainly due to the following:

- Weaker demand that resulted in lower overall sales of media storage products, packaging materials and complementary services; and
- Keen competition that led to fall in average selling prices.

In addition, the profit before taxation was negatively affected by:

- Lower capacity utilisation;
- Write-off of \$0.6 million in bad debts relating to an amount owing from associated company which is under receivership;
- Drop in interest income of \$0.8 million due to lower cash positions and lower interest rates during the current financial year; and
- Exchange loss of \$0.2 million incurred due to the strengthening of Singapore dollar against the United States Dollar in the current year compared to exchange gain of \$1.3 million in the previous year.

The expectation of a strong demand for DVD is leading the Group to expand the production capacity of DVD ■

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The decline in profitability was however partially offsetted by decrease in staff costs achieved through cost-cutting measures such as hiring freeze, wage cuts for management executives and lower headcounts through automating labour intensive production processes.

The decrease in turnover in Singapore was partially mitigated by increased sales in the Taiwan subsidiary, which contributed \$7.7 million to the Group's turnover. The increase in revenue of \$5.2 million at the subsidiary was due to full year contribution as compared to seven months contribution in the previous financial year. As a result, Group's turnover fell by a lower 33.4% to \$50.6 million.

For the financial year, the Company registered a profit after taxation of \$5.0 million after providing \$0.7 million for deferred tax liability. The Taiwan subsidiary registered a profit before taxation of \$1.0 million for the financial year ended 31 July 2002, compared to a loss before taxation of \$1.8 million in the previous financial year. With the net profit contribution by the subsidiary to the operating profit after taxation of the Group of \$0.5 million, the Group's operating profit after taxation reached \$5.5 million for the financial year.

Proposed Dividend

The Board of Directors is pleased to recommend a first and final dividend of 1 cent per ordinary share for the financial year ended 31 July 2002. This represents a 20% tax-exempt rate per ordinary share. In dollars term, the total dividend payable will be approximately \$6.0 million. The proposed dividend is subject to the approval of the members at the forthcoming Annual General Meeting. If approved, the dividend will be paid on 23 December 2002.

Business Prospect

With the uncertainties in the recovery of the global IT and electronic industry, coupled with the trend of relocation of electronic companies to North Asia, in particular China, business condition is expected to remain difficult.

Signs of pickup in business activities, albeit at a slow rate, are visible although there is no assurance that this trend will continue. With more launches of DVD games used in DVD-capable game console anticipated in the last quarter of the calendar year, the expectation of a strong demand for DVD is leading the Group to expand the production capacity of DVD. The Taiwan subsidiary has benefited to some degree from the move to North Asia by some of these electronic companies and the contribution from Taiwan subsidiary is expected to increase.

Notwithstanding the challenging global business environment, the Directors believe that the Group will remain profitable in the next financial year.

Going Forward

To meet customers' needs and improve service level, Datapulse is exploring opportunity to set up new manufacturing points in the region. At the same time, the Group is also proactively looking for new businesses through diversification.

A Word of Thanks

On behalf of the Board of Directors, I would like to thank our management and staff whose dedication and teamwork have contributed to the achievements of the Group. In addition, I would also like to express our deepest appreciation to our customers, vendors, business partners and associates, and government agencies for their valued support. To the shareholders, I would also like to thank them for their continued confidence in Datapulse ■



Ng Khim Guan
Chairman

21 October 2002

Board of Directors



Ng Khim Guan @ Ngadimin,
Non-executive Chairman



Ng Leok Cheng,
Executive Director, General Manager



Ng Cheow Chye,
Managing Director



Ng Cheow Leng,
Executive Director, Administration



**Si Yok Fong @
Chin Yok Fong,**
Executive Director, Technical



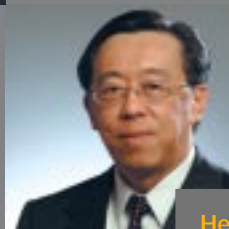
**Ng Bie Tjin @
Djuniarti Intan,**
Executive Director, Finance



Lim Lee Meng,
Independent Director



Hilary Quah Lam Seng,
Independent Director



Hee Theng Fong,
Independent Director



Ng Boon Yew,
Independent Director

AUDIT COMMITTEE

Lim Lee Meng, Chairman
Hee Theng Fong, Member
Hilary Quah Lam Seng, Member
Ng Boon Yew, Member

NOMINATING COMMITTEE

Hee Theng Fong, Chairman
Lim Lee Meng, Member
Hilary Quah Lam Seng, Member
Ng Cheow Chye, Member
Ng Bie Tjin @ Djuniarti Intan, Member

REMUNERATION COMMITTEE

Ng Boon Yew, Chairman
Lim Lee Meng, Member
Hilary Quah Lam Seng, Member
Ng Cheow Chye, Member
Ng Leok Cheng, Member

COMPANY SECRETARY

Lee Kay Beng

REGISTERED OFFICES

Company :
15A Tai Seng Drive
Datapulse Industrial Building
Singapore 535225
Tel : (65) 6382 7989
Fax : (65) 6382 8070
E-mail : dtpulse@datapulse.com.sg
Website : www.datapulse.com.sg

Subsidiary :
4th Floor No. 103
Feen Liao Street
Taipei Taiwan
Republic of China
Tel : (886) 2 2659 7733
Fax : (886) 2 2659 7742
E-mail : dtt@datapulse.com.tw

REGISTRARS

M & C Services Private Limited
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906

AUDITORS

KPMG
Certified Public Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Engagement Partner : Eng Chin Chin
(with effect from FY 2001)

PRINCIPAL BANKERS

ABN AMRO Bank N.V.
DBS Bank
Overseas-Chinese Banking Corporation Ltd
United Overseas Bank Ltd

FINANCIAL CALENDAR

Financial Year End	31 July 2002
Announcement of Half Year Results	15 March 2002
Announcement of Full Year Results	23 September 2002
Despatch of Annual Reports	6 November 2002
Annual General Meeting	29 November 2002
Extraordinary General Meeting	29 November 2002
Proposed First & Final Dividend	
Books Closure Date	10 December 2002
Payment Date	23 December 2002



**Awards and
Accolades,
a t t a i n e d
t h r o u g h
S u p e r i o r
S e r v i c e**



OUR HISTORY

For more than twenty years, the heart of Datapulse has been pulsating unrelentingly in the media storage industry, from magnetic to optical, from analog to digital. Today, we are a leading producer of digital storage media for content distribution in the Asia Pacific region, specialising in fast and secure delivery solutions.

Incorporated in 1980 under the name of Sound Technic, Datapulse Technology started as a manufacturer of cassette-related products and distributor of Ampex's line of products. Recognising the huge potential generated by the boom of PC application software in the late 1980s, Datapulse made a strategic switch to the production of micro-floppy diskettes and became the leading manufacturer of micro-floppy diskettes in Singapore.

In 1994, riding on the impetus of this growth, Datapulse went public with an initial public offering of 54 million shares. On 1 March 1994, the Company was admitted to the official list of the Stock Exchange of Singapore Dealing and Automated Quotation System (SESDAQ). On 23 November 2000, the Company was transferred to the official list of the Main Board of the Singapore Exchange Securities Trading Limited (SGX Mainboard).

With the explosion of compact disc as a medium of choice for distribution of software, multimedia, games, video and audio, Datapulse committed its entry into compact disc market in 1995. Over the years the Company has continuously made significant investment in state-of-the-art production technology and constant enhancements to our production facilities.

Applying cutting edge technology to deliver high quality products, Datapulse has become one of the leading software replicators in the Asia Pacific region. Our timely entry into the manufacturing of compact disc and other optical media has propelled the Company from strength to strength.

In the nine years as a publicly listed company, Datapulse has always operated in a challenging competitive environment. For all the hardwork put in to grow the Company, Datapulse had received some external endorsements. On 7 July 2000, the Securities Investors Association Singapore (SIAS) awarded Datapulse the Most Transparent Company Award 2000 under the SESDAQ Category. Datapulse was also selected by Forbes Global as one of the 300 Best Small Companies in the world on 16 October 2000, joining four other Singapore companies that had also made it to the list. Remarkably, for the second year in a row on 29 October 2001, Datapulse was again selected by Forbes Global as one of the 200 Best Small Companies outside the United States, joining six other Singapore companies that had also made it to the list.



To allow the Group to position closer to the market and provide better level of services to our customer, Datapulse set up an operation in Taiwan in July

2000. The regionalisation effort has paid off and Datapulse Taiwan is contributing positively to the growth of the Group.

With the launch of new DVD-capable game console expecting to spur demand for DVD in the Asia Pacific regions, Datapulse successfully put in place new DVD capacity in October 2000 to position itself for the take-off of the new DVD format. Going forward, DVD will provide a new revenue stream for Datapulse as we seek new business direction.



OUR BUSINESS VALUE

The forces that sustain the success of Datapulse are our focused business strategy and the sterling track record and reputation built up by our people.

From the onset, Datapulse has carved a market niche by focusing on the leading names in the software industry. We have concentrated on delivering high quality products and providing top-notch services. Capitalising on our background in micro-floppy diskettes, we have secured the confidence of the big software duplicators and software developers, some of whom have been dealing with Datapulse since early 1990.

Protection of intellectual property has always been the top priority at Datapulse. We recognise since the first day we start business that the critical concern of our portfolio of world-class customers is the protection of their intellectual property. We realise that we could play a pivotal and active role in being the caretaker of their copyrights. From the moment that jobs are given to Datapulse, the customers have entrusted us with their most invaluable assets. We honour this trust by firmly committing ourselves to the active protection and enforcement of their intellectual property rights. The comprehensive work procedures, extensive documentation, rigorous screening, physical layout of the plant with restricted access and discipline of our people ensure total security and accountability for all the jobs that go through our manufacturing system. We vigilantly conduct intensive review of our total system to fortify our systems and premises and limit security risks; and strengthen any conceivable weakness that may undermine security.

Through this conscious effort, Datapulse has steadily built up a track record as a reputable software replicator and business partner. Building on this foundation, the Company has become one of the leading independent provider of media services in the Asia Pacific

market, serving a broad range of customers in the computer software, PC hardware, gaming, publishing, multimedia application, consumer electronics, home video and pre-recorded music industries.

OUR PEOPLE

The tempo of the people at Datapulse is constantly beating with enthusiasm to create and deliver first class customised value to meet the needs and preferences of our customers. Besides our history, manufacturing excellence, track record, financial strength and technology, it is this unabated commitment and dedication of our people that continue to extend our success.

With a workforce of more than 400 people, Datapulse is committed to providing our customers with the best services at every level of the organisation.

We have been involved in audio replication which requires dealing with short lead time, copyright issues, outsourcing of labels and packing materials, and shipment to destinations specified by customers. This scope of service has been fine-tuned and perfected with our extension of duplicating services to major software duplicators and developers. The people at Datapulse are familiar with this one-stop service approach, the way by which media business is conducted.

The Company has created a culture, where people at all levels share the same vision of providing superior products, services and satisfaction to our customers. To reduce turnaround time, we have been redesigning our business and production processes to break down organisational barriers and encourage faster decision-making. We have also empowered our people to take the extra steps to anticipate and meet the needs of our customers.

OUR PRODUCTS AND SERVICES

The rhythm of our philosophy at Datapulse is simple: to provide total solutions at competitive prices to meet the digital storage needs of our customers in a speedy and efficient manner. We believe in providing our customers with uncompromisingly high standard of quality and services.



For all media products and services that we provide, quality is our first and foremost concern. The combination of experienced engineers and technicians, top quality state-of-the-art equipment and rigorous procedures give rise to the exacting standard that you can expect of Datapulse. A whole array of quality control and testing equipment ensures we deliver superior products and services.

Our spectrum of products include:

- DVD
- Compact Disc
- Micro-floppy Diskette
- Quantegy products

OUR FUTURE:

Experience ■ Expertise ■ Innovation

With the track record of more than twenty years of experience and expertise in the manufacturing of media storage products, we have demonstrated our agility to constantly transform ourselves to keep up with new digital innovations. Although our growth trend has been interrupted for the first time since FY 1996, we are fortunate not to be sitting in a position of weakness. Over the years, we have built up solid resources and financial stability that can help us combat this difficult time.

With proven competence in delivering digital storage that exceeds customers' satisfaction, we will continue to augment our capacity in DVD. While our mission is to continue to remain as a leading manufacturer of digital storage products, we are also proactively exploring other opportunities that capitalise on our strength to diversify our business.

With product life cycle becoming increasingly shorter, we at Datapulse, will continue to keep abreast of the pioneering developments in digital storage and invest in the latest and most advance technology to enhance our competitiveness. We are prepared and ready to take on the challenges of this new digital age.



Financial Highlights

Financial Year	1998	1999	2000	2001	2002
Operating Results	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	34,534	45,852	69,195	76,012	50,635
Profit attributable to shareholders	9,606	14,556	21,988	24,072	5,503
Dividends paid	630	1,460	738	4,458	19,324
Financial Position	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets	61,218	91,448	131,177	144,496	128,577
Total liabilities	8,946	14,991	30,391	22,895	20,432
Shareholders' funds	52,272	74,993	99,699	119,034	105,264
Cash Flow Position	\$'000	\$'000	\$'000	\$'000	\$'000
Cash generated from operations	15,411	17,186	27,489	28,788	15,359
Cash & cash equivalents	15,977	32,261	37,082	56,664	49,538

Shareholders' Value

Financial Year	1998	1999	2000	2001	2002
Per Share Data (Note 1)	Cents	Cents	Cents	Cents	Cents
Earnings	1.78	2.55	3.72	4.05	0.93
Net tangible assets	10.20	13.44	17.51	20.77	18.57
Tax-exempt dividends - first & final - special	0.35 -	0.25 0.25	0.25 -	0.25 0.50	0.25 3.00
Profitability Ratio (Note 2)	%	%	%	%	%
Return on shareholders' funds	20	23	25	22	5
Return on total assets	16	19	20	17	4
Share Price (Note 3)	Cents	Cents	Cents	Cents	Cents
Highest	27.00	63.50	91.50	58.50	42.00
Lowest	11.00	14.00	48.00	34.00	23.50
Average	19.37	29.29	63.12	45.07	32.73
Weighted average number of shares (millions) (Note 3)	540	570	591	594	595
Average market capitalisation (\$'millions) (Note 4)	105	167	373	268	195
Average shareholders' funds (\$'millions)	47	64	87	109	112
Market value added (\$'millions) (Note 5)	58	103	286	159	83

Note 1: Calculation has been adjusted for the bonus issues in 1998 and 2000

Note 2: Calculation of return on shareholders' funds and return on total assets are based on profit attributable to shareholders divided by average shareholders' funds and average total assets respectively

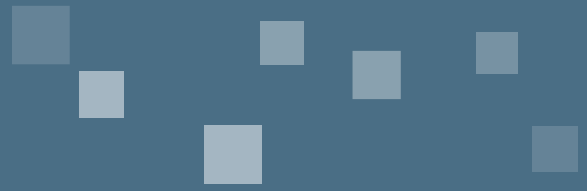
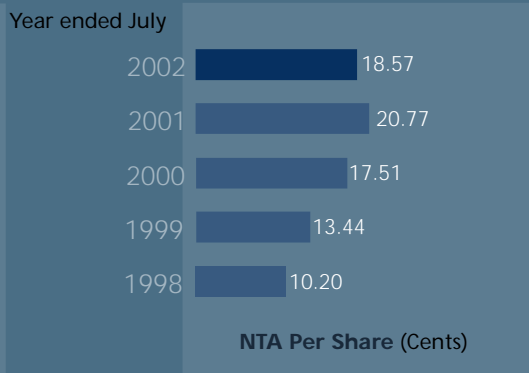
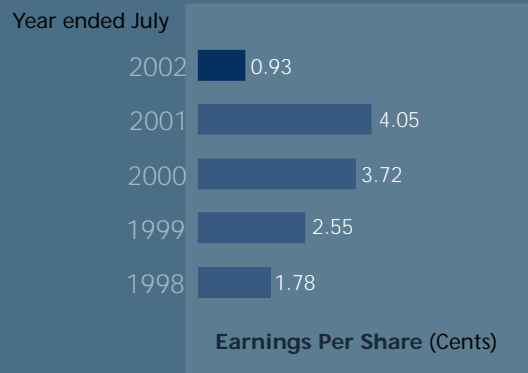
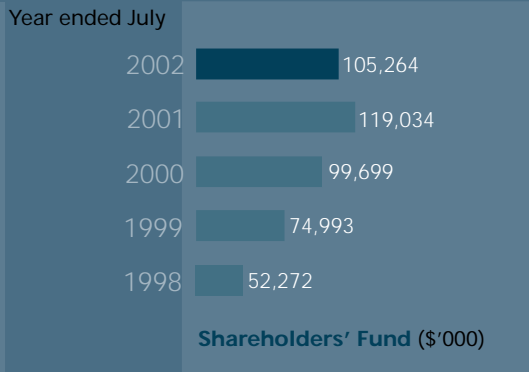
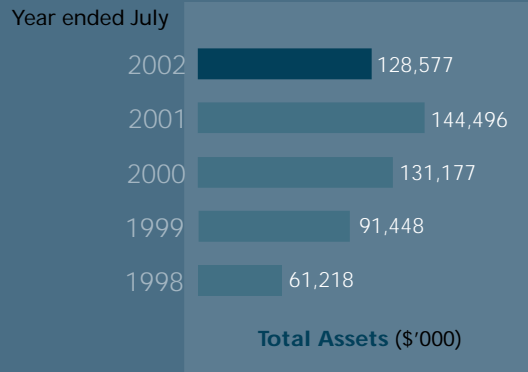
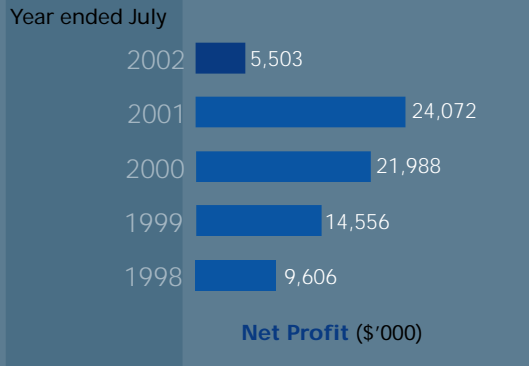
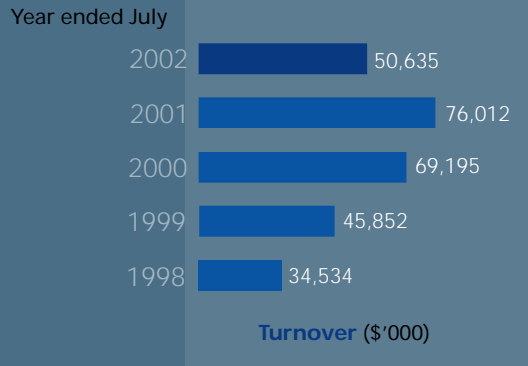
Note 3: Shares prices and number of shares have been adjusted for bonus issues

Note 4: Calculated based on weighted average number of shares multiply by the average share price for the year

Note 5: Calculated based on the excess of average market capitalisation over average shareholders' funds for the year

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DATAPULSE TECHNOLOGY

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C o n t e n t s

15A Tai Seng Drive Datapulse Industrial Building Singapore 535225 Tel: (65) 6382 7989 Fax: (65) 6382 8070
E-mail: datapulse@datapulse.com.sg Website: www.datapulse.com.sg

DATAPULSE TECHNOLOGY

Experience ■ Expertise ■ Innovation
in
Digital Storage Solutions



Annual Report 2002