

# Spreading the Rhythm

Datapulse Technology Limited  
Annual Report **2003**





## Spreading the Rhythm

*Wake up to the music of life.*

*Fall in love with a good story.*

*Escape the jaws of death with Lara Croft.*

*Stretch your creativity at the push of a button.*

Music, movies, games and software soothe our senses, stir our being, jolt our imagination and stretch our capabilities — reviving or remoulding our experiences constantly. At Datapulse, we spread this rhythm of life through our solutions. We help the audio, movie, gaming, software and hardware industries touch lives using our digital video disc and compact disc as their digital storage media. In more ways than one, we plug people in to a whole new way of working and living...

# Partnering our customers in their success...

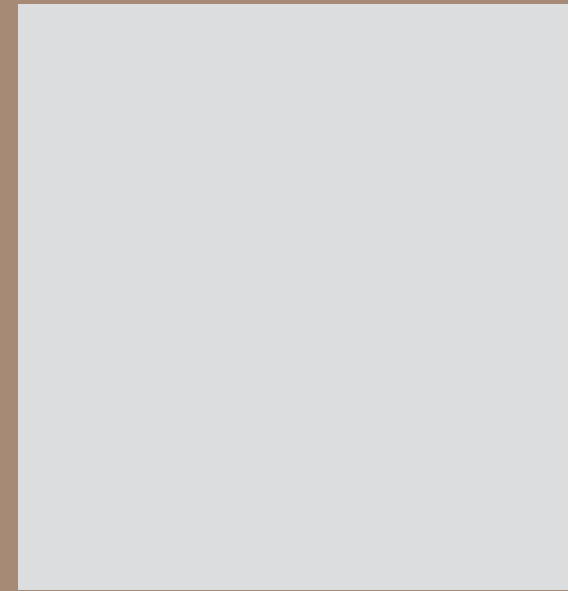


## ...through close rapport

Working in a close-knit environment where one's success begets another's, we are constantly pulsating to the beat of our customers' business needs. As a trusted business partner, active protection of our customers' intellectual property is of paramount importance to us. By fortifying our total manufacturing system and limiting our security risks, we build a track record for ourselves as a reliable digital storage manufacturer. As the saying goes, "There's a ripple effect in all that we do. What you do touches me. What I do touches you."



# Extending customised value & total solutions...



## ...through unabated commitment

If anything sets us apart, it is our unabated commitment. Over here, we equate customer's satisfaction with our business value. Customers can expect first-class customised value as well as total solutions. In addition to proven competence in delivering digital storage solutions, we also help customers enhance their efficiency by providing all-encompassing services from pre-mastering to mastering, replication, printing, packing and distribution. Our established business processes also allow us to provide premium solutions at competitive prices. By aligning ourselves closely with the industry, we believe we can better complete their needs.

# Committing to **consistent standards...**





## ...through quality control

Playing a key part in keeping the rhythm going are our people who deliver consistent high quality standards throughout the production processes. Backed by over 500 staff, we share a culture of superior service and unwavering dedication. For the benefit of our customers in the long run, we are also constantly finding new ways to re-engineer our business and production processes to improve our turnaround time. It is this commitment to deliver the best that ensures our continual success.



# Chairman's Statement

The operating environment in the IT and electronic industry during the financial year ended 31 July 2003 had remained challenging, given the global economic downturn and the uncertainties in its recovery, increasingly competitive business environment and relocation of some of our customers' operations out of Singapore.

Notwithstanding the difficult operating conditions, Datapulse had been able to hold its ground. For the financial year, we had been able to chalk up revenue and net earning growth of 5.0% and 11.0%, respectively.

## Performance Review

For the financial year ended 31 July 2003, the Group's revenue rose by \$2.5 million to reach \$53.1 million. The higher revenue was attributable to stronger demand for digital storage products used in game consoles and improved sales made to hardware manufacturers in North Asia by the Taiwan subsidiary. The revenue growth would have been higher, if not for the cessation of micro-floppy diskette ("MFD") manufacturing in January 2003 and the decline in demand for digital storage products used in computer

hardware and peripherals at the Singapore operation, a result of the move of some hardware manufacturers to North Asia.

Stepped up marketing efforts to secure new contracts and customers, rapid re-allocation of our resources, and continuous re-training of our employees to meet the changing customer needs have also played a significant role in raising the Group's revenue.

On a segmental basis, revenue contribution from Singapore increased marginally by \$0.6 million, or 1.4%, principally due to higher DVD sales. While the Singapore operation was adversely affected by the move of hardware manufacturers to North Asia, the Taiwan subsidiary benefited from it. As it secured new businesses from new and existing customers, revenue grew by \$1.9m, or 25.1%, to reach \$9.6 million. During the financial year, the subsidiary also expanded its production capacity to meet the higher demand.



Stepped up marketing efforts to secure new contracts and customers, rapid re-allocation of our resources, and continuous re-training of our employees to meet the changing customer needs have also played a significant role in raising the Group's revenue.

The strategic decision to operate in Singapore and Taiwan allows the Group to stay close to our customers in the whole of Asia Pacific region. It also provides us the platform to expand our customer base regionally.

Despite the higher sales, the Group registered a marginally lower profit before taxation of \$6.4 million, compared to \$6.5 million recorded in the previous financial year. The weaker profit before taxation was due to higher operating expenses attributed to the following:

- increase in changes in inventories and raw material usage of approximately \$0.7 million attributed to higher turnover;
- higher staff costs of \$1.0 million, of which approximately \$0.7 million was incurred by the Taiwan subsidiary;
- increase in repairs and maintenance cost incurred for machinery amounting to approximately \$0.3 million; and

- higher cost incurred for the purchase of spare parts and small tools amounting to approximately \$0.2 million.

However, the lower depreciation expense due to MFD assets being almost fully depreciated in the last financial year helped to negate a portion of the increase in costs. The net profit after taxation for the financial year was lifted to \$6.1 million from \$5.5 million registered in the previous financial year as a result of lower tax expense.

During the financial year, the Group was able to generate a positive operating cashflow of \$14.7 million and maintain a strong cash position of \$48.8 million after accounting for the repayment of bank loans, capital expenditures and dividend payment.

We have continued to solidify our financial position, increasing our net asset value per ordinary share to 17.71 cents from 17.70 cents recorded in the last financial year.

Earnings per ordinary share increased by 10.8% to 1.03 cents for the financial year from 0.93 cent reported in the previous financial year.

### Proposed Dividends

To commemorate the 10th anniversary of the listing of Datapulse, the Board of Directors is pleased to recommend a one-off special tax-exempt dividend of 40% or 2 cents per ordinary share, and a first and final dividend of 20% or 1 cent per ordinary share net of tax (made up of 0.5 cent in franked dividend and 0.5 cent in tax-exempt dividend). The total dividend recommended is 60% or 3 cents net of tax per ordinary share for the financial year ended 31 July 2003. The proposed dividends are subject to the approval of the members at the Annual General Meeting to be held on 28 November 2003. If approved, these dividends will be paid on 18 December 2003.



## Business Prospect

Looking ahead, the positive appeal of DVD-enabled game consoles, coupled with the rising installed base of personal computer with DVD drives and DVD players in household, has led to a surge in demand for DVD in the gaming, personal computer and movie industry.

The success of DVD-enabled hardware such as DVD-recordable players has created a need for higher capacity recording media. DVD-recordable is in the best position to replace the widely popular VHS cassette and CD-recordable as it is a better quality product with much higher storage capacity.

With the optimistic industry outlook, Datapulse is in a position to exploit the growing demand for both DVD-ROM and DVD-recordable.

## The Roadmap Ahead

We are constantly reassessing our strategic directions to retain our position as one of the leading total solutions providers in the digital storage industry. We have put in place several initiatives, which include continual investments in the latest technology, expansion into new

products, expansion of our customer base regionally and updating our business model. These initiatives help to propel our growth and allow us to maximise the benefits from the expected global economic recovery.

### *Continual Investments In The Latest Technology*

As the demand for DVD from the gaming, personal computer and movie industry is expected to increase significantly, we are implementing a plan to boost our production capacity considerably. The total investment in DVD related products will reach \$24.0 million by the end of the financial year 2004.

The additional production lines will allow us to better meet the needs of our customers for multiple formats and to reap maximum benefits from strong demand growth.

### *Expansion into New Products*

Riding on the popularity of hard disk-equipped DVD recorders and the trend of more personal computer manufacturers adopting DVD-recordable drives in their products, the global market for DVD-recordable products is going to take off in a big way. Many market research

firms have unanimously agreed that DVD-recordable, which has a higher storage capacity, is expected to eventually replace the current generation of CD-recordable and CD-rewritable products.

The profit margin for DVD-recordable is expected to be more attractive due to its novelty and higher storage capacity. In view of this new business opportunity, the Group plans to invest in new DVD-recordable lines during the year as part of our overall drive to raise total DVD related investment.

### *Expansion Of Our Customer Base Regionally*

Given the strategic locations of our Singapore operation covering markets in Southeast Asia and Australia, and Taiwan operation covering markets in North Asia, we are well positioned to expand our customer base regionally and seize the opportunities prevailing in the Asia Pacific region.

We have mapped out a detailed marketing strategy to better serve the existing customers and to attract new ones in the Asia Pacific region.

With the optimistic industry outlook, Datapulse is in a position to exploit the growing demand for both DVD-ROM and DVD-recordable.

For almost 10 years since Datapulse became a public company on 1 March 1994, we have been able to generate commendable returns for our shareholders.

#### *Updating Our Business Model*

With the business environment getting keenly competitive and cost of production in Singapore becoming higher relative to countries with lower operating costs such as China, transforming ourselves from plain manufacturing to providing higher value-added activities is of paramount importance and this effort has been ongoing.

We proactively make our business model relevant by keeping tabs on the changing pulse of our market space and keeping abreast of the technology advancement not just within our industry but also beyond. Changes could be perceived as an opportunity for us to reinvent ourselves to provide values to our customers on a higher plane. We have extended our value chain to provide our new and existing customers with integrated services ranging from pre-mastering to mastering, replication, printing, packing and distribution. Reaffirming our position as a provider of total solutions in the digital storage industry, we intend to commit our resources to further enhance our capabilities in this area to add value to our customers.

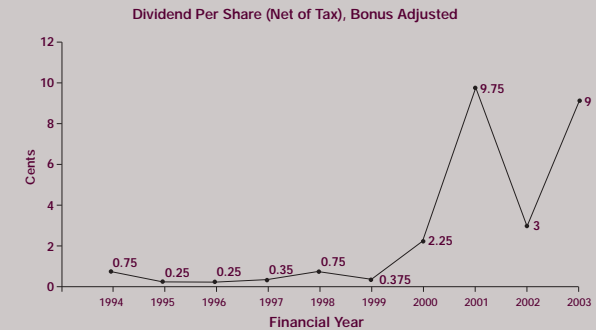
#### *Shareholders' Value*

Maximising long-term shareholders' value is our key objective. We constantly seek out new business opportunities and re-shape our business model in the changing business environment to continually add value to our shareholders.

As part of the ongoing efforts to enhance shareholders' value, the Company repurchased 2.7 million ordinary shares by way of market acquisition during the financial year.

For almost 10 years since Datapulse became a public company on 1 March 1994, we have been able to generate commendable returns for our shareholders.

With an initial investment of \$630 for 1,000 shares at the initial public offer, an individual investor would have been rewarded with \$177.25 in dividends over the past 9.5 years and would be holding 3,000 shares now, after adjusting for two rounds of bonus issues. Assuming a share price of \$0.390, an individual investor would have racked up a total return of 113.9%, or a compounded annualised return of 8.3%, for a holding period of 9.5 years. If the dividend of 3 cents per ordinary share to be approved at the forthcoming



Annual General Meeting is taken into consideration, the total return and compounded annualised return would have been 128.1% and 9.1%, respectively. We are comforted by the fact that we have delivered positive returns to the shareholders, who have placed their trust in us, over the years.

#### *A Word of Thanks*

On behalf of the Board of Directors, I would like to take this opportunity to commend our management and staff for their unabated dedication, hardwork and contribution over the years. I would also like to express our deepest appreciation to our customers, vendors, business partners and associates, as well as government agencies for their valued support. To the shareholders, I would also like to thank them for their confidence in Datapulse. For all of us at Datapulse, it has been a challenge crossing hurdles to bring Datapulse to where we are today and we hope every stakeholder would continue to work with us to bring the Company into the next phase of growth.

Ng Khim Guan  
Chairman

# Board of Directors



1. **Ng Khim Guan @ Ngadimin**  
Non-executive Chairman

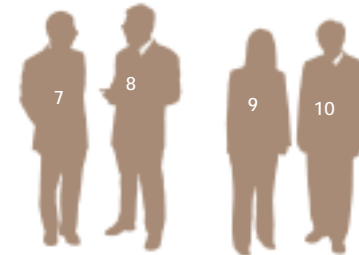
2. **Lim Lee Meng**  
Independent Director

3. **Ng Cheow Chye**  
Managing Director

4. **Hilary Quah Lam Seng**  
Independent Director

5. **Ng Cheow Leng**  
Executive Director, Administration

6. **Ng Leok Cheng**  
Executive Director, General Manager



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

8. **Ng Boon Yew**  
Independent Director

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

10. **Hee Theng Fong**  
Independent Director

# Spreading the Rhythm since 1980

*A song about new beginning. A movie based on an inspiring true story. A game that sets you racing against time. A software that helps you transcend creative boundaries. For over two decades, we have spread this rhythm of life through our storage media.*

## Touching Lives For 23 Years

We have come a long way since 1980, moving from magnetic to optical, from analogue to digital storage media — aligning our solutions very closely with the needs of the industry.

Starting off as a manufacturer of cassette-related products and a distributor of Ampex products in 1980, we subsequently made a strategic switch in 1989 to the production of microfloppy diskette as we envisaged vast potential in the PC application market. Within 3 years, we realised our vision to be the leading manufacturer of micro-floppy diskettes in Singapore.

In 1994, we were admitted to the official list of the Stock Exchange of Singapore Dealing and Automated Quotation System (SESDAQ). Continuing to gain momentum in our growth, we were later transferred to the official list of the Main Board of the Singapore Exchange Securities Trading Limited (SGX Main Board) in 2000.

Recognising a new wave of demand for compact disc as a storage medium for software, multimedia, games, video and audio in 1995, we plunged into the CD market to meet the changing preference of our customers.

To stay tuned to the rhythm of the industry, we constantly invest in the latest production technology to ensure manufacturing excellence. Our evolution from a cassette manufacturer to one of the leading digital storage manufacturers in Asia Pacific has not gone unnoticed.

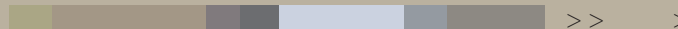


We won the Most Transparent Company Award 2000 by the Securities Investors Association Singapore (SIAS) under the SESDAQ category. In the same year, we were one of the five Singapore companies included by Forbes Global in a worldwide list of 300 Best Small Companies. In the following year, we were again voted one of 200 Best Small Companies outside the US and were among the seven Singapore companies selected by Forbes Global.

To enable our Taiwanese customers to gain easy access to our services, an operation was set up in Taiwan in 2000 to serve our customers in North Asia.

With the launch of the new DVD-enabled game console in 2000, we positioned ourselves for the take-off of the new DVD format and went full swing into DVD production.

Today, 23 years later, Datapulse continues to spread the rhythm of life as the leading producer of digital storage media for content distribution in Asia Pacific. Our circle of customers comes from the pre-recorded music, home video, gaming, computer software, PC hardware, publishing, multimedia application and consumer electronics industries.





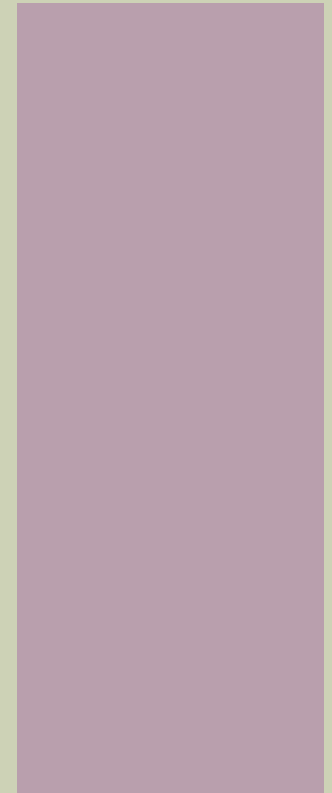
## Bringing Music, Movies, Games And Software To You — Wherever You Are

Aiming to be a one-stop centre for total solutions, we provide a full spectrum of complementary services from pre-mastering to mastering, replication, printing, customised packaging and distribution, delivering price-competitive digital storage products such as DVD and CD.

Recognising that top quality is one of the forces that serves to sustain the success of Datapulse, we back ourselves with experienced engineers and technicians, top quality state-of-the-art equipment, quality control and testing equipment to ensure that our products meet, even surpass, exacting standards. We also provide customers with speedy solutions to help them enhance their efficiency and cost-effectiveness. From time to time, we redesign our business and production processes to improve our turnaround time for the benefit of our processes in the long run. As the saying goes, "Sow good services; sweet remembrances will grow them".

## Building Momentum Through Renewal

Our resilience has helped us surmount many challenges over the last 23 years. We will continue to reinvent ourselves to stay in the vanguard of the evolving industry. Already, we are exploring possibilities to diversify. We will also strengthen our position as a provider of DVD as well as consolidate our role as a leading manufacturer of digital storage products. To keep abreast of the latest innovations, we will continue to invest in new technology to enhance the competitiveness of our products. Certainly, we will not diminish our efforts to propagate digital living.





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