

DIGILAND INTERNATIONAL LIMITED

PROPOSED SALE OF ENTIRE SHAREHOLDING IN MSI-DIGILAND (PHILS.), INC

The directors of Digiland International Limited ("Digiland International" or the "Company") wish to announce that on 11 June 2005, it entered into a conditional sale and purchase agreement (the "Agreement") with Jimmy D. Go (the "Purchaser"), for the sale by Digiland International to the Purchaser of its entire shareholding in MSI-Digiland (Phils), Inc. ("Digiland Philippines"). and an assignment to the Purchaser, of the book receivables from Digiland Philippines and Microcircuits Corp. (a company linked to the Purchaser) in the records of the Company as at 31 January 2005. Digiland International's entire shareholding in Digiland Philippines is 2,721,715 common shares of 100 Pesos each which constitutes approximately 87.88% of the total issued share capital of Digiland Philippines (the "Sale Shares"). The Purchaser is the other existing shareholder of Digiland Philippines. The sale of the Sale Shares constitutes part of the proposed Scheme of Arrangement with creditors (see separate announcement today) and is subject among other things, to the approval of the Company's shareholders and the approval of the Scheme by the scheme creditors.

Information on Digiland Philippines

Digiland Philippines is a distributor of information technology products and provider of information technology services in the Philippines.

Consideration

The consideration for the Sale Shares and the assignment of the book receivables is US\$3,353,908.25, arrived at after arms' length negotiations on a willing-buyer and willing-seller basis. The Purchaser will pay the consideration in four instalments, of which the first instalment of US\$100,000 upon the signing of the Agreement has been received. The final instalment is expected to be received upon completion which, subject to the fulfillment of certain conditions precedent, is expected to be within the next 12 months.

Financial information

The book receivables amounted to US\$1.232m as at 31 January 2005.

The book value of Digiland Philippines as at 30 Jun 04 was US\$6.131m. The Company did not commission any person to value the Sale Shares or the book receivables.

The loss attributed by Digiland Philippines to the Group for the financial year ended 30 Jun 04 was US\$0.413m. The gain on the sale of Sale Shares based on written-down investment value of Digiland Philippines as at 31 December 2004 is US\$0.354m. If the sale had been based on the written-down investment value of Digiland Philippines as at 30 Jun 2004, the loss on disposal of Sale Shares would have been US\$2.134m

Assuming that the sale of Sale Shares was completed on 1 July 2003, the proforma financial effects on the consolidated earnings of the Digiland group for FY2004 are as follows:

Earnings per share before completion of proposed sale of Sale Shares	-US\$0.0625
Earnings per share after completion of proposed sale of Sales Shares	-US\$0.0618

Assuming that the sale of Sale Shares was completed on 1 July 2003, the proforma financial effects on the consolidated net tangible assets per share of the Digiland group for FY2004 are as follows:

Net tangible assets (US cents) before completion of proposed sale of Sales Shares	1.17
Net tangible assets (US cents) after completion of proposed sale of Sale Shares	0.07

The relative figures under Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited are:

The relative figure under Rule 1006(d) is not applicable.

	Net asset value of Digiland Philippines	Net asset value of the Group	Relative Figure
Rule 1006(a)	US\$6.131m	US\$6.225	98%
	Net loss attributable to Sale Shares for the year ended 30 June 2004	Net loss of the Group for the year ended 30 June 2004	Relative figure
Rule 1006(b)	US\$0.413m	US\$44.746	1%
	Aggregate consideration received for the proposed sale of Sale Shares	Market capitalization of the Group as at 11 June 2005	Relative figure
Rule 1006(c)	US\$3.354	S\$10.748 (equivalent to US\$6.436m at exchange rate of 1.67)	52%

Rationale for the transaction

The Company intends to sell the Sale Shares in connection with a scheme of arrangement that it proposes to enter into with its creditors. The Company intends to use the proceeds to pay some of the entitlements of the scheme creditors under the Scheme.

Directors' Interest

None of the directors or controlling shareholders of the Company is interested, directly or indirectly in the said transaction.

Documents for inspection

Copies of the agreement will be available for inspection at the Company's registered office at 31 Ubi Road 1, #02-00, Aztech Building (Main Building), Singapore 408694 during the Company's business hours for three months from the date of this announcement.

By Order of the Board

Lim Koon Hock
Company Secretary
Digiland International Limited