

Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

DIGILAND INTERNATIONAL LIMITED

Half Year Financial Statement And Dividend Announcement for the Period Ended 31/12/2004

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	6 months ended		Increase / (Decrease) %
	31/12/04	31/12/03	
	US\$'000	US\$'000	
Turnover	52,253	198,650	-74
Other operating income	362	413	-12
Changes in stock	(6,395)	5,427	NM
Purchases	(44,651)	(199,633)	-78
Personnel expense	(2,746)	(4,595)	-40
Depreciation of fixed assets	(501)	(976)	-49
Exchange loss	(9)	(349)	-97
Provision/write-off of receivables	(7,067)	(8,248)	-14
Provision/write-off of stocks	(3,027)	(6,604)	-54
Other operating expense	(2,247)	(4,128)	-46
Operating Loss	(14,028)	(20,043)	-30
Financial expenses	(683)	(1,313)	-48
Financial income	24	33	-27
	(14,687)	(21,323)	-31
Exceptional items	(347)	(835)	-58
Share of associated companies loss	0	(7)	NM
Loss before tax	(15,034)	(22,165)	-32
Taxation	278	0	NM
Loss after tax	(14,756)	(22,165)	-33
Minority interest	50	58	-14
Loss attributable to shareholders	(14,706)	(22,107)	-33

NM – Not Meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31/12/04 US\$'000	30/06/04 US\$'000	31/12/04 US\$'000	30/06/04 US\$'000
Shareholders' fund				
Share capital	27,728	27,728	27,728	27,728
Share premium	0	0	0	0
Accumulated losses	(37,440)	(22,734)	(37,589)	(22,481)
Translation reserves	1,034	1,231	0	0
Minority interest	2,077	2,126	0	0
	(6,601)	8,351	(9,861)	5,247
Represented by :-				
Fixed assets	1,211	1,955	395	760
Investments in subsidiaries	0	0	8,170	11,085
Investments in associated companies	0	189	0	0
Deferred tax asset	111	151	0	0
Current assets				
Stocks	8,019	16,755	942	2,438
Trade debtors	16,375	33,346	1,313	7,578
Other debtors, deposits and prepayments	2,287	5,481	6,813	12,607
Fixed Deposits	0	59	0	0
Cash and bank balances	7,835	5,711	1,665	781
Total Current Assets	34,516	61,352	10,733	23,404
Current liabilities				
Trade creditors	8,950	22,268	5,652	6,778
Other creditors and accruals	6,339	5,011	3,442	1,486
Provision for taxation	217	261	108	108
Hire purchase creditors, current portion	30	53	10	34
Short term bank borrowings	26,874	27,579	16,664	19,238
Total Current Liabilities	42,410	55,172	25,876	27,644
Net current (liabilities) / assets	(7,894)	6,180	(15,143)	(4,240)
Non-current liabilities				
Hire purchase creditors, non-current	29	124	1	88
Other creditors, non-current	0	0	3,282	2,270
Net (liabilities) / assets	(6,601)	8,351	(9,861)	5,247

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31 December 2004		As at 30 June 2004	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
30	26,874	53	27,579

Amount repayable after one year

As at 31 December 2004		As at 30 June 2004	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
29	0	124	0

Details of any collateral

The secured portion as at 31 December 2004 and 30 June 2004 relates to financing through hire purchase and finance lease arrangement of motor vehicles and photo-copy machines.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	6 months ended	
	31/12/04	31/12/03
	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(15,034)	(22,165)
Adjustment for:		
Amortisation of goodwill on consolidation	0	145
Share of result of associated companies	0	7
Depreciation of fixed assets	501	976
Fixed assets written off	277	177
Interest expense	683	1,192
Interest income	(24)	(33)
(Gain)/Loss on disposal of fixed assets	(15)	9
Provision/write-off of receivables	7,067	8,248
Provision/write-off of stocks	3,027	6,604
Operating loss before working capital changes	(3,518)	(4,840)
Stocks	5,797	(7,769)
Trade debtors	6,203	15,047
Other debtors, deposits and prepayments	1,743	(5,178)
Due from associated companies	0	383
Due from affiliated companies	5,467	2,097

	Trade creditors	(13,423)	2,783
	Other creditors and accruals	1,242	1,229
	Due to related party	(22)	0
	Due to affiliated companies	(25)	(179)
	Cash flows generated from operating activities	3,464	3,573
	Income taxes refund/(paid)	274	(66)
	Net cash flows generated from operating activities	3,738	3,507
	CASH FLOWS FROM INVESTING ACTIVITIES		
	Acquisition of a subsidiary, net of cash acquired	0	17
	Acquisition of additional shares in subsidiary	0	(135)
	Cash distribution upon liquidation of an associate	195	176
	Acquisition of fixed assets	(112)	(752)
	Proceeds from sales of fixed assets	130	115
	Net cash generated from/(used in) investing activities	213	(579)
	CASH FLOWS FROM FINANCING ACTIVITIES		
	Proceeds from term loans, net of repayments	(2,159)	(10,747)
	Trust receipts and bills payable	1,509	7,713
	Interest received	24	33
	Interest paid	(609)	(1,192)
	Repayment of hire purchase creditors	(119)	(22)
	Net cash used in financing activities	(1,354)	(4,215)
	Net increase / (decrease) in cash and cash equivalents	2,597	(1,287)
	Cash and cash equivalents at beginning of period	4,680	13,523
	Effect of exchange differences	(327)	(278)
	Cash and cash equivalents at end of period	6,950	11,958

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital US\$'000	Share premium US\$'000	Translation Reserves US\$'000	Accumulated Profits (losses) US\$'000	Total US\$'000
Group					
Balance as at 1 July 2003	59,556	448	726	(10,264)	50,466
Currency translation differences	0	0	356	0	356
Loss attributable to shareholders	0	0	0	(22,107)	(22,107)
Balance as at 31 December 2003	59,556	448	1,082	(32,371)	28,715
Balance as at 1 July 2004	27,728	0	1,231	(22,734)	6,225
Currency translation differences	0	0	(197)	0	(197)

Loss attributable to shareholders	0	0	0	(14,706)	(14,706)
Balance as at 31 December 2004	27,728	0	1,034	(37,440)	(8,678)
Company					
Balance as at 1 July 2003	59,556	448	0	(4,159)	55,845
Loss attributable to shareholders	0	0	0	(28,120)	(28,120)
Balance as at 31 December 2003	59,556	448	0	(32,279)	27,725
Balance as at 1 July 2004	27,728	0	0	(22,481)	5,247
Loss attributable to shareholders	0	0	0	(15,108)	(15,108)
Balance as at 31 December 2004	27,728	0	0	(37,589)	(9,861)

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There is no change in the Company's share capital since the end of the previous period reported on.

The total number of shares that may be issued on conversion of all the outstanding share options as at 31 December 2004 is 9,835,000 shares (2003 : 40,190,000)

The Capital Reduction exercise approved at the Extraordinary General Meeting on 30 December 2004 is still currently in progress.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The financial statements for the half year ended 31 December 2004 have been prepared in accordance with Singapore Financial Reporting Standard (FRS) as required by the Singapore Companies Act. There is no significant change in accounting policies and methods of computation compared to the previous corresponding period.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	GROUP	
	31 Dec 2004	31 Dec 2003
	US\$	US\$
Earnings / (loss) per Ordinary share for the period based on net profit (loss) attributable to shareholders :-		
(i) Based on the weighted average number of Ordinary shares on issue	(2.05) cents	(3.09) cents
(ii) On a fully diluted basis	(2.05) cents	(3.09) cents

Earnings per ordinary share for the half year ended 31 December 2004 and 2003 was calculated based on the number of shares in issue of 716,501,597 ordinary shares.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	GROUP		COMPANY	
	31 Dec 2004	30 Jun 2004	31 Dec 2004	30 Jun 2004
	US\$	US\$	US\$	US\$
Net Asset Value per Ordinary Share based on issued share capital at the end of the period	(1.21) cents	0.87 cents	(1.38) cents	0.73 cents

Net asset value per ordinary share as at 31 December 2004 and 30 June 2004 was calculated based on the number of shares in issue of 716,501,597 ordinary shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Sales

The Group's total sales decreased by US\$146.4m to US\$52.3m for the half year ended 31 December 2004 against its corresponding comparative period.

The decrease in sales was mainly due to the continued scaling down of non-profitable operations in the Group.

Operating Expenses

The Group continued to reduce its operating expenses in the reported period through restructuring exercises and right sizing the Group. Total Group staff strength as at 31 December 04 was 332 compared to 517 twelve months ago. Total personnel expenses reduced by US\$1.8m from US\$4.6m for the half year ended 31 December 2003 to US\$2.8m in 31 December 2004. The operating loss before provisions/write-offs of receivables and stocks was US\$3.9m compared to the corresponding comparative period of US\$5.2m.

Financial Expenses

The significant reduction in financial expenses in 31 December 2004 as compare to 31 December 2003 was mainly due to the repayment of syndicated loan.

Exceptional items

The exceptional items comprised of US\$0.3m restructuring cost in Singapore, Australia, Malaysia, Thailand and HongKong.

Balance Sheet Review

The fixed assets reduced by US\$0.7m from US\$1.9m on 30 June 2004 to US\$1.2m on 31 December 2004 due to disposal of assets in Singapore and Australia as we scaled down our operations.

Inventory balance reduced by US\$8.8m from US\$16.8m on 30 June 2004 to US\$8.0m on 31 December 2004 due to reduced purchases as the Group continued to improve on its working capital management, and return of inventory to vendors as a result of scaling down of non-profitable operations and cessation of distribution for a few product lines.

Total trade receivables reduced by US\$16.9m from US\$33.3m on 30 June 2004 to US\$16.4m on 31 December 2004 as a result of tighter credit policies and reduced sales volume.

Other debtors, deposits and prepayments reduced by US\$3.2m from US\$5.5m on 30 June 2004 to US\$2.3m on 31 December 2004 due to reduce marketing claims and rebates as a result of lower sales and faster repayment by vendors for marketing claims and rebates.

Total trade payables reduced by US\$13.3m from US\$22.3m on 30 June 2004 to US\$9.0m on 31 December 2004. This decrease is in line with our reduction in inventory holdings as a result of lower purchases and of return inventory to vendors.

In the Company's accounts:

Investments in Subsidiaries have reduced by US\$2.9m from US\$11.1m on 30 June 2004 to US\$8.2m on 31 December 2004 due to provisions for impairment on the value of the investments.

Stocks, Trade Debtors and Trade creditors have all reduced as a result of the reduction in sales volume.

Other debtors, deposits and prepayments reduced by US\$5.8m from US\$12.6m on 30 June 2004 to US\$6.8m on 31 December 2004 due mainly to provision for loan to subsidiaries and provision for non trade debtors due from subsidiaries.

The decrease in short term bank borrowings was a result of the partial repayment of syndicated loan.

The going concern of the Company is dependent on the support of the creditors. In this regard, the Company will propose a scheme of arrangement for the creditors' consideration.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

In the Full Year Financial Statement and Dividend Announcement for the period ended 30 June 2004 made on 27 August 2004, the Directors have not made any forecast on future performance. Hence no comparison could be made for the actual results for the year.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group revised its business strategy and underwent rationalization to right-size the organization and reduce costs. It has moved away from the traditional high-volume-low-margin business of pure hardware distribution to focus on value-added distribution and value-added services. The Group has started negotiations with vendors to distribute higher margin products for the region together with value added services.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the half year ended 31 December 2004.

BY ORDER OF THE BOARD

**Lim Koon Hock
Company Secretary**

11/02/2005