

## DIGILAND INTERNATIONAL LIMITED

### PROPOSED SCHEME OF ARRANGEMENT

1. Further to the announcements dated 11 February 2005 and 6 May 2005, the directors of Digiland International Limited ("Digiland International" or the "Company") wish to announce that today, it posted to the scheme creditors a proposed scheme of arrangement and an explanatory statement (in compliance with Section 211 of the Companies Act, Chapter 50 of Singapore). It will advertise on 14 June 2005 in the Business Times and Lianhe Zaobao the meeting of the scheme creditors.

#### **Principal terms of scheme**

2. The Company will divide each claim of a scheme creditor into two parts:

2.1 a serviceable loan (to be serviced during the scheme period); and

2.2 a convertible two year bond which the Company will convert into new shares.

#### Amount payable under serviceable loan

2.3 The Company estimates that the aggregate amount payable to all scheme creditors under the serviceable loan is US\$7,198,000.

2.4 For the serviceable loan, the Company will pay US\$1,948,000 to the scheme creditors *pro rata* in 24 equal instalments. The Company will pay the first instalment within five business days after the effective date of the scheme. If the effective date is less than five business days before 31 August 2005, the Company must pay the 1st instalment no later than 31 August 2005. The Company will pay each subsequent instalment on or before the last day of each subsequent month.

2.5 For the remaining US\$5,250,000 of the serviceable loan, the Company expects to derive the funds from the sale of some of its assets. It will pay the proceeds from the sale of these assets when it receives the proceeds and subject to the Company obtaining the approval from its shareholders for the sale of such assets (if necessary) or a waiver from the Singapore Exchange Securities Trading Limited.

### Value of non-convertible bond

2.6 The aggregate amount due under the convertible bond to all scheme creditors will be the aggregate value of the admitted claims less the aggregate amount due under the serviceable loan to all scheme creditors.

2.7 The Company will convert to new shares the outstanding amount due under the convertible loan upon the expiry of two years after the effective date or earlier if a third party which it has entered into an agreement with for the subscription of shares in its capital requests in writing the Company to convert the convertible bond.

2.8 The formula for determining the number of new shares to be issued pursuant to the conversion of the outstanding amount due under the convertible loan depends on whether the Company has entered into an agreement for the subscription of shares in its capital. If the Company has not entered into such an agreement, the conversion is intended to result in the Scheme Creditors holding 65% of the enlarged total issued share capital of the Company. If the Company has entered into such an agreement, the conversion is intended to result in the Scheme Creditors holding 25% of the enlarged total issued share capital of the Company on the basis that the aggregate subscription price payable by the third party is at least S\$5,000,000. The Company will adjust these percentages *pro rata* if it pays scheme creditors any amounts towards reducing the amount due under the convertible bond, or if the third party pays a subscription price of less than S\$5,000,000. The Company will determine how many new shares is to be allotted to each scheme creditor for every US\$1 outstanding under the convertible loan based on the applicable percentage under the Scheme.

### **Conditions**

3.1 The proposed scheme of arrangement is subject to the approval of the scheme creditors, the approval of the High Court of the Republic of Singapore and the lodgment with the Registrar of Companies of the court order approving the scheme of arrangement.

3.2 The obligations of the Company in relation to the payment of the US\$5,250,000 and the convertible bond are also subject to approval from its shareholders and the Singapore Exchange Securities Trading Limited. The Company may also have to obtain a whitewash waiver. If the Company fails to obtain any of these approvals, the scheme creditors can, if the scheme of arrangement has taken effect, by a special resolution passed a general meeting of scheme creditors terminate the scheme of arrangement.

### **Proposed scheme manager**

4. KPMB Business Advisory pte. ltd. is the proposed scheme manager.

### **Meeting of scheme creditors**

5.1 The Company has convened the meeting of scheme creditors on 28 June 2005 at 31 Ubi Road 1, #02-00, Conference Room, Aztech Building (Main Building), Singapore 408694 for scheme creditors to consider and approve with or without modification the proposed scheme of arrangement.

5.2 Mr Teo Chee Hong, the Chief Executive Officer of the Company or failing him, Mr Lim Koon Hock, the Chief Financial Officer of the Company will chair the meeting of the scheme creditors.

By Order of the Board

Lim Koon Hock  
Company Secretary  
Digiland International Limited

13 June 2005