

DIGILAND INTERNATIONAL LIMITED

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

Further to the Company's announcement on 13 June 2005 and in response to queries from The Singapore Exchange Securities Trading ("SGX-ST"), the Board of Directors of the Company wish to clarify the following:

A1. Clarifications required

1. *In the first page of the Announcement,*
 - a. *in respect of the consideration of US\$3,353,908.25, to disclose how much of it would be paid in cash and the details of the instalment tranches;*
 - b. *to further disclose the factors taken into account in arriving at the above consideration; and*
 - c. *to provide details of the material conditions precedent to the completion of the sale and purchase agreement.*

A2. Clarifications

Consideration

The cash consideration of US\$3,353,908.25 is arrived at after arms' length negotiations on a willing-buyer and willing-seller basis.

The Purchaser will pay the consideration in four instalments, namely:

- a. US\$100,000 upon the signing of the Agreement;
- b. US\$235,390.83 by the date falling 30 days of the date of the official letter to the Purchaser from the Company or its special consultant KPMG Business Advisory Services pte. ltd. stating that the Company has held the meeting of the creditors of the Company to consider the scheme of arrangement which the Company intends to propose between itself and some of its creditors pursuant to Section 210 of the Companies Act, Chapter 50 of Singapore and that the creditors have approved the proposed scheme;
- c. US\$1,341,563.30 within 60 days of the fulfilment of the following conditions precedent in the agreement;

- (i) approval of the sale of the Sale Shares on the terms of the Agreement by the shareholders of the Company in accordance with the listing rules of The Singapore Exchange Securities Trading Limited ("**SGX-ST**") or a waiver by the SGX-ST of the requirement to obtain such shareholders' approval, (if such waiver or approval is required);
 - (ii) the obtaining of every other consent or approval as may be necessary from any third party or governmental or regulatory body or competent authority having jurisdiction over the sale of the Sale Shares and assignment of the book debts or a transaction contemplated in the agreement having been granted or obtained and not withdrawn or revoked, and if any consent or approval is granted or obtained subject to any condition, such condition being acceptable to the Company and the Purchaser; and
 - (iii) the obtaining of and the lodgement with the relevant authorities of a copy of the court order of the Singapore court approving or sanctioning the scheme of arrangement which the Company intends to propose between itself and some of its creditors pursuant to Section 210 of the Companies Act, Chapter 50 of Singapore; and
- d. US\$1,676,954.12 on completion.

Completion

Completion will take place on the date all the conditions precedent in the agreement are fulfilled or such other late date as the Purchaser and Digiland International may agree in writing.

B1. Clarifications required

In the second page of the Announcement,

- a. *to state the amount of excess / deficit of the proceeds over the US\$6.131m book value of Digiland Philippines;*
- b. *to clarify whether the figures provided as at 31 December 2004 and as at 30 June 2004 were audited or unaudited; and*
- c. *Rule 1010(8) requires the Company to disclose the effect of the transaction on NTA per share assuming that it had been effected at the end of the most recently*

completed financial year. To therefore disclose the impact of the transaction on NTA assuming that it was effected on 30 June 2004.

B2. Clarifications

Financial Information

- a. The deficit of the proceeds of US\$3.354m over the book value of US\$6.131m of Digiland Philippines is US\$2.777m.
- b. The figures provided as at 31 December 2004 were unaudited while the figures provided as at 30 June 2004 were audited
- c. The NTA impact was computed as at 30 June 2004 assuming the sale of Digiland Philippines was effected within financial year ended 30 June 2004.

C1. Clarifications required

In the third page of the Announcement under the rationale for the transaction, to discuss the impact of the sale of Digiland Philippines on the business operations of the Company.

C2. Clarifications

Rationale for the transaction

The business operations of the Company is neither dependent nor reliant on the business operations of Digiland Philippines.

By Order of the Board

Lim Koon Hock
Company Secretary
Digiland International Limited

14 June 2005