DIGILAND INTERNATIONAL LIMITED (“COMPANY”)

ANNOUNCEMENT

CLARIFICATIONS ON RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

Further to the Company’s announcements no. 137 of 29.08.05 and 114 of 30.08.05 of the Company’s the results for the financial year ended 30 June 2005, and in response to queries from The Singapore Exchange Securities Trading, the Board of Directors of the Company wishes to clarify the following:

1. We note that the announced results were revised as a result of typographical errors. Please highlight what the specific changes are.

   Reply: Please refer to the attached marked-up file.

2. We have the following questions in respect of the Income Statement and the performance review:

   a. We note that the Company had ceased certain non-profitable operations, which cessation had resulted in a decrease in turnover. To disclose which operations were ceased;

   Reply: The operations ceased include the distribution of harddisks, X-box and some lines of peripherals and consumables. Sale of printers were also ceased except in one subsidiary.

   b. The net profit/(loss) margin has declined to (19.8)% from (11.9)% in the previous financial year, even though non-profitable operations were ceased. To disclose the factors that caused the decline in margins;

   Reply: Gross margins have started to improve. Provisions for receivables reduced but by less than the reduction in Turnover due to the spillover effect from the previous year. Other operating expenses like Personnel expenses also reduced but again by smaller percentages as some core activities need to be retained to drive the business.

   c. The Company made a US$(9.6)m Provision/ Write-off of Receivables. However, when commenting on the US$(7.1)m Provision/ Write-off of Receivables in the results for the six-month period ended 31 December 2004, the management indicated its belief “that it was reasonable that no further provisions was necessary.” To disclose what factors or circumstances have changed to necessitate further provisions / write-off. When did the Directors become aware of such change;

Reply: The additional provision relates to a trade receivable in subsidiary company. Payments still forthcoming in the first half 2005 stopped in the second half of the financial year, and it was viewed as reasonable and prudent to make the additional provision in the year-end review by Directors.

d. A Provision/ Write-off of Stocks in the amount of US$(0.8)m was made for the full financial year ended 30 June 2005. However, in the first-half results for the six-month period ending 31 December 2004, the Company made a Provision/ Write-off of Stocks in the amount of US$(3.0)m. To reconcile;

Reply: With the signing in June 2005, of the Sale and Purchase agreement for the sale of subsidiary MSI-Digiland (Phils.), Inc, a reclassification was made from "Provision of Stocks" to "Provision for foreseeable loss in disposal of subsidiary".

e. The Company made a US$(2.6)m provision for the foreseeable loss on the disposal of a subsidiary. To disclose which subsidiary would be disposed of, and the basis for the management's views regarding the forseeability of such loss, and the quantum of such loss; and

Reply: Subsidiary MSI-Digiland (Phils.) Inc would be disposed (as part of the Scheme of Arrangement with creditors). The Sale and Purchase Agreement for the disposal was signed in June 2005. Accordingly, the sale price has been fixed and quantum of loss crystalised for year ended 30 June 2005. For further details on the disposal, please refer to the Company's announcements made on 13 June 2005 and 14 June 2005.

f. The Company indicated that it has positioned itself to proceed with new business models. To disclose the details of such new business models. Further, to disclose whether any further restructuring costs are foreseeable.

Reply: The Group is focusing on value added distribution and value added services as disclosed in the Annual Report for 30 Jun 2004. Flexibility is accorded in the model for instance, bundling of products with services, bundling of more than one product, distributing higher margin products with services component, etc. No further restructuring costs are foreseeable.

3. As regards the Balance Sheet, our questions are as follows:

a. The Company's Net Current Liabilities position has widened to US$(12.9)m. Do the Directors have concerns about the Group's ability to meet short-term obligations as and when they fall due? Do they have any doubts about the Company's operations as a going concern? Please provide the basis for their opinion. To also confirm whether sufficient financial information has been duly disseminated to ensure orderly trading in the Company's shares;

Reply: The creditors approved the Scheme of Arrangement ("Scheme") on 28 Jun 2005. The aggregate value of the admitted claims was estimated at about US$20m. Of the US$20m, about US$7.2m would be repaid as a serviceable loan and the remainder of about US$12.8m in convertible bonds. Further, under the Scheme, the Company proposed to dispose 2 subsidiaries, the aggregate proceeds of which would contribute towards the serviceable loan. The Company is in the process of implementing the Scheme. Certain terms in the Scheme require shareholder approval. Provided shareholder approval is obtained where necessary, it is not foreseeable that the Group cannot meet short-term obligations as and when they fall due or cannot operate as a going concern. For further details on the Scheme, please refer to the Company's announcements made on 13 June 2005 and 14 June 2005.

b. The Company indicated that it would be making repayment of short-tem borrowings amounting to $26.0m in accordance with the proposed Scheme of Arrangement. However we note that its Cash and Bank Balances amounted to US$5.9m and its Cash Flow from Operations amounted to US$4.8m. To disclose how would the Company intend to fund the repayments. Also, would the relevant creditors be taking a haircut of their outstanding loans?

Reply: Please refer to the reply in 3(a) above.

4. In relation to the commentary on the significant industry trends and competitive conditions, to provide further details on the industry landscape of the higher margin value-added distribution and value-added services that the Company is moving into.

Reply: Consistent with the announcement on 11 February 2005 (announcement on results for 6-months ended 31 December 2004), the company is exploring strategic alliances with vendors to provide value added distribution and services after the restructuring process.

By order of the Board

Lim Koon Hock
Company Secretary
Digiland International Limited

5 September 2005