

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 31/12/2005

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		
	31/12/05	31/12/04	Increase / (Decrease)
	US\$'000	US\$'000	%
CONTINUING OPERATIONS			
Turnover	16,515	28,215	-41%
Other operating income	403	235	71%
Changes in stock	(1,392)	(6,389)	-78%
Purchases	(14,138)	(21,462)	-34%
Personnel expense	(1,456)	(2,335)	-38%
Depreciation	(69)	(412)	-83%
Amortization of intangible	(35)	0	NM
Foreign currency gain / (losses)	15	(45)	NM
Provision for Doubtful Debts - net	110	(6,349)	NM
Provision for Inventory - net	48	(2,987)	NM
Other operating expense	(1,118)	(1,839)	-39%
Loss from operations	(1,117)	(13,368)	-92%
Financial expenses	(70)	(504)	-86%
Financial income	1	12	-91%
	(1,186)	(13,860)	-91%
Exceptional expenses	375	(347)	NM
Loss from continuing operations before taxation	(811)	(14,207)	-94%
Taxation	24	320	-93%
Loss from continuing operations after taxation	(787)	(13,887)	-94%
DISCONTINUED OPERATIONS			
Loss from Discontinued operations after taxation	(713)	(869)	-18%
Minority interest	85	50	70%
Loss attributable to shareholders	(1,415)	(14,706)	-90%

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	
	31/12/05	30/06/05	31/12/05	30/06/05
	US\$'000	US\$'000	US\$'000	US\$'000
Shareholders' investment				
Share capital	(27,728)	(27,728)	(27,728)	(27,728)
Share premium	0	0	0	0
Accumulated losses	42,804	41,389	41,956	41,541
Translation reserves	(1,505)	(1,018)	0	0
Minority interest	(693)	(702)	0	0
	12,878	11,941	14,228	13,813
Represented by :-				
Fixed assets	195	456	31	6
Investments in subsidiaries	0	0	5,545	5,545
Deferred tax asset	0	320	0	0
Intangible	1,465	0	1,465	0
Current assets				
Stocks	1,223	7,486	40	291
Trade debtors	4,692	15,254	1,001	736
Other debtors, deposits and prepayments	1,378	1,890	4,570	4,730
Fixed Deposits	1,126	0	1,126	0
Cash at bank and on hand	2,226	5,909	459	2,226
Total Current Assets	10,645	30,539	7,196	7,983
Assets directly held for sale	18,118	0	0	0
Current liabilities				
Trade creditors	(5,520)	(8,413)	(5,366)	(5,220)
Other creditors and accruals	(6,874)	(8,913)	(3,729)	(2,343)
Provision for taxation	(44)	(101)	0	0
Hire purchase creditors, current	(32)	(24)	(5)	(5)
Short term bank borrowings	(19,267)	(25,788)	(16,164)	(16,550)
Total Current Liabilities	(31,737)	(43,239)	(25,264)	(24,118)
Liabilities directly associated with assets classified as held for sale	(11,564)	0	0	0
Net current assets / (liabilities)	(14,538)	(12,700)	(18,068)	(16,135)
Non-current liabilities				
Hire purchase creditors, non-current	0	(17)	0	0
Loan from subsidiary	0	0	(3,201)	(3,229)
	12,878	11,941	14,228	13,813

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 2005		As at 30 June 2005	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
32	19,267	24	26,014

Amount repayable after one year

As at 31 December 2005		As at 30 June 2005	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
0	0	18	0

Details of any collateral

The secured portion as at 31 December 2005 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.

	2005	2004
	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations before tax	(810)	(14,206)
Loss from discontinued operations before tax	(695)	(828)
Adjustment for:		
Amortization of intangible	35	0
Depreciation of fixed assets	166	501
Fixed assets written off	0	277
Interest expense	283	683
Interest income	(1)	(24)
(Gain) / Loss on disposal of fixed assets	(3)	(15)
Provision for doubtful debts	52	7,067
Provision for stock obsolescence	(147)	3,027
Provision for loss on disposal of subsidiary	(375)	0
	(1,495)	(3,518)
Stocks	(1,387)	5,797
Trade debtors	2,763	6,203
Other debtors, deposits and prepayments	(369)	1,743
Due from affiliated companies	0	5,467
Trade creditors	(1,428)	(13,423)
Trade bills payable	(232)	0
Other creditors and accruals	1,489	1,242
Due to related party	0	(22)
Due to affiliated companies	0	(25)
Cash flows generated from operating activities	(659)	3,464

Income taxes (paid) / refunded	(34)	274
Net cash flows / (used in) generated from operating activities	(693)	3,738
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash distribution upon liquidation of an associate	0	195
Intangible	(1,250)	0
Acquisition of fixed assets	(123)	(112)
Proceeds from sales of fixed assets	8	130
Net cash flows used in investing activities	(1,365)	213
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from term loans, net of repayments	70	(2,159)
Trust receipts and bills payable	0	1,509
Interest received	1	24
Interest paid	(90)	(609)
Repayment of hire purchase creditors	0	(119)
HP creditors	(9)	
Net cash generated from / (used in) financing activities	(28)	(1,354)
Net increase / (decrease) in cash and cash equivalents	(2,086)	2,597
Cash and cash equivalents at beginning of year	5,401	4,680
Effect of exchange differences	254	(327)
Cash and cash equivalents at end of year	3,569	6,950

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.

	Attributable to equity holders of the parent					Minority interest	Total Equity
	Share Capital	Share Premium	Translation reserve	Accumulated (losses) / profits	Total reserves		
	\$	\$	\$	\$	\$	\$	\$
GROUP							
Balance as at 1 July 2004	27,728	-	1,231	(22,734)	6,225	2,126	8,351
Currency translation differences	-	-	(197)	-	(197)	(99)	(296)
Loss for the year	-	-	-	(14,706)	(14,706)	50	(14,656)
Balance as at 31 December 2004	27,728	-	1,034	(37,440)	(8,678)	2,077	(6,601)
Balance as at 1 July 2005	27,728	-	1,017	(41,389)	(12,644)	702	(11,942)
Currency translation differences	-	-	488	-	488	(94)	394
Loss for the year	-	-	-	(1,415)	(1,415)	85	(1,330)
Balance as at 31 December 2005	27,728	-	1,505	(42,804)	(13,571)	693	(12,878)

<i>Company</i>							
Balance as at 1 July 2004	27,728	-	-	(22,481)	5,247	-	5,247
Currency translation differences	-	-	-	-	-	-	-
Loss for the year	-	-	-	(15,108)	(15,108)	-	(15,108)
Balance as at 31 December 2004	27,728	-	-	(37,589)	(9,861)	-	(9,861)
Balance as at 1 July 2005	27,728	-	-	(41,541)	(13,813)	-	(13,813)
Currency translation differences	-	-	-	-	-	-	-
Loss for the year	-	-	-	(415)	(415)	-	(415)
Balance as at 31 December 2005	27,728	-	-	(41,956)	(14,228)	-	(14,228)

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.

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.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting and methods of computation in the financial statements for the current reporting period as those of the most recently audited consolidated financial statements for the financial year ended 30 June 2005.

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.

The Group has adopted new and revised Financial Reporting Standards (FRS) that are mandatory for financial year beginning on or after 1 January 2005.

The adoption of the new and revised FRS did not have any material impact on the results of the Group and of the Company for the half year ended 31 December 2005.

On 13 June 2005, the Company publicly announced the disposal of its entire shareholding in MSI-Digiland (Phils.), Inc. The disposal was completed on 4 January 2006.

On 1 December 2005, the Company publicly announced the disposal of its entire shareholding in Digiland Indonesia Pte Ltd. The disposal is due to be completed on 30 April 2006.

The disposal of MSI-Digiland (Phils.), Inc and Digiland Indonesia Pte Ltd ("Disposal") constitutes part of the Scheme of Arrangement with creditors. In accordance with FRS 105, the financial statements of the Disposal (for the six months ended 31 December 2005) were separately classified as "Discontinued Operations" in the Group Income Statement and "Assets directly held for sale" in the Group Balance Sheet.

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	
	31/12/05	31/12/04
	US\$	US\$
Earnings / (loss) per Ordinary share for the period based on net profit (loss) attributable to shareholders :-		
(i) Basic – continuing operations	(0.10) cents	(1.93) cents
(ii) Basic - discontinued operations	(0.10) cents	(0.12) cents
(i) Diluted – continuing operations	(0.10) cents	(1.93) cents
(ii) Diluted - discontinued operations	(0.10) cents	(0.12) cents

Earnings per ordinary share for the half year ended 31 December 2005 and 2004 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	
	31/12/05	30/06/05	31/12/05	30/06/05
	US\$	US\$	US\$	US\$
Net Asset Value per Ordinary Share based on issued share capital at the end of the period	(1.89) cents	(1.78) cents	(1.99) cents	(1.92)cents

Net asset value per ordinary share as at 31 December 2005 and 30 June 2005 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.

Group

Continuing Operations

Turnover

The Group's turnover decreased from US\$28m for the half year ended 31 December 2005 to US\$16m. The decreased was primarily due to cessation of non-profitable operations.

Profitability Review

The loss after tax for the half year ended 31 December 2005 was reduced by about 94% from US\$13.9m to US\$0.8m compared to the corresponding period. The losses were reduced as the Company restructured and realigned its operations and positioned itself with new business models.

Financial Expenses

The decrease in financial expenses for the half year ended 31 December 2005 compared to the corresponding period was mainly due to the partial repayment of bank loan in 2004 and the Scheme of Arrangement with creditors.

Balance Sheet Review

Stocks, trade debtors, trade creditors, other creditors and accruals reduced due to reduced volume of operations and the reclassification in accordance with FRS 105.

Other debtors, deposits and prepayments were reduced as a result of reduced marketing claims and rebates from vendors due to lower sales volumes.

Short term bank borrowings was reduced as a result of the reclassification to liabilities directly associated with assets classified as held for sale.

Discontinued Operations

Turnover

The turnover from discontinued operations for the half year ended 31 December 2005 increased by US\$0.4m to US\$24.4m compared to the corresponding period.

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 2005 made on 30 August 2005, 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 will continue with its revised strategy of moving away from the high-volume low-margin business of pure hardware distribution to focus on higher value-added distribution and value-added services. With the approval of the Scheme of Arrangement at the Company's Extraordinary Meeting in December 05, the Group will be in a better position to focus on its business strategies.

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 2005.

By ORDER OF THE BOARD

**Lim Koon Hock
Company Secretary**

