

ANNOUNCEMENT

DIGILAND INTERNATIONAL LIMITED

(Registration No. 199400571K)
(Incorporated in the Republic of Singapore on 25 January 1994)

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF SHARES WITH WARRANTS

1. INTRODUCTION

- 1.1 **Rights Issue.** Digiland International Limited ("**Company**" or "**Digiland**") wishes to announce a proposed renounceable non-underwritten rights issue of up to 696,296,013 new ordinary shares ("**Shares**") in the Company ("**Rights Shares**"), at an issue price of S\$0.005 for each Rights Share ("**Issue Price**") with up to 3 free detachable warrants ("**Warrants**"), on the basis of 1 Rights Share with 3 Warrants for every 10 Shares held by Entitled Shareholders (defined below) as at a books closure date to be determined by the directors of the Company ("**Books Closure Date**"), fractional entitlements to be disregarded ("**Rights Issue**"). Each Warrant will carry the right to subscribe for one new Share ("**New Share**") at an exercise price of S\$0.01 per New Share (the "**Exercise Price**").

2. RATIONALE FOR THE EXERCISE

- 2.1 **Rights Issue.** The Rights Issue has been proposed to raise funds for the working capital of the Company.
- 2.2 The minimum and maximum estimated net proceeds from the Rights Issue (after deducting estimated expenses for the Rights Issue) are expected to be approximately S\$2.28m (assuming only the Undertaking Shareholder (as defined below) subscribes for its full entitlement to the Rights Shares with Warrants) and S\$3.23m (assuming the Rights Issue is fully subscribed) before the exercise of the Warrants.
- 2.3 If all the Warrants are exercised, the estimated gross proceeds arising from such exercise of Warrants will range from S\$15,204,930 (assuming only the Undertaking Shareholder subscribes for its full entitlement to the Rights Shares with Warrants and 1,520,493,000 Warrants are issued) and S\$20,888,880 (assuming the Rights Issue is fully subscribed and 2,088,888,039 Warrants are issued).
- 2.4 The Company intends to use the net proceeds from the Rights Issue and the eventual exercise of the Warrants, if any, for the Company's working capital. Pending the deployment of the proceeds for the purpose mentioned above, such proceeds may be deposited with banks or financial institutions, invested in short-term money markets or marketable securities or used for any other purpose on a short-term basis as the directors of the Company ("**Directors**") may deem fit.

3. RIGHTS ISSUE

- 3.1 **Terms.** The Company is proposing the Rights Issue to be offered on a renounceable basis to Entitled Shareholders (defined below) on the basis of 1 Rights Share with 3 Warrants for every 10 Shares held by Entitled Shareholders (defined below) as at the Books Closure Date at the Issue Price, being S\$0.005. Fractional entitlements to the Rights Shares with Warrants will be disregarded and will, together with the provisional allotments which are not taken up or allotted for any reason, be aggregated and allotted to satisfy excess applications (if any) or disposed and otherwise dealt with in such manner as the Directors may in their absolute discretion deem fit.

Entitled Shareholders (defined below) will be entitled to participate in the Rights Issue and receive the Offer Information Statement (defined below) together with the appropriate

application forms and accompanying documents at their respective Singapore addresses.

The Issue Price represents a discount of 50% to the closing price of S\$0.01 per Share on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 6 April 2006, being the last trading day of the Shares on SGX-ST prior to the date of this announcement.

- 3.2 **Size of Rights Issue.** As at the date of this announcement, there are no outstanding share options or convertible securities issued by the Company. Assuming that no new Shares are issued before the Books Closure Date, the number of the issued Shares would be 6,962,960,130 Shares and up to 696,296,013 Rights Shares with 2,088,888,039 Warrants will be issued.
- 3.3 **Eligibility of Shareholders to Participate in the Rights Issue.** The Company proposes to provisionally allot Rights Shares with Warrants to all Shareholders who are eligible to participate in the Rights Issue ("**Entitled Shareholders**"). The Entitled Shareholders comprise Entitled Depositors and Entitled Scripholders (both as defined below).
- 3.4 **Entitled Depositors.** Shareholders with Shares standing to the credit of their Securities Accounts and whose registered addresses with The Central Depository (Pte) Limited ("**CDP**") are in Singapore as at the Books Closure Date or who have, at least five market days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents
- 3.5 **Entitled Scripholders.** Shareholders whose share certificates are not deposited with CDP and who have tendered to Lim Associates (Pte) Ltd ("**Share Registrar**") valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date and whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have, at least five market days prior to the Books Closure Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents
- 3.6 **Foreign Shareholders.** For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Rights Issue is only made in Singapore and the Rights Shares with Warrants will **NOT** be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five market days prior to the Books Closure Date, provided the Share Registrar or CDP, as the case may be, with addresses in Singapore for the service of notices and documents ("**Foreign Shareholders**"). The offer information statement ("**Offer Information Statement**") to be issued in relation to and for the purposes of the Rights Issue and the accompanying documents will not be mailed outside Singapore.

If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares with Warrants, which would otherwise have been provisionally allotted to Foreign Shareholders, to be sold "nil-paid" on the SGX-ST as soon as practicable after dealings in the provisional allotments of Rights Shares with Warrants commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account the expenses expected to be incurred. The net proceeds from all such sales will be dealt with in accordance with the terms set out in the Offer Information Statement.

- 3.7 **Provisional Allotments.** Entitled Shareholders will be at liberty to accept, decline, or otherwise renounce or trade their provisional allotments of the Rights Shares with Warrants and will be eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights Issue. Fractional entitlements to the Rights Shares with Warrants will be disregarded in arriving at the Shareholders' entitlements and will, together with the provisional allotments which are not taken up for any reason, be aggregated and used to satisfy excess applications (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of excess Rights Shares with Warrants, preference will be given to Shareholders for rounding of odd lots, and substantial Shareholders and Directors will rank last in priority.
- 3.8 **Offer Information Statement.** The terms and conditions of the Rights Issue may be subject

to such changes as the Directors may deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course.

- 3.9 **Ranking.** The Rights Shares are payable in full upon acceptance or application and will, upon allotment and issue, rank *pari passu* in all respects with the then existing issued Shares for any dividends, rights, allotments or other distributions, the record date for which falls on or after the date of issue of the Rights Shares.
- 3.10 **Non-Underwritten Rights Issue.** The Rights Issue will not be underwritten in view of the undertaking provided by the Undertaking Shareholder (defined below) as described in paragraph 4.
- 3.11 **Odd Lots.** Shareholders should note that they are able to trade odd lots of Shares in board lots of one Share on the Unit Share Market of the SGX-ST.
- 3.12 **Warrants.** The Warrants, to be issued free with the Rights Shares subscribed for, will be in registered form and constituted by a deed poll setting out the terms and conditions of the Warrants (the "**Deed Poll**"). Each Warrant will, subject to the terms and conditions in the Deed Poll, carry the right to subscribe for one New Share at the Exercise Price during the exercise period commencing on the date of issue and expiring on the date falling 18 months after the date of issue (the "**Exercise Period**"). Any Warrant remaining unexercised at the end of the Exercise Period will lapse and cease to be valid for all purposes.

The Warrants will be detached from the Rights Shares and listed and traded separately on the SGX-ST under the book-entry (scripless) settlement system. The listing and quotation of the Warrants on the SGX-ST, if approved, is expected to be subject to there being a sufficient spread of holdings for the Warrants to provide an orderly market for the Warrants. Each board lot of the Warrants will consist of 1,000 Warrants or such other board lot size which the SGX-ST may require and as may be notified by the Company.

The New Shares arising from the exercise of the Warrants will rank *pari passu* in all respects with the then existing issued Shares for any dividends, rights, allotments or other distributions, the record date of which falls on or after the exercise date of the Warrants, save as may be otherwise provided in the Deed Poll. The Exercise Price and the number of Warrants will be subject to adjustments under certain circumstances to be provided for in the Deed Poll.

Based on the number of issued Shares of the Company of 6,962,960,130 as at the date of this Announcement, a maximum of 696,296,013 Rights Shares with up to a maximum of 2,088,888,039 Warrants will be issued pursuant to the Rights Issue, if the Rights Issue is fully subscribed; and (ii) a minimum of 506,831,000 Rights Shares with a minimum of 1,520,493,000 Warrants if the Rights Issue is subscribed for only by the Undertaking Shareholder (defined below) in accordance with the term of his undertaking.

The terms and conditions of the Warrants are subject to such changes as the Directors may deem fit. The final terms and conditions of the Warrants will be contained in the Offer Information Statement to be dispatched by the Company to Entitled Shareholders in due course, subject to receipt of approval of Shareholders' approval for the Rights Issue.

4. UNDERTAKING OF CONTROLLING SHAREHOLDER

As at the date of this announcement, Dr. Vincent Tan Kim Yong ("**Undertaking Shareholder**") holds in aggregate 5,068,310,000 Shares, representing 72.79% of the existing total number of issued Shares.

To show his support for the Rights Issue, the Undertaking Shareholder has irrevocably undertaken to the Company to subscribe and pay for, in accordance with the terms of the Rights Issue, at the Issue Price, 506,831,000 Rights Shares.

Assuming that only the Undertaking Shareholder subscribes to his entitlement for the Rights

Shares, the Undertaking Shareholder's resultant enlarged shareholding in the Company will be increased from 72.79% to approximately (i) 74.64% pursuant to the allotment and issue of the Rights Shares to him but before the exercise of his Warrants and (ii) 78.93% pursuant to the allotment and issue of the Rights Shares and New Shares to him after the exercise of his Warrants. According to Rules 723 and 724 of the SGX-ST Listing Manual, the Company must ensure that at least 10% of its issued Shares is held by the public, failing which the SGX-ST may suspend trading of its Shares. The Undertaking Shareholder has undertaken to sell, transfer or otherwise dispose of such number of Shares as will be sufficient to ensure that at least 10% of the issued Shares are held by the public in the event the aggregate shareholding of the Undertaking Shareholder and his associates in the Company exceeds 90% as a result of their being allotted and issued the Rights Shares pursuant to the Rights Issue or their being allotted and issued the New Shares pursuant to their exercise of the Warrants.

5. APPROVALS AND OTHER GENERAL MATTERS

- 5.1 The Rights Issue is subject to, among other things, the following:
- (a) approval of shareholders of the Rights Issue and authorization of the Directors allotting and issuing the Rights Shares, the Warrants and the New Shares at an extraordinary general meeting of the Company ("**EGM**");
 - (b) receipt of in-principle approval from the SGX-ST for the listing and quotation of the Rights Shares, the Warrants and the New Shares on the SGX-ST; and
 - (c) the lodgment of the Offer Information Statement with the Monetary Authority of Singapore.
- 5.2 An application will be made by the Company to obtain the SGX-ST's approval for the listing of and quotation for the Rights Shares, the Warrants and the New Shares in due course.
- 5.3 A circular containing the details of the Rights Issue and the notice of the EGM will be dispatched to shareholders of the Company in due course.
- 5.4 Subject to shareholders' approval of the Rights Issue at the EGM, the Offer Information Statement will be lodged with the Monetary Authority of Singapore and despatched to Entitled Shareholders in due course.

BY ORDER OF THE BOARD

LIM KOON HOCK
Company secretary
7 April 2006