

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**

## **Full Year Financial Statement And Dividend Announcement for the year ended 30/06/2005**

### **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.**

	<b>Group</b>		
	<b>12 months ended</b>		
	<b>30/06/05</b>	<b>30/06/04</b>	<b>Increase /</b>
			<b>(Decrease)</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>
Turnover	95,009	375,885	(75)
Other operating income	502	674	(26)
Changes in stock	(6,184)	(35,393)	(83)
Purchases	(86,188)	(332,130)	(74)
Personnel expense	(4,240)	(8,070)	(47)
Depreciation of fixed assets	(885)	(1,629)	(46)
Exchange gain/(loss)	222	(736)	NM
Provision/write-off of receivables	(9,616)	(12,804)	(25)
Provision/write-off of stocks	(808)	(10,017)	(92)
Other operating expense	(6,602)	(9,358)	(29)
<b>Operating loss</b>	<b>(18,790)</b>	<b>(33,578)</b>	<b>(44)</b>
Financial expenses	(1,516)	(2,599)	(42)
Financial income	42	96	(56)
	<b>(20,264)</b>	<b>(36,081)</b>	<b>(44)</b>
Exceptional items	(349)	(7,876)	(96)
Share of associated companies loss	-	(96)	(100)
<b>Loss before tax</b>	<b>(20,613)</b>	<b>(44,053)</b>	<b>(54)</b>
Taxation	386	(1,183)	NM
<b>Loss after tax</b>	<b>(20,227)</b>	<b>(45,236)</b>	<b>(55)</b>
Minority interest	1,454	490	197
<b>Loss attributable to shareholders</b>	<b>(18,773)</b>	<b>(44,746)</b>	<b>(58)</b>

**NM – Not Meaningful**

Notes to the income statement:

The Group's operating loss is determined after charging / (crediting) the followings:

	2005 US\$'000	2004 US\$'000
- Amortization of goodwill on consolidation of:		
- subsidiaries	-	132
- associate	-	21
- Provision for foreseeable loss on disposal of subsidiary	2,623	-
- (Gain) / Loss on disposal of fixed assets	(17)	112
- Fixed assets written off	391	421
- Impairment loss on fixed assets	-	120
- Operating lease expenses	555	1,222
- Write off of software licensing fees	-	745

**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	
	30/06/05	30/06/04	30/06/05	30/06/04
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Equity attributable to equity holders</b>				
Share capital	27,728	27,728	27,728	27,728
Accumulated losses	(41,507)	(22,734)	(41,460)	(22,481)
Translation reserves	1,017	1,230	-	-
	<b>(12,762)</b>	<b>6,224</b>	<b>(13,732)</b>	<b>5,247</b>
<b>Minority interest</b>	<b>682</b>	<b>2,126</b>	-	-
	<b>(12,080)</b>	<b>8,350</b>	<b>(13,732)</b>	<b>5,247</b>
Represented by :-				
Fixed assets	802	1,954	285	760
Investments in subsidiaries	-	-	5,545	11,085
Investments in associated companies	-	189	-	-
Deferred tax asset	-	151	-	-
<b>Current assets</b>				
Stocks	7,324	16,755	68	2,438
Trade debtors	14,253	33,346	736	7,578
Other debtors, deposits and prepayments	3,007	5,481	4,730	12,607
Fixed Deposits	-	59	-	-
Cash and bank balances	5,892	5,711	2,226	781
<b>Total Current Assets</b>	<b>30,476</b>	<b>61,352</b>	<b>7,760</b>	<b>23,404</b>
<b>Current liabilities</b>				
Trade creditors	8,175	22,268	5,219	6,778
Other creditors and accruals	9,025	5,011	2,319	1,486
Provision for taxation	102	261	-	108
Hire purchase creditors, current portion	24	53	5	34
Short term bank borrowings	26,014	27,579	16,550	19,238
<b>Total Current Liabilities</b>	<b>43,340</b>	<b>55,172</b>	<b>24,093</b>	<b>27,644</b>
<b>Net current (liabilities) / assets</b>	<b>(12,864)</b>	<b>6,180</b>	<b>(16,333)</b>	<b>(4,240)</b>

<b>Non-current liabilities</b>				
Hire purchase creditors, non-current	18	124	-	88
Other creditors, non-current	-	-	3,229	2,270
<b>Net (liabilities) / assets</b>	<b>(12,080)</b>	<b>8,350</b>	<b>(13,732)</b>	<b>5,247</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

As at 30 June 2005

As at 30 June 2004

Secured  
US\$'000  
24

Unsecured  
US\$'000  
26,014

Secured  
US\$'000  
53

Unsecured  
US\$'000  
27,579

**Amount repayable after one year**

As at 30 June 2005

As at 30 June 2004

Secured  
US\$'000  
18

Unsecured  
US\$'000  
0

Secured  
US\$'000  
124

Unsecured  
US\$'000  
0

**Details of any collateral**

The secured portion as at 30 June 2005 and 30 June 2004 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**

<b>DIGILAND INTERNATIONAL LTD</b>			
<b>STATEMENTS OF CASH FLOWS</b>			
<b>REVIEW: 30 JUNE 2005</b>			
		<b>2005</b>	<b>2004</b>
		<b>US\$'000</b>	<b>US\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(20,613)	(44,053)
Adjustment for:			
Impairment loss on goodwill on consolidation		-	2,637
Impairment loss in value of investment in associate		-	3,815
Share of result of associated companies		-	96
Gain on liquidation of associate company		(2)	-
Depreciation of fixed assets		885	1,629

Fixed assets written off / impairment loss	391	541
Interest expense	1,516	2,599
Interest income	(42)	(96)
(Gain) / Loss on disposal of fixed assets	(17)	112
Provision / write-off of receivables	9,616	12,804
Provision / write-off of stocks	808	10,017
Provision for foreseeable loss on disposal of subsidiary	2,623	-
Amortization of goodwill	-	153
Written off of software licensing fees	-	745
Operating loss before working capital changes	(4,835)	(9,001)
Increase / (decrease) in:		
Stocks	8,670	26,973
Trade debtors	4,439	28,219
Other debtors, deposits and prepayments	2,268	1,572
Due from associated companies	-	383
Due from affiliated companies	5,542	(604)
Increase / (decrease) in:		
Trade creditors	(14,137)	(27,330)
Other creditors and accruals	1,247	(556)
Due to related party	(22)	22
Due to affiliated companies	(25)	(154)
Bills payable	1,231	9,676
Cash flows generated from operating activities	4,378	29,200
Income taxes refunded / (paid)	378	(166)
Net cash flows generated from operating activities	<b>4,756</b>	<b>29,034</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiaries, net of cash acquired	-	18
Acquisition of fixed assets	(218 )	(941)
Cash distribution upon liquidation of an associate	195	175
Proceeds from sale of fixed assets	144	116
Net cash flows generated from / (used in) investing activities	<b>121</b>	<b>(632)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments from term loans, net	(2,462)	(34,885)
Interest received	42	96
Interest paid	(1,383)	(2,258)
Repayment of finance lease obligations	(137)	(50)
Net cash flows used in financing activities	<b>(3,940)</b>	<b>(37,097)</b>

Net increase / (decrease) in cash and cash equivalents	937	(8,695)
Cash and cash equivalents at beginning of year	4,680	13,523
Effect of exchange differences	(458)	(148)
Cash and cash equivalents at end of year	<b>5,159</b>	<b>4,680</b>

**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		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</b>							
Balance as at 1 July 2003	59,556	448	724	(10,264)	50,464	2,656	53,120
Currency translation differences	-	-	506	-	506	(40)	466
Capital reduction	(31,828)	(448)	-	32,276	-	-	-
Loss for the year	-	-	-	(44,746)	(44,746)	(490)	(45,236)
<b>Balance as at 30 June 2004</b>	<b>27,728</b>	<b>-</b>	<b>1,230</b>	<b>(22,734)</b>	<b>6,224</b>	<b>2,126</b>	<b>8,350</b>
Balance as at 1 July 2004	27,728	-	1,230	(22,734)	6,224	2,126	8,350
Currency translation differences	-	-	(213)	-	(213)	10	(203)
Loss for the year	-	-	-	(18,773)	(18,773)	(1,454)	(20,227)
<b>Balance as at 30 June 2005</b>	<b>27,728</b>	<b>-</b>	<b>1,017</b>	<b>(41,507)</b>	<b>(12,762)</b>	<b>682</b>	<b>(12,080)</b>
<b>Company</b>							
Balance as at 1 July 2004	59,556	448	-	(4,159)	55,845	-	55,845
Capital reduction	(31,828)	(448)	-	32,276	-	-	-
Loss for the year	-	-	-	(50,598)	(50,598)	-	(50,598)
<b>Balance as at 30 June 2004</b>	<b>27,728</b>	<b>-</b>	<b>-</b>	<b>(22,481)</b>	<b>5,247</b>	<b>-</b>	<b>5,247</b>
Balance as at 1 July 2004	27,728	-	-	(22,481)	5,247	-	5,247
Loss for the year	-	-	-	(18,979)	(18,979)	-	(18,979)
<b>Balance as at 30 June 2005</b>	<b>27,728</b>	<b>-</b>	<b>-</b>	<b>(41,460)</b>	<b>(13,732)</b>	<b>-</b>	<b>(13,732)</b>

**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.**

Not applicable

**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.**

The financial statements for the half year ended 30 June 2005 have been prepared in accordance with Singapore Financial Reporting Standard (FRS) as required by the Singapore Companies Act. There is no significant change in accounting policies and methods of computation compared to the previous corresponding period.

**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.**

Not applicable

**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	
	30 Jun 2005	30 Jun 2004
	US\$	US\$
Earnings / (loss) per Ordinary share for the year based on net profit (loss) attributable to shareholders :-		
(i) Based on the weighted average number of Ordinary shares on issue	(2.62) cents	(6.25) cents
(ii) On a fully diluted basis	(2.62) cents	(6.25) cents

Earnings per ordinary share for the year ended 30 June 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	
	30 Jun 2005	30 Jun 2004	30 Jun 2005	30 Jun 2004
	US\$	US\$	US\$	US\$
Net Asset Value per Ordinary Share based on issued share capital at the end of the year	(1.78) cents	0.87 cents	(1.92) cents	0.73 cents

Net asset value per ordinary share as at 30 June 2005 and 30 June 2004 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**

**Turnover**

The Group's turnover decreased from US\$375.9m for the financial year 2004 to US\$95m for the financial year 2005. The decrease in sales was due mainly in the cessation of the non-profitable operations. The Group was not able to have sufficient credit terms from its creditors to finance its operations and the shortage of working capital had constrained sales.

The Group had limited sales while it engaged its creditors to approve the scheme of arrangement. The creditors approved the scheme in Jun 2005.

**Profitability Review**

The loss attributable to shareholders for the financial year ended June 2005 was about 42% of the corresponding comparative period. The loss was reduced from US\$44.7m to US\$18.8m. The Group suffered a half year loss of US\$14.7m as of Dec 2004, for the next 6 months from Jan 2005 to Jun 2005 the loss was US\$4.1m. As the company restructured and realigned its operations, the losses were reduced as it positioned itself to move ahead with new business models after it had the creditors agreed to the scheme of arrangements.

**Financial Expenses**

The significant reduction was mainly due to the repayment of the syndicated loan

**Exceptional items**

Exceptional items pertain to restructuring costs in Singapore, Australia, Malaysia, Thailand and Hong Kong.

**Balance Sheet Review**

About US\$0.25m in the reduction in Fixed Assets was due to the disposal of assets in Singapore and Australia as operations were scaled down, the remainder being attributable to depreciation.

Stocks were reduced from US\$16.8m to US\$7.3m due to reduced purchases consistent with the scaling down of non-profitable operations, the cessation of several distributorships and better working capital management.

Trade debtors reduced by US\$19m from US\$33.3m to US\$14.3m as a result of tighter credit policies, reduced sales volumes and provisions for write-offs.

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

Trade creditors reduced from US\$22.3m to US\$8.2m, reflecting the lower inventory holdings as a result of reduced purchases, and of inventory returns to vendors.

### **Planned sale of MSI-Digiland (Phils.), Inc**

The financial statements presented herein incorporate the management accounts of MSI-Digiland (Phils.), Inc. A sale and purchase agreement has been signed on 11 June 2005 for the disposal of this subsidiary. Please refer to the Company's announcement on 13 June 2005.

### **Company**

Investments in Subsidiaries fell by US\$5.5m due to provisions for impairment on the value of investments.

Stocks reduced from US\$2.4m to US\$0.07m was mainly due to reduction in the sales volume and write offs of slow-moving and obsolete stocks.

Trade Debtors and Trade Creditors decreased due to reduced sales volumes and the adoption of stricter collection methods for receivables.

Other debtors, deposits and prepayments reduced as a result of scaling down of operations.

The decrease in short-term bank borrowings was a result of the partial payment of syndicated loan. Repayment will be in accordance with the proposed Scheme of Arrangement with creditors.

### **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

In the Half Year Financial Statement and Dividend Announcement for the period ended 31 December 2004 made on 11 February 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 it embraced earlier in the financial year, moving away from the high-volume low-margin business of pure hardware distribution to focus on higher margin value-added distribution and value-added services. With the approval of the Scheme by the Company's creditors in June 2005, 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 year ended 30 June 2005.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

**(a) Business Segments**

The Group is organized on a worldwide basis into two main operating divisions, namely :

- Distribution
- E-services

Inter-segment pricing is on an arm's length basis

	<b>Distribution US\$'000</b>	<b>E – Services US\$'000</b>	<b>Elimination US\$'000</b>	<b>Group US\$'000</b>
<b>2005</b>				
External sales	93,191	1,818	0	95,009
Inter-segment sales	57	24	(81)	0
<b>Total revenue</b>	<b>93,248</b>	<b>1,842</b>	<b>(81)</b>	<b>95,009</b>
Segment result	(18,200)	(590)	0	(18,790)
Financial expenses - Net				(1,474)
Exceptional expenses				(349)
Share of result of associates				0
Income taxes				386
Minority interest				1,454
<b>Net Loss</b>				<b>(18,773)</b>

Segment assets	29,512	1,766	0	31,278
Investment in associates	0	0	0	0
Deferred tax assets				0
<b>Total assets</b>				<b>31,278</b>

Segment liabilities	(42,775)	(583)	0	(43,358)
Deferred tax liabilities				0
<b>Total liabilities</b>				<b>(43,358)</b>

Capital expenditure	198	20	0	218
Depreciation	753	132	0	885
Other Non-cash expense	13,029	17	0	13,046

## 2004

2004

External sales	372,719	3,166	0	375,885
Inter-segment sales	233	17	(250)	0
<b>Total revenue</b>	<b>372,952</b>	<b>3,183</b>	<b>(250)</b>	<b>375,885</b>

Segment result	(33,819)	241	0	(33,578)
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Financial expenses - Net				(2,503)
Exceptional expenses				(7,876)
Share of result of associates				(96)
Income taxes				(1,182)
Minority interest				489
<b>Net Loss</b>				<b>(44,746)</b>

Segment assets	62,319	988	0	63,307
Investment in associates	0	189	0	189
Deferred tax assets				151
<b>Total assets</b>				<b>63,647</b>

Segment liabilities	54,285	750	0	55,035
Tax liabilities				261
<b>Total liabilities</b>				<b>55,296</b>

Capital expenditure	817	124	0	941
Depreciation	1,399	230	0	1,629
Amortization of goodwill	153	0	0	153
Impairment loss in goodwill on consol	2,637	0	0	2,637
Other Non-cash expense	27,058	323	0	27,381

## (b) Geographical segments

Turnover is based on the location of customers regardless of where the goods are produced.  
Assets and additions to property, plant and equipment are based on the location of those assets.

	Turnover		Assets		Capital expenditure	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Singapore	10,270	62,683	4,948	24,949	94	567
ASEAN(Exclude Singapore)	80,562	169,169	25,515	29,395	105	361
Australia	222	27,315	398	3,074	13	-
North Asia	3,955	116,718	417	6,229	6	13
	<b>95,009</b>	<b>375,885</b>	<b>31,278</b>	<b>63,647</b>	<b>218</b>	<b>941</b>

### 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to note 8.

### 15. A breakdown of sales.

	Group US\$'000		% Increase/ (Decrease)
	Latest Financial Year	Previous Financial Year	
(a) Sales reported for first half year	52,253	198,650	(74)
(b) Operating loss after tax before deducting minority interests reported for first half year	(14,756)	(22,165)	(33)
(c) Sales reported for second half year	42,756	170,802	(75)
(d) Operating loss after tax before deducting minority interests reported for second half year	(5,471)	(16,387)	(67)

### 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not Applicable

## BY ORDER OF THE BOARD

**Lim Koon Hock**  
Company Secretary