

EI-NETS LTD
(Reg. No.199905255E)

**Unaudited Full Year Financial Statement And Dividend Announcement For The Period Ending
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**

	01/07/04 to 30/06/05 S\$'000	01/07/03 to 30/06/04 S\$'000	Change + / (-) %
Revenue	839	1,058	-20.7%
Cost of sales	(573)	(752)	-23.8%
Gross profit	266	306	-13.1%
Other operating income	2	43	-95.3%
Distribution costs	(131)	(89)	47.2%
Administrative expenses	(2,059)	(2,294)	-10.2%
Depreciation expenses	(101)	(130)	-22.3%
Amortisation of intangible asset	(198)	-	
Other operating expenses	(28)	(33)	-15.2%
Loss from operations	(2,249)	(2,197)	2.4%
Exceptional items	-	(781)	-100.0%
Finance costs	(14)	(12)	16.7%
Loss before income tax	(2,263)	(2,990)	-24.3%
Income tax	-	-	
Loss from ordinary activities after tax	(2,263)	(2,990)	-24.3%
Minority Interest	(120)	-	
Net loss for the year	(2,143)	(2,990)	-28.3%

Additional information for Income Statement above		
Loss before income tax is arrived after crediting/(charging) the following: -	01/07/04 to	01/07/03 to
	30/06/05	30/06/04
	S\$'000	S\$'000
Interest income	1	1
Interest on borrowings	(9)	(10)
Foreign exchange loss	(3)	(15)
(Loss)/Profit on sale of equipment	(31)	16

Exceptional Items

Expenses relating to legal claims	-	(781)
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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 As at 30/06/05 \$'000	Group As at 30/06/04 \$'000	Company As at 30/06/05 \$'000	Company As at 30/06/04 \$'000
<u>ASSETS</u>				
Current assets:				
Cash	213	373	4	15
Trade receivables	445	572	219	223
Less: provision for doubtful debts	(381)	(383)	(219)	(220)
Other receivables, deposits and prepayments	111	310	2,786	3,073
Inventories	29	27	-	-
Total current assets	417	899	2,790	3,091
Non-current assets:				
Plant and equipment	259	388	172	241
Investments in subsidiaries	-	-	514	514
Other receivables	-	16	-	16
Intangible asset	792	-	-	-
Total non-current assets	1,051	404	686	771
Total assets	1,468	1,303	3,476	3,862
<u>LIABILITIES AND EQUITY</u>				
Current liabilities:				
Bank overdraft	205	245	-	-
Trade payables	261	440	-	764
Other payables	2,796	1,128	3,589	1,932
Deferred revenue	27	34	-	-
Total current liabilities	3,289	1,847	3,589	2,696

Capital and reserves:				
Issued capital	7,420	7,420	7,420	7,420
Share premium	997	29,950	997	29,950
Capital Reserve	492	-	-	-
Accumulated losses	(11,093)	(37,903)	(8,530)	(36,204)
Currency translation deficit	(17)	(11)	-	-
Interest of the shareholders	(2,201)	(544)	(113)	1,166
Minority Interest	380	-	-	-
Total equity	(1,821)	(544)	(113)	1,166
Total liabilities and equity	1,468	1,303	3,476	3,862

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

Amount repayable in one year or less, or on demand

As at 30/06/2005		As at 30/06/2004	
Secured	Unsecured	Secured	Unsecured
\$ 205,000	-	\$ 195,000	-

Amount repayable after one year

As at 30/06/2005		As at 30/06/2004	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The bank overdraft of a subsidiary is secured by a fixed deposit of another subsidiary.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Full Year Ended	
	30/06/05 \$'000	30/06/04 \$'000
Cash flows from operating activities:		
Loss before income tax	(2,263)	(2,990)
Adjustment for:		
Loss/(Gain) on disposal of plant and equipment	31	(16)
Depreciation expense	101	130
Amortisation of intangible asset	198	-
Interest expense	9	12
Interest income	(1)	(1)
Operating loss before working capital changes	(1,925)	(2,865)

Changes in working capital	1,822	427
Cash used in operations	(103)	(2,438)
Interest paid	(9)	(12)
Interest received	1	1
Net cash used in operating activities	(111)	(2,449)
Cash flows from investing activities:		
Purchase of plant and equipment	(3)	(48)
Proceeds on disposal of plant and equipment	-	16
Fixed deposit restricted	-	(1)
Cash used in investing activities	(3)	(33)
Cash flows from financing activities:		
Advances from a shareholder	-	(406)
Proceeds from issuing shares	-	1,817
Net cash from financing activities	-	1,411
Net effect of exchange rate changes in consolidating subsidiary	(6)	-
Net increase (decrease) in cash	(120)	(1,071)
Cash at beginning of year	(77)	994
Cash at end of year	(197)	(77)

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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Issued Capital \$'000	Share Premium \$'000	Accumulated Losses \$'000	Currency Translation Deficit \$'000	Capital Reserve \$'000	Total \$'000
Group						
Balance at 1 July 2004	7,420	29,950	(37,903)	(11)	-	(544)
Capital Reduction Restructure		(28,953)	28,953			-
Currency translation differences				(6)	-	(6)
Capital Reserve		-	-		492	492
Net loss for the year			(2,143)			(2,143)
Balance at 30 June 2005	7,420	997	(11,093)	(17)	492	(2,201)

Balance at 1 July 2003	6,600	28,953	(34,913)	(11)	-	629
Issue of shares	820	1,025				1,845
Share issue expenses		(28)				(28)
Net loss for the year			(2,990)			(2,990)
						-
Balance at 30 June 2004	7,420	29,950	(37,903)	(11)	-	(544)

Company	Issued Capital \$'000	Share Premium \$'000	Accumulated Losses \$'000	Currency Translation Deficit \$'000	Capital Reserve \$'000	Total \$'000
Balance at 1 July 2004	7,420	29,950	(36,204)			1,166
Capital Reduction Restructure		(28,953)	28,953			-
Currency translation differences						-
Net loss for the year			(1,279)			(1,279)
						-
Balance at 30 June 2005	7,420	997	(8,530)	-	-	(113)
Balance at 1 July 2003	6,600	28,953	(33,818)			1,735
Issue of shares	820	1,025				1,845
Share issue expenses		(28)				(28)
Currency translation differences						-
Net loss for the year			(2,386)			(2,386)
						-
Balance at 30 June 2004	7,420	29,950	(36,204)	-	-	1,166

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 or 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 were no shares issued or share options exercised during the financial year ended 30 June 2005. As at 30 June 2005, there were 25,925,000 (30 June 2005: 28,585,000) unissued shares in respect of share options granted.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited nor reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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 Group has adopted the same accounting policies and methods of computation as those in the recent audited financial statements for the financial year ended 30 June 2004.

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 period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	2005	2004
	Cents	Cents
Basic Earnings/(Loss) Per Share (EPS)	(0.28)	(0.44)
Diluted Earnings/(Loss) Per Share (EPS)	(0.28)	(0.44)

There is no dilution in respect of the outstanding share options.

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 period reported on and (b) immediately preceding financial year

Amount in cents	Group	Company
As at 30 June 2005	(0.25)	(0.01)
As at 30 June 2004	(0.07)	0.16

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Group's turnover for the period declined by 20.7% to \$839,000 as compared to \$1,058,000 for the previous financial period as a result of the continued difficult business environment of the system integration business. It was also due to the delay in the launching of the new business projects .

Decrease in non-operating income was due to a gain on disposal of equipment amounting to \$16,000 in the previous period.

Balance Sheet

Increase in Other Payables was due mainly to cash loan and advances made by directors, certain shareholders and outside parties amounting to \$1,133,000 to render their financial support to the Company.

Included in the Other Payables is a loan advance of \$500,000 and, by virtue of the terms of the Memorandum of Understanding signed on 21 April 2005 and announced on the SGXNET on 22 April 2005, it can be converted into new shares of \$0.01 each in the Company, subject to the approval of Singapore Exchange.

Should the loan be converted, it would reduce the Other Payables by \$500,000 and increased the paid up capital to \$7.92 million.

The decrease in share premium account was due to a Capital Reduction restructure which was approved by the Court in July 2004 whereby the entire sum of \$28,952,562 standing to the credit of the Share Premium account of the Company as at 30 June 2003 was used to write off part of the Accumulated Losses.

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

Not applicable

10. A commentary at the date of the announcement of the 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

Update on Business Projects

1 Electronic Newspaper

Although we have completed the technical platform of the electronic newspaper with Heilongjiang Daily Press group, the launching of the business have been delayed till the beginning of 2006. The Company are also in the advance stage of discussion with two major Vietnamese newspapers on similar business model.

2. Surveillance

On our surveillance project in China, our China joint venture partner has secured in-principal approval from the relevant authority. The trail test is scheduled to commence within the next few months.

3. Wireless Communications Repeater

We have commenced marketing and distributing the Wireless Communications Repeater solutions through our subsidiary, Ei-Infocomm Pte Ltd, to markets in the Asia Pacific and Middle East regions. The demand for these products is encouraging and if successful, it may contribute substantially to the Group's revenue over the next 12 months. Further plans are being set up to expand the business into Russia and Eastern Europe.

Moving Forward

The Group is in the final stages of implementing those business projects which were announced previously. It also continues to explore and to evaluate new business opportunities that will help in improving the operating performance and financial position of the Group.

The Group has intensified its efforts to pursue its plan to seek strategic partners and financing avenues to redress its negative net asset value and also its ability to continue as a going concern.

The Company has also procured agreements from major creditors, including the company's directors, on the deferment of repayment of their debts for the next 12 months.

A substantial shareholder has pledged its written commitment to the Company that they will continue to render financial support in order for the Company to continue operations as a going concern for the next 12 months.

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/recommendeded, a statement to that effect

No dividend has been declared or recommended.

**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) Primary report format			
BUSINESS SEGMENT	Consultancy \$'000	Trading \$'000	Total \$'000
(i) Group – 2005			
REVENUE			
External sales	(188)	(651)	(839)
RESULT			
Segment result	(2,186)	(63)	(2,249)
Exceptional items			-
Finance costs			(14)
Loss before income tax			(2,263)
Income tax			-
Net loss for the year			(2,263)
ASSETS			
Segment assets	1,172	83	1,255
Unallocated corporate assets			213
Consolidation total assets			1,468
LIABILITIES			
Segment liabilities	(1,919)	(465)	(2,384)
Unallocated corporate liabilities			(905)
Consolidation total liabilities			(3,289)
OTHER INFORMATION			
Capital expenditure			3
Depreciation expense			101

	Consultancy \$'000	Trading \$'000	Total \$'000
(ii) Group - 2004			
REVENUE			
External sales	149	909	1,058
RESULT			
Segment result	(1,976)	(221)	(2,197)
Exceptional items			(781)
Finance costs			(12)
Loss before income tax			(2,990)
Income tax			-
Net loss for the year			(2,990)
ASSETS			
Segment assets	694	236	930
Unallocated corporate assets			373
Consolidation total assets			1,303
LIABILITIES			
Segment liabilities	(931)	(490)	(1,421)
Unallocated corporate liabilities			(426)
Consolidation total liabilities			(1,847)
OTHER INFORMATION			
Capital expenditure			48
Depreciation expense			130
(b) Secondary report format			
GEOGRAPHICAL SEGMENTS			
	Singapore \$'000	China \$'000	Total \$'000
(i) Group - 2005			
Sales revenue	839	0	839
Segment assets	1,237	18	1,255
Capital expenditure	3	0	3
	Singapore \$'000	China \$'000	Total \$'000
(ii) Group - 2004			
Sales revenue	1,058	0	1,058
Segment assets	807	123	930
Capital expenditure	48	0	48

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

Decrease on sales due to the continued difficult business environment of the system integration business.

15. A breakdown of sales

Group	01/07/04 to 30/06/05 S\$'000	01/07/03 to 30/06/04 S\$'000	Increase/ (decrease) %
Sales reported for the first half year	337	482	-30.1%
Operating profit/loss after tax before deducting minority interests reported for first half year	(1,248)	(1,676)	-25.5%
Sales reported for the second half year	502	576	-12.8%
Operating profit/loss after tax before deducting minority interests reported for second half year	(1,015)	(1,314)	-22.8%

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

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year	Previous Full Year
Ordinary	0	0
Preference	0	0
Total:	0	0

BY ORDER OF THE BOARD

Phua Teck Chew
Director
29/08/2005