

## **EI-NETS LTD**

(Registration No. 199905255E)

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### **FURTHER ANNOUNCEMENT AND CLARIFICATION ON THE PRESS REPORT(ON 15 OCTOBER 2005) RELATING TO THE AUDITORS' REPORT FOR FINANCIAL YEAR ENDED 30 JUNE 2005**

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The Company refers to the recent announcement of the Auditors' opinion and the press reports on 15 October 2005 relating to the Auditors' Report for the financial year ended 30 June 2005 and wish to respond to the following matters:-

**1) Documentary proof in relation to the amount of RMB2.5 million (approximately S\$500,000)**

The amount of RMB2.5 million, relating to the announced Memorandum of Understanding dated 21 April 2005 between the Company, Goldenray Consortium (S) Pte Ltd and Beijing Hengyuan Jiaye Real Estate Development Co Ltd in relation to the acquisition of the business of JingGangshan Crocodile Eco Farm, advanced from a related party who is also a potential investor in the shares of the Company, was paid into a personal bank account in the name of a director, Mr Phua Teck Chew, in China.

The Company has rendered its co-operation and assistance to the auditors during their audit. Mr Phua has confirmed that he will procure those original and other supporting documents to substantiate the necessary and outstanding documentary evidence and explanations as required by the Auditors.

**2) Ability of the Company to continue as going concerns**

The Company is able to obtain adequate financial resources to continue operations on a going concern basis in the foreseeable future based on the following:-

- (a) On 13 October 2005, the Company entered into a Placement Agreement with Phillip Securities Pte Ltd to place up to 38,000,000 new ordinary shares of par value S\$0.01 each at the issued price of S\$0.0135 for each Placement Share ("Placement") at a best endeavors basis to procure subscriptions for the Placement, which represented 5.12% of the issued and paid up capital of the Company. The Placement is conditional upon, inter alia, receipt of in-principle approval for the listing and quotation of the Placement Shares from the Singapore Exchange Securities Trading Limited. The proceeds from the Placement will be utilized for working capital
- (b) The Company has also procured agreements from major creditors, including the Executive Directors, on the deferment of repayment of their debts
- (c) Armorcoat International Pte Ltd, a substantial shareholder of the Company, has pledged with written commitment to the Company that it will continue to render financial support when required to allow the Company to continue operations as a going concern.

- (d) Over the last two months, the Company has strengthened its Board and Management with the addition of two new Board members, Mr Ngo Gim Kang as Executive Chairman and Mr Anthony Ang Meng Huat as Chairman of the Audit Committee. The Group has reviewed and evaluated its principal businesses and has decided to channel its available resources into those of its current businesses which can generate more immediate returns and to place on hold those businesses which may require longer period to profitability.
- (e) The Group has also intensified its efforts to seek strategic partners and other financing avenues to redress its negative net asset value and also its ability to continue as a going concern.
- (f) Through our subsidiary, Ei-Infocomm Pte Ltd, we have marketed and distributed the Wireless Communications Repeater solutions in the Asia Pacific and Middle East regions. We have recently secured orders of more than S\$500,000 from a major telecommunication provider in Indonesia. With additional business that is being developed, Ei-Infocomm may contribute substantially to the Group's revenue over the next 12 months.
- (g) On 14 September 2005, the Company announced that it entered into a non-binding preliminary agreement with China Changchun Economic Corporation Co. Ltd and Shanghai Pacific Dominion Technology Co. Ltd in relation to the development of condominiums and an integrated industrial park. If successful, the project will generate substantial revenue and profit to the Group.

The Company also wishes to announce that it believes that sufficient information has been disseminated to the market to ensure orderly trading in the Company's shares.

Issued by Ei-Nets Ltd

Ngo Gim Kang  
Executive Chairman  
16 October 2005