

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 Period Ended 30/06/2006**

**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		
	12 months ended		
	30/06/06	30/06/05	Increase /
			(Decrease)
	US\$'000	US\$'000	%
<b>CONTINUING OPERATIONS</b>			
<b>Turnover</b>	<b>33,650</b>	<b>44,807</b>	<b>-25%</b>
Other operating income	822	404	103%
Changes in stock	(2,264)	(7,514)	-70%
Purchases	(29,223)	(36,245)	-19%
Personnel expense	(3,275)	(3,294)	-1%
Depreciation	(129)	(706)	-82%
Amortization of intangible	(292)	-	100%
Exchange gain / (loss)	(731)	239	NM
Provision for Doubtful Debts	(594)	(9,501)	-94%
Provision for Inventory	(762)	(603)	26%
Other operating expense	(2,578)	(3,825)	-33%
<b>Loss from operations</b>	<b>(5,376)</b>	<b>(16,238)</b>	<b>-67%</b>
Financial expenses	(282)	(754)	-63%
Financial income	53	20	165%
	<b>(5,605)</b>	<b>(16,972)</b>	<b>-67%</b>
Exceptional Items	3,571	(3,121)	NM
<b>Loss from continuing operations before taxation</b>	<b>(2,034)</b>	<b>(20,093)</b>	<b>-90%</b>
Taxation	25	417	-94%

<b>Loss from continuing operations after taxation</b>	<b>(2,009)</b>	<b>(19,676)</b>	<b>-90%</b>
<b>DISCONTINUED OPERATIONS</b>			
<b>Loss from discontinued operations after taxation</b>	<b>(715)</b>	<b>(412)</b>	<b>74%</b>
<b>Loss for the year</b>	<b>(2,724)</b>	<b>(20,088)</b>	<b>-86%</b>
<b>Attributable to:</b>			
Shareholders of the company	(2,639)	(18,655)	-86%
Minority interest	(85)	(1,433)	-94%
	<b>(2,724)</b>	<b>(20,088)</b>	<b>-86%</b>

**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.**

	<b>GROUP</b>		<b>Company</b>	
	<b>30-06-2006</b>	<b>30-06-2005</b>	<b>30-06-2006</b>	<b>30-06-2005</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Shareholders' investment</b>				
Share capital	(14,908)	(27,728)	(14,908)	(27,728)
Share premium	-	-	-	-
Accumulated (profits)/losses	16,521	41,389	16,214	41,541
Translation reserves	(2,067)	(1,018)	-	-
Minority interest	-	(702)	-	-
	<b>(454)</b>	<b>11,941</b>	<b>1,306</b>	<b>13,813</b>
Represented by :-				
Fixed assets	158	456	40	6
Investments in subsidiaries	-	-	767	5,545
Deferred tax asset	-	320	-	-
Intangible	1,208	-	1,208	-

	GROUP		Company	
	30-06-2006	30-06-2005	30-06-2006	30-06-2005
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Current Assets</b>				
Stocks	1,143	7,486	37	291
Trade debtors	4,323	15,254	7	489
Other debtors, deposits and prepayments	693	1,890	35	76
Fixed Deposits	1,615	-	1,615	-
Due from subsidiaries (trade)	-	-	199	247
Due from subsidiaries (non-trade)	-	-	2,714	3,533
Loan to subsidiaries	-	-	154	1,121
Cash at bank and on hand	2,366	5,909	896	2,226
<b>Total Current Assets</b>	<b>10,140</b>	<b>30,539</b>	<b>5,657</b>	<b>7,983</b>
<b>Current Liabilities</b>				
Trade creditors	(4,073)	(8,413)	(530)	(2,986)
Other creditors and accruals	(2,742)	(8,913)	(1,755)	(2,342)
Provision for taxation	(57)	(101)	-	-
Due to subsidiaries (trade)	-	-	(2,237)	(2,234)
Due to subsidiaries (non-trade)	-	-	(172)	(1)
Hire purchase creditors, current	(23)	(24)	(6)	(5)
Short term bank borrowings	(4,135)	(25,788)	(861)	(16,550)
<b>Total Current Liabilities</b>	<b>(11,030)</b>	<b>(43,239)</b>	<b>(5,561)</b>	<b>(24,118)</b>
<b>Net current assets (liabilities)</b>	<b>(890)</b>	<b>(12,700)</b>	<b>96</b>	<b>(16,135)</b>
<b>Non-current liabilities</b>				
Hire purchase creditors, non-current	(22)	(17)	(20)	-
Loan from subsidiary	-	-	(3,397)	(3,229)
	<b>454</b>	<b>(11,941)</b>	<b>(1,306)</b>	<b>(13,813)</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 2006		As at 30 June 2005	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
23	4,135	24	25,788

**Amount repayable after one year**

As at 30 June 2006		As at 30 June 2005	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
22	0	17	0

**Details of any collateral**

The secured portion as at 30 June 2006 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.**

	2006	2005
	US\$'000	US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss from continued operations	(2,034)	(20,093)
Loss from discontinued operations	(697)	(546)
Adjustments for:		
Amortization of intangibles	292	-
Other income-Lapse of bonds	(1,335)	-
Depreciation of fixed assets	226	885
Fixed assets written off	-	301
Interest expense	495	1,516
Interest income	(53)	(48)
(Gain) / Loss on disposal of fixed assets	(1)	98
Provision for doubtful debts	756	9,557
Provision for stock obsolescence	957	603
Impairment loss on fixed asset	54	318
Gain on disposal of subsidiaries	(2,236)	-
Gain on liquidation of associate	-	(7)
Provision for foreseeable loss on disposal of subsidiary	-	2,772
Exchange differences	1,485	(452)
Operating loss before working capital changes	(2,091)	(5,096)

Stocks	(2,793)	8,884
Trade debtors	1,515	3,528
Other debtors, deposits and prepayments	223	3,145
Due from affiliated companies	-	5,542
Trade creditors	(834)	(13,899)
Other creditors and accruals	355	925
Due to related party	-	(22)
Due to affiliated companies	-	(25)
Bills payable	(3,380)	1,232
Cash flows (used in ) / generated from operating activities	(7,005)	4,214
Income taxes refunded	6	260
<b>Net cash flows (used in) / generated from operating activities</b>	<b>(6,999)</b>	<b>4,474</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash distribution upon liquidation of an associate	-	196
Acquisition of fixed assets	(90)	(218)
Proceeds from sales of fixed assets	4	144
Disposal of subsidiary, net of cash disposed	5,032	-
Purchase of intangible	(1,500)	-
<b>Net cash flows generated from investing activities</b>	<b>3,446</b>	<b>122</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of term loans	(513)	(2,462)
Interest received	53	47
Interest paid	(495)	(1,322)
Repayment of hire purchase creditors	3	(137)
Capital injection by shareholder	3,084	-
<b>Net cash generated from / (used in) financing activities</b>	<b>2,132</b>	<b>(3,874)</b>
Net (decrease) / increase in cash and cash equivalents	(1,421)	722
Cash and cash equivalents at beginning of year	5,402	4,680
<b>Cash and cash equivalents at end of year</b>	<b>3,981</b>	<b>5,402</b>

1d)(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		
	\$	\$	\$	\$	\$	\$	\$
<b>GROUP</b>							
<b>Balance as at 1 July 2004</b>	27,728	-	1,230	(22,734)	6,224	2,126	8,350
Currency translation differences	-	-	(212)	-	(212)	9	(203)
Loss for the year		-	-				

	-			(18,655)	(18,655)	(1,433)	(20,088)
<b>Balance as at 30 June 2005</b>	<b>27,728</b>	<b>-</b>	<b>1,018</b>	<b>(41,389)</b>	<b>(12,643)</b>	<b>702</b>	<b>(11,941)</b>
<b>Balance as at 1 July 2005</b>	27,728	-	1,018	(41,389)	(12,643)	702	(11,941)
Currency translation differences	-	-	502	-	502	9	511
Realisation of translation reserve arising from disposal of subsidiaries			547		547		547
Loss for the year	-	-	-	(2,639)	(2,639)	(85)	(2,724)
Reduction of MI arising from disposal of subsidiaries	-	-	-	-	-	(626)	(626)
Capital reduction	(27,507)	-	-	27,507	-	-	-
Issue of new shares	3,084	-	-	-	3,084	-	3,084
Conversion of bonds into shares	11,603	-	-	-	11,603	-	11,603
<b>Balance as at 30 June 2006</b>	<b>14,908</b>	<b>-</b>	<b>2,067</b>	<b>(16,521)</b>	<b>454</b>	<b>-</b>	<b>454</b>
<b>Company</b>							
<b>Balance as at 1 July 2004</b>	27,728	-	-	(22,481)	5,247	-	5,247
Currency translation differences	-	-	-	-	-	-	-
Loss for the year	-	-	-	(19,060)	(19,060)	-	(19,060)
<b>Balance as at 30 June 2005</b>	<b>27,728</b>	<b>-</b>	<b>-</b>	<b>(41,541)</b>	<b>(13,813)</b>	<b>-</b>	<b>(13,813)</b>
<b>Balance as at 1 July 2005</b>	27,728	-	-	(41,541)	(13,813)	-	(13,813)
Currency translation differences	-	-	-	-	-	-	-
Loss for the year	-	-	-	(2,180)	(2,180)	-	(2,180)
Capital reduction	(27,507)	-	-	27,507	-		-
Issue of new shares	3,084	-	-	-	3,084		3,084
Conversion of bonds into shares	11,603	-	-	-	11,603		11,603
<b>Balance as at 30 June 2006</b>	<b>14,908</b>	<b>-</b>	<b>-</b>	<b>(16,214)</b>	<b>(1,306)</b>	<b>-</b>	<b>(1,306)</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.**

On 10 March 2006, the Company effected a 2:1 share consolidation and that resulted in the number of shares to be reduced from 716,501,597 to 358,250,798 shares. On 23 March 2006, the Company issued 1,604,709,332 new shares for its bond conversion exercise under the Scheme of arrangement and 5,000,000,000 new shares to Dr Tan Kim Yong for a consideration of S\$5m.

**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 year ended 30 June 2006.

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 was completed on 5 May 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 were separately classified within the Group Financials.

**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	
	30/06/06	30/06/05
	US\$	US\$
Earnings / (loss) per Ordinary share for the period based on net profit (loss) attributable to shareholders :-		
(i) Basic – continuing operations	(0.08) cents	(2.75) cents
(ii) Basic - discontinued operations	(0.03) cents	(0.06) cents
(i) Diluted – continuing operations	(0.08) cents	(2.75) cents
(ii) Diluted - discontinued operations	(0.03) cents	(0.06) cents

Earnings per ordinary share for the year ended 30 June 2006 and 2005 was calculated based on the weighted number of shares in issue of 2,367,678,929 and 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	
	30/06/06	30/06/05	30/06/06	30/06/05
	US\$	US\$	US\$	US\$
Net Asset Value per Ordinary Share based on issued share capital at the end of the period	0.01 cents	(1.76) cents	(0.02) cents	(1.93)cents

Net asset value per ordinary share as at 30 June 2006 and 2005 was calculated based on the weighted number of shares in issue of 2,367,678,929 and 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**

For the financial year ended 30 June 06, the Group's recorded a turnover US\$33.6m, a reduction of 25% as compared with US\$44.8m in the corresponding period.



The decreased was primarily due to lower sales volumes arising from management's revised strategy in moving away from the high-volume low-margin business.

### **Profitability Review**

The loss after tax for the year ended 30 June 2006 was reduced by about 86% from US\$20.1m to US\$2.7m compared to the corresponding period. The losses were reduced as the Company restructured and realigned its operations and positioned itself with new business model.

Included in the loss is an amount of US\$731k of exchange loss arising from the settlement of the Scheme Creditors loan.

### **Financial Expenses**

The decrease in financial expenses for the year ended 30 June 2006 compared to the corresponding period was mainly due to the partial repayment of bank loans under the Scheme of arrangement .

### **Exceptional items**

The Group recorded a US\$2.2m gain on disposal of its two subsidiaries and a US\$1.3m gain as a result of the write back of a convertible bond which a Scheme Creditor did not convert into shares in the Company.

### **Balance Sheet Review**

Stocks, trade debtors, trade creditors, other creditors and accruals reduced due to reduced volume of operations and the disposal of subsidiaries during the year.

Other debtors, deposits and prepayments were reduced mainly due to the disposal of subsidiaries during the year.

Short term bank borrowings was reduced mainly due to the conversion of the bonds held by the Scheme Creditors during the year.

### **Discontinued Operations**

#### **Turnover**

The turnover from discontinued operations for the year ended 30 June 2006 reduced by US\$25.8m from US\$50.2m to US\$24.4m. The corresponding period in 2005 was for full year operations whereas for 2006, the operations were for six months and ten months for MSI-Digiland (Phils.) and Digiland Indonesia Pte Ltd respectively.

**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 2005 made on 10 February 2006, 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.

On 7 April 2006, the Company announced its proposal to raise funds for the working capital of the Company via a rights issue with warrants. Subsequent to the year-end, on 14 July 2006, the Company announced that 696,296,013 rights shares with 2,785,184,052 warrants would be issued. The Company received gross proceeds of S\$3,481,480 for the rights shares after the year end, and expects to receive further gross proceeds of up to S\$27,851,841 if all warrants are exercised by the expiry date of 16 January 2008.

**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 2006.

**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.**

## BUSINESS SEGMENT

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

	Continuing Operations				Discontinued Operations	
	Distribution	E - Services	Elimination	Group		Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>2006</b>						
External sales	32,088	1,562	-	33,650	24,431	<b>58,081</b>
Inter-segment sales	16	113	(129)	-	-	-
<b>Total revenue</b>	<b>32,104</b>	<b>1,675</b>	<b>(129)</b>	<b>33,650</b>	<b>24,431</b>	<b>58,081</b>
<b>Segment result</b>						
Loss from operating activities before	(4,983)	(393)	-	(5,376)	(484)	<b>(5,860)</b>
before interest and taxation						
Financial expenses	(278)	(4)	-	(282)	(213)	<b>(495)</b>
Financial income	53	-		53	-	<b>53</b>
Exceptional income	3,571	-		3,571	-	<b>3,571</b>
Share of result of associates	-	-		-		-
Loss from taxation before tax				(2,034)	(697)	<b>(2,731)</b>
Income taxes				25	(18)	<b>7</b>
Loss for the year				<b>(2,009)</b>	<b>(715)</b>	<b>(2,724)</b>
Segment assets	10,570	936	-	11,506		<b>11,506</b>
Deferred tax assets				-		-
<b>Total assets</b>				<b>11,506</b>	-	<b>11,506</b>
Segment liabilities	(6,345)	(470)	-	(6,815)		<b>(6,815)</b>
Unallocated Liabilities				(4,237)		<b>(4,237)</b>

<b>Total liabilities</b>				<b>(11,052)</b>	<b>-</b>	<b>(11,052)</b>
Capital expenditure	89	1	-	90	-	<b>90</b>
Depreciation	124	5	-	129	97	<b>226</b>
Amortization of intangible	292	-	-	292	-	<b>292</b>
Other Non-cash expense	(2,035)	69	-	(1,966)	357	<b>(1,609)</b>
	<b>(1,530)</b>	<b>75</b>	<b>-</b>	<b>(1,455)</b>	<b>454</b>	<b>(1,001)</b>

## 2005

External sales	42,468	2,339	-	44,807	50,202	<b>95,009</b>
<b>Inter-segment sales</b>	57	24	(81)	-	-	-
Total revenue	<b>42,525</b>	<b>2,363</b>	<b>(81)</b>	<b>44,807</b>	<b>50,202</b>	<b>95,009</b>

Segment result	(15,578)	(660)	-	(16,238)	188	<b>(16,050)</b>
Financial expenses	(749)	(6)	-	(755)	(761)	<b>(1,516)</b>
Financial income	19	2	-	21	27	<b>48</b>
Exceptional expenses	(3,121)	-	-	(3,121)	-	<b>(3,121)</b>
Income taxes	418	-		418	133	<b>551</b>
Net Loss	<b>(19,011)</b>	<b>(664)</b>	<b>-</b>	<b>(19,675)</b>	<b>(413)</b>	<b>(20,088)</b>

Segment assets	3,327	1,743	-	5,070	25,925	<b>30,995</b>
Unallocated asset	-			-	320	<b>320</b>
Total assets				<b>5,070</b>	<b>26,245</b>	<b>31,315</b>

Segment liabilities	(5,736)	(482)	-	(6,218)	(11,108)	<b>(17,326)</b>
Unallocated Liabilities	(19,841)	(69)	-	(19,910)	(6,020)	<b>(25,930)</b>

Total liabilities				(26,128)	(17,128)	(43,256)
Capital expenditure	129	20	-	149	69	218
Depreciation	574	132	-	706	179	885
Other Non-cash expense	13,410	177	-	13,587	56	13,643
	14,113	329	-	14,442	304	14,746

## GEOGRAPHICAL SEGMENT

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	
	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 US\$'000
Singapore	5,103	10,270	3,492	202	84	94
ASEAN(Exclude Singapore)	52,486	80,562	7,470	25,630	-	105
Australia	122	222	88	405	-	13
North Asia	370	3,955	456	5,078	6	6
Less: Result attributable to discontinued operations	(24,431)	(50,202)	-	(26,245)	-	(69)
Continuing operations	33,650	44,807	11,506	5,070	90	149

**By ORDER OF THE BOARD**

**Lim Koon Hock**  
**Company Secretary**  
**25 August 2006**