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Half Year * Financial Statement And Dividend Announcement

* Asterisks denote mandatory information

Name of Announcer *	NETELUSION LIMITED
Company Registration No.	N.A.
Announcement submitted on behalf of	NETELUSION LIMITED
Announcement is submitted with respect to *	NETELUSION LIMITED
Announcement is submitted by *	Michael Ng Lai Yick
Designation *	Executive Chairman
Date & Time of Broadcast	13-Nov-2009 19:01:13
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>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	30-09-2009
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Attachments

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NeteLusion Limited

Unaudited Financial Statement And Dividend Announcement for the Half Year Ended 30 September 2009

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF 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.

Unaudited consolidated income statement for the six months ended 30 September 2009:

	Note	6 months ended 30-Sep-09 US\$'000	6 months ended 30-Sep-08 US\$'000	% increase / (decrease)
Revenue		959	623	54%
Cost of sales		(473)	(400)	18%
Gross profit		<u>486</u>	<u>223</u>	118%
Administrative expenses		(832)	(1,090)	(24%)
Other operating expenses		(391)	(1,018)	(62%)
Provision for impairment of goodwill		-	(1,543)	N/M
Operating loss	1	<u>(737)</u>	<u>(3,428)</u>	(79%)
Finance income - bank interest income		<u>3</u>	<u>8</u>	(63%)
Loss before income tax		<u>(734)</u>	<u>(3,420)</u>	(79%)
Income tax expense		-	-	N/M
Loss for the period		<u><u>(734)</u></u>	<u><u>(3,420)</u></u>	(79%)
Attributable to:				
Equity holders of the Company		<u>(734)</u>	<u>(3,420)</u>	(79%)
Minority interest		-	-	N/M
		<u><u>(734)</u></u>	<u><u>(3,420)</u></u>	(79%)

N/M = not meaningful

Unaudited consolidated statement of comprehensive loss for the six months ended 30 September 2009:

	6 months ended 30-Sep-09 US\$'000	6 months ended 30-Sep-08 US\$'000	<i>% increase/ (decrease)</i>
Loss for the period	(734)	(3,420)	(79%)
Other comprehensive income/(loss)			
Currency translation differences	<u>11</u>	<u>(22)</u>	<i>N/M</i>
Total comprehensive loss for the period	<u><u>(723)</u></u>	<u><u>(3,442)</u></u>	(79%)
Total comprehensive loss attributable to:			
Equity holders of the Company	(723)	(3,442)	(79%)
Minority interest	<u>-</u>	<u>-</u>	<i>N/M</i>
	<u><u>(723)</u></u>	<u><u>(3,442)</u></u>	(79%)

Note:

1. Operating loss for the period was stated after charging/(crediting):

	6 months ended 30-Sep-09 US\$'000	6 months ended 30-Sep-08 US\$'000	<i>% increase/ (decrease)</i>
Loss on disposal of property, plant and equipment	-	7	<i>N/M</i>
Net exchange (gain)/loss	(23)	103	<i>N/M</i>
Depreciation of property, plant and equipment	-	35	<i>N/M</i>
Employees share-based compensation	-	51	<i>N/M</i>
Reversal of impairment of amount due from an associate	-	(6)	<i>N/M</i>
Provision for impairment of property, plant and equipment	20	-	<i>N/M</i>

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	
	Note	31-Mar-09	30-Sep-09	31-Mar-09
		US\$'000	US\$'000	US\$'000
ASSETS				
Non-current assets				
Intangible assets		-	-	-
Property, plant and equipment		-	-	-
Interest in associates		12	-	-
		<u>12</u>	<u>-</u>	<u>-</u>
Current assets				
Amount due from a subsidiary		-	876	1,347
Inventories		27	-	-
Trade receivables		41	-	-
Deposits, prepayments and other receivables		144	-	-
Cash and cash equivalents		2,324	17	11
		<u>2,336</u>	<u>893</u>	<u>1,358</u>
Total assets		<u>2,548</u>	<u>893</u>	<u>1,358</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		1,504	1,504	1,504
Reserves		44	(679)	(146)
		<u>1,548</u>	<u>825</u>	<u>1,358</u>
Minority interest		-	-	-
Total equity		<u>1,548</u>	<u>825</u>	<u>1,358</u>
LIABILITIES				
Current liabilities				
Trade payables		18	-	-
Other payables and accruals		982	68	-
		<u>1,000</u>	<u>68</u>	<u>-</u>
Total equity and liabilities		<u>2,548</u>	<u>893</u>	<u>1,358</u>

Note a:

On 1 December 2008, the Company entered into a conditional sale and purchase agreement for the purchase of the entire issued and paid-up share capital of Agni Inc Pte. Ltd. ("Proposed Acquisition"). On 31 March 2009, the Company entered into a conditional sale and purchase agreement with an independent third party for the sale of the entire issued and paid-up share capital of NeteLusion (Hong Kong) Limited ("NHKL") and its subsidiaries (collectively, "Disposal Group"), for a consideration of S\$2,000,000 (or equivalent to approximately US\$1,333,000) (the "Proposed Divestment"). The completion of these two transactions is conditional, inter alia, upon the delivery of a duly executed Proposed Acquisition and Proposed Divestment by 30 June 2009.

The Disposal Group is classified as held for sale as of 31 March 2009, in accordance with International Financial Reporting Standard ("IFRS") 5 "Non-current Assets Held for Sale and Discontinued Operations". In view of this, the Disposal Group was measured at the lower of its carrying amount and fair value less costs to sell, and a provision for impairment loss of property, plant and equipment amounting to US\$134,000 was made as of 31 March 2009. As the Disposal Group represented a substantial part of the Group except the assets and liabilities of the Company, the financial effects of the Disposal Group have not been separately disclosed in the consolidated balance sheet as of 31 March 2009.

The Proposed Acquisition was not duly executed by 30 June 2009. In view of this, the Proposed Acquisition and the Proposed Divestment were withdrawn. Accordingly, the Disposal Group ceased to be classified as held for sale, and it was re-measured at the lower of its carrying amount prior to it being classified as held for sale and its recoverable amount as of 30 June 2009. No adjustments were made as a result of re-measurement.

Note b:

During the period, there is loss of US\$734,000 (2008: US\$3,420,000) and negative operating cash flows of US\$551,000 (2008: US\$1,584,000), and cash and cash equivalents of US\$1,767,000 as at 30 September 2009 (31 March 2009: US\$2,324,000). The Group has performed an assessment on its ability to continue its operations as a going concern for the next twelve months from the balance sheet date. The assessment has considered the management's plans on new business initiatives, cost control measures and other financing alternatives. Based on the assessment, directors are of the opinion that the Group will be able to meet its obligations as and when they fall due. Accordingly, the condensed consolidated interim financial information was prepared on a going concern basis, which assumes, among other things, the realization of assets and satisfaction of liabilities as and when they fall due.

However, should the Group not be able to implement these new business initiatives and cost control measures, and secure other financing alternatives, material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern; and therefore, that the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

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

Not applicable.

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

	6 months ended 30-Sep-09 US\$'000	6 months ended 30-Sep-08 US\$'000
Cash flows from operating activities		
Loss before income tax	(734)	(3,420)
Adjustments for:		
Depreciation of property, plant and equipment	-	35
Employees share option benefit	-	51
Reversal of impairment of amount due from an associate	-	(6)
Provision for impairment of goodwill	-	1,543
Loss on disposal of property, plant and equipment	-	7
Provision for impairment of property, plant and equipment	20	-
Interest income	(3)	(8)
Operating loss before working capital changes	<u>(717)</u>	<u>(1,798)</u>
Changes in working capital:		
Inventories	9	(10)
Receivables	(30)	222
Payables	187	2
Net cash used in operating activities	<u>(551)</u>	<u>(1,584)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(20)	(24)
Repayment of amount due from an associate	-	6
Acquisition of an associate	-	(5)
Net cash used in investing activities	<u>(20)</u>	<u>(23)</u>
Cash flows from financing activities		
Interest received	3	8
Net cash generated from financing activities	<u>3</u>	<u>8</u>
Net decrease in cash and cash equivalents	(568)	(1,599)
Cash and cash equivalents at beginning of the period	2,324	5,199
Effects of exchange rate changes on cash and cash equivalents	11	(22)
Cash and cash equivalents at end of the period	<u>1,767</u>	<u>3,578</u>

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 Company							Minority interest	Total equity
	Share capital	Share premium	Merger reserve	Exchange reserve	Contributed surplus	Share-based compensation reserve	Retained profits/(accumulated losses)		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
Group									
Balance at 1 April 2009	1,504	3,439	(221)	(23)	1,957	194	(5,302)	-	1,548
Loss for the period	-	-	-	-	-	-	(734)	-	(734)
Other comprehensive income									
- currency translation differences	-	-	-	11	-	-	-	-	11
Total comprehensive income/(loss) for the period	-	-	-	11	-	-	(734)	-	(723)
Transfer (note)	-	-	-	-	(1,957)	-	1,957	-	-
Balance at 30 September 2009	1,504	3,439	(221)	(12)	-	194	(4,079)	-	825
Balance at 1 April 2008	1,504	3,439	(221)	4	1,957	166	217	-	7,066
Loss for the period	-	-	-	-	-	-	(3,420)	-	(3,420)
Other comprehensive loss									
- currency translation differences	-	-	-	(22)	-	-	-	-	(22)
Total comprehensive loss for the period	-	-	-	(22)	-	-	(3,420)	-	(3,442)
Share-based compensation	-	-	-	-	-	51	-	-	51
Balance at 30 September 2008	1,504	3,439	(221)	(18)	1,957	217	(3,203)	-	3,675
Company									
Balance at 1 April 2009	1,504	3,439	-	-	1,957	194	(5,736)	-	1,358
Total comprehensive loss for the period - loss for the period	-	-	-	-	-	-	(533)	-	(533)
Transfer (note)	-	-	-	-	(1,957)	-	1,957	-	-
Balance at 30 September 2009	1,504	3,439	-	-	-	194	(4,312)	-	825
Balance at 1 April 2008	1,504	3,439	-	-	1,957	166	-	-	7,066
Total comprehensive loss for the period - loss for the period	-	-	-	-	-	-	(3,442)	-	(3,442)
Share-based compensation	-	-	-	-	-	51	-	-	51
Balance at 30 September 2008	1,504	3,439	-	-	1,957	217	(3,442)	-	3,675

Note : Pursuant to the directors' approval on 30 September 2009, a balance of contributed surplus of US\$1,957,000 was applied to set off the accumulated losses of the Company as at that date.

- 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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 was no change in the Company's share capital and unissued shares under the existing share option scheme since the end of the previous period reported on.

There were no shares held as treasury shares as at 30 September 2009 (2008: Nil).

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Total number of issued shares excluding treasury shares as at 30 September 2009 and as at 31 March 2009 was 150,422,582.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

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

The financial information set out in this announcement have been extracted from the condensed consolidated interim financial information that has been prepared in accordance with International Financial Reporting Standard 34 "Interim Financial Reporting", and reviewed in accordance with International Standard on Review Engagements 2410.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

The Auditors' review report dated 13 November 2009 on the condensed consolidated interim financial information of NeteLusion Limited and its subsidiaries for the six months ended 30 September 2009 is enclosed in Appendix.

The Auditor modified the review report by including an emphasis of matter paragraph that highlights the existence of the material uncertainty on going concern.

During the period, there is loss of US\$734,000 (2008: US\$3,420,000) and negative operating cash flows of US\$551,000 (2008: US\$1,584,000), and cash and cash equivalents of

US\$1,767,000 as at 30 September 2009 (31 March 2009: US\$2,324,000). The Group has performed an assessment on its ability to continue its operations as a going concern for the next twelve months from the balance sheet date. The assessment has considered the management's plans on new business initiatives, cost control measures and other financing alternatives. Based on the assessment, directors are of the opinion that the Group will be able to meet its obligations as and when they fall due. Accordingly, the condensed consolidated interim financial information was prepared on a going concern basis, which assumes, among other things, the realization of assets and satisfaction of liabilities as and when they fall due.

However, should the Group not be able to implement these new business initiatives and cost control measures, and secure other financing alternatives, material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern; and therefore, that the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

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 applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the financial year ended 31 March 2009, except as disclosed under item 5 below.

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.

During the period ended 30 September 2009, the Group adopted the following revised and new standards:

IAS 1 (Revised)	Presentation of financial statements; and
IFRS8	Operating Segments

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.

	6 months ended 30-Sep-09	6 months ended 30-Sep-08
(i) Basic loss per share	US(0.49) cents	US (2.27) cents
(ii) Diluted loss per share	US (0.49)cents	US (2.27) cents

The basic loss per share is attributable to equity holders of the Company calculated by dividing the loss for the period by the weighted average number of ordinary shares in issue during the period of 150,422,582 (2008 : 150,422,582) of US\$0.01 each.

The conversion of all potential ordinary shares from the share options granted by the Company would have an anti-dilutive effect on the loss per share for the period ended 30 September 2009 and 30 September 2008. The loss per share on a fully diluted basis is calculated on the weighted average number of ordinary shares of 150,422,582 (2008: 150,422,582) in issue during the period.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	<u>Group</u>		<u>Company</u>	
	30-Sep-09 US cents	31-Mar-09 US cents	30-Sep-09 US cents	31-Mar-09 US cents
Net asset value per ordinary share based on issued share capital	0.55	1.03	0.55	0.90

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.

FINANCIAL REVIEW

The Group's turnover for the six months ended 30 September 2009 ("1H FY2009/10") increased by 54% compared to the same corresponding period ("1H FY2008/09"). The increase was mainly contributed by the Game Development and Operation division as a result of the Group's strategy to engage more resources in developing casual games in South East Asia.

The Group's gross profit increased by 118% to US\$0.5 million in 1H FY2009/10 in line with the increase in turnover and higher profit margin achieved by the Game Development and Operation division.

In 1H FY2009/10, administrative and other operating expenses decreased by 42% to US\$1.2 million due to restructuring and rationalization efforts of the Games Services division since late FY2008/09.

The Group recorded a net loss of US\$0.7 million for 1H FY2009/10 against a net loss of US\$3.4 million in 1H FY2008/09. This improvement was attributable mainly to:

- increase in the Group's turnover;
- reduction in the total administrative and other operating expenses; and
- a provision for impairment of goodwill of US\$1.5 million made in 1H FY2008/09 after Management's valuation on the goodwill in accordance with IAS 38.

The net cash used in operating activities was US\$0.6 million in 1H FY2009/10. Cash used in investing activities was approximately US\$0.02 million for 1H FY2008/09 due mainly to purchase of plant and equipment.

As a result, the Group's cash and cash equivalents reduced from US\$2.3 million as at 31 March 2009 to US\$1.8 million as at 30 September 2009.

BUSINESS SEGMENT OVERVIEW

GAME DEVELOPMENT AND OPERATION

This division engages in the development and operation of online games. During 1H FY2009/10, the Group focused on the Game operation business in Malaysia, Singapore and the Philippines.

GAME SERVICES

This division (i) operates a point card distribution for online games in Malaysia, (ii) develops in-game advertising technologies, and (iii) operates a service platform for the exchange of in-game virtual items in China, USA and Europe. The service platform for exchange of virtual items ceased operation in December 2008, and the development team of In-game Advertising Technologies was down sized in September 2009.

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

No prospect statement has been previously disclosed to shareholders.

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 Directors are of the opinion that the Games Development and Operation business remains challenging but are cautiously optimistic of its prospects. The remaining Game Services division of point card distribution is expected to maintain at its current business level.

The Company will continue to pursue investment opportunities that will enhance shareholders' value.

11. Dividend
- (a) Current Financial Period Reported On
None
 - (b) 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 for the six months ended 30 September 2009.

13. Negative assurance confirmation by Board of Directors

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six months ended 30 September 2009 to be false or misleading in any material aspect.

For and on behalf of the
Board of Directors of
NETELUSION LIMITED

(signed)

Michael Ng Lai Yick
Executive Chairman

(signed)

Daniel Wong Chu Kee
Deputy Chairman

13/11/2009

**NETELUSION LIMITED AND ITS SUBSIDIARIES (THE "GROUP")
REVIEW OF THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

Introduction

We have reviewed the interim financial information set out on pages 2 to 14, which comprises the condensed balance sheet of NeteLusion Limited (the "Company") and condensed consolidated balance sheet of the Company and its subsidiaries (together, the "Group") as at 30 September 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 3 to the condensed consolidated interim financial information which indicates that there is loss of US\$734,000 for the period (2008: US\$3,420,000), negative operating cash flows of US\$551,000 for the period (2008: US\$1,584,000), and cash and cash equivalents of US\$1,767,000 as at 30 September 2009 (31 March 2009: US\$2,324,000). These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 November 2009