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Full 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 |
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>> Announcement Details

The details of the announcement start here ...

| | |
|----------------------------------|------------|
| For the Financial Period Ended * | 31-03-2009 |
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Attachments

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NeteLusion Limited

Unaudited Financial Statement And Dividend Announcement for the Full Year Ended 31 March 2009

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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.

Unaudited consolidated income statement for the financial year ended 31 March 2009.

| | Note | 2009 | 2008 | % increase / (decrease) |
|--|------|----------|----------|----------------------------|
| | | US\$'000 | US\$'000 | |
| Revenue | | 1,478 | 3,285 | (55%) |
| Cost of sales | | (987) | (1,954) | (49%) |
| Gross profit | | 491 | 1,331 | (63%) |
| Administrative expenses | | (2,077) | (2,046) | 2% |
| Other operating expenses | | (2,281) | (1,102) | 107% |
| Provision for impairment of non-current assets | | (1,677) | - | N/M |
| Operating loss | 1 | (5,544) | (1,817) | 205% |
| Finance income - bank interest income | | 25 | 113 | (78%) |
| Loss before income tax | | (5,519) | (1,704) | 224% |
| Income tax expense | | - | - | N/M |
| Loss for the year | | (5,519) | (1,704) | 224% |
| Attributable to: | | | | |
| Equity holders of the Company | | (5,519) | (1,802) | 206% |
| Minority interest | | - | 98 | N/M |
| | | (5,519) | (1,704) | 224% |

N/M = not meaningful

Note:

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

| | 2009 | 2008 | <i>% increase/ (decrease)</i> |
|---|-----------------|----------|-----------------------------------|
| | US\$'000 | US\$'000 | |
| Loss on disposal of property, plant and equipment | 19 | 10 | <i>90%</i> |
| Net exchange loss/(gain) | 115 | (66) | <i>N/M</i> |
| Depreciation of property, plant and equipment | 66 | 63 | <i>5%</i> |
| Reversal of impairment of amount due from an associate | (6) | (93) | <i>(94%)</i> |
| Provision for impairment of non-current assets: | | | |
| - goodwill (note a) | 1,543 | - | <i>N/M</i> |
| - property, plant and equipment (note b) | 134 | - | <i>N/M</i> |
| Employee share-based compensation | 28 | 166 | <i>(83%)</i> |

note a: The goodwill arose from additional acquisition of 40% equity interest in NeteLusion Fortune Holdings Limited in prior year. Impairment loss on goodwill has been fully provided for in the year.

note b: The Company has entered into a conditional divestment agreement on 31 March 2009. Pursuant to the divestment agreement, the Company will dispose of NeteLusion (Hong Kong) Limited and its subsidiaries (collectively the “Disposal Group”) to an independent third party. Accordingly, the assets and liabilities of the Disposal Group have been classified as held for sale on 31 March 2009. 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 has been 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 financial statements. The consolidated income statement comprises both the Disposal Group and the Company. The Company’s results are set out as below:

| | 2009 | 2008 |
|--|-----------------------|----------------|
| | US\$'000 | US\$'000 |
| Administrative and operating expenses | (646) | (209) |
| Provision for impairment of amount due from a subsidiary | (5,090) | (1,573) |
| Finance income – bank interest income | - | 1 |
| Loss for the year | <u>(5,736)</u> | <u>(1,781)</u> |

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.

| | Note | Group | | Company | |
|---|------|---------------------|---------------------|---------------------|---------------------|
| | | 2009 US\$'000 | 2008 US\$'000 | 2009 US\$'000 | 2008 US\$'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Intangible assets | 1 | - | 1,543 | - | - |
| Property, plant and equipment | | - | 201 | - | - |
| Interests in associates | 2 | 12 | - | - | - |
| | | <u>12</u> | <u>1,744</u> | <u>-</u> | <u>-</u> |
| Current assets | | | | | |
| Amount due from a subsidiary | | - | - | 1,347 | 3,502 |
| Inventories | | 27 | 20 | - | - |
| Trade receivables | | 41 | 254 | - | - |
| Deposits, prepayments and other receivables | | 144 | 386 | - | - |
| Cash and cash equivalents | | 2,324 | 5,199 | 11 | 3,570 |
| | | <u>2,536</u> | <u>5,859</u> | <u>1,358</u> | <u>7,072</u> |
| Total assets | | <u>2,548</u> | <u>7,603</u> | <u>1,358</u> | <u>7,072</u> |
| EQUITY | | | | | |
| Capital and reserves attributable to equity holders of the Company | | | | | |
| Share capital | | 1,504 | 1,504 | 1,504 | 1,504 |
| Reserves | | 44 | 5,562 | (146) | 5,562 |
| | | <u>1,548</u> | <u>7,066</u> | <u>1,358</u> | <u>7,066</u> |
| Minority interest | | - | - | - | - |
| Total equity | | <u>1,548</u> | <u>7,066</u> | <u>1,358</u> | <u>7,066</u> |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade payables | | 18 | 39 | - | - |
| Other payables and accruals | | 982 | 498 | - | 6 |
| Total liabilities | | <u>1,000</u> | <u>537</u> | <u>-</u> | <u>6</u> |
| Total equity and liabilities | | <u>2,548</u> | <u>7,603</u> | <u>1,358</u> | <u>7,072</u> |

Note 1: The goodwill arose from additional acquisition of 40% equity interest in NeteLusion Fortune Holdings Limited in prior year. Impairment loss on goodwill has been fully provided for in the year. (Refer to Item 8).

Note 2: The Group acquired a 20% equity interest in an associate during the year.

Note 3: 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 financial statements.

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.

| | 2009 US\$'000 | 2008 US\$'000 |
|--|------------------|------------------|
| Cash flows from operating activities | | |
| Loss before income tax | (5,519) | (1,704) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 66 | 63 |
| Share-based compensation | 28 | 166 |
| Reversal of impairment of amount due from an associate | (6) | (93) |
| Provision for impairment of goodwill | 1,543 | - |
| Provision for impairment of property, plant and equipment | 134 | - |
| Loss on disposal of property, plant and equipment | 19 | 10 |
| Interest income | (25) | (113) |
| Operating loss before working capital changes | <u>(3,760)</u> | <u>(1,671)</u> |
| Changes in working capital: | | |
| Inventories | (7) | 14 |
| Receivables | 455 | (398) |
| Payables | 463 | (59) |
| Net cash used in operating activities | <u>(2,849)</u> | <u>(2,114)</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment, net | (25) | (93) |
| Repayment of amount due from an associate | 6 | 93 |
| Acquisition of an associate | (5) | - |
| Acquisition of additional interest in a subsidiary | - | (800) |
| Net cash used in investing activities | <u>(24)</u> | <u>(800)</u> |
| Cash flows from financing activities | | |
| Interest received | 25 | 113 |
| Proceeds from issuance of ordinary shares | - | 3,859 |
| Net cash generated from financing activities | <u>25</u> | <u>3,972</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(2,848)</u> | <u>1,058</u> |
| Cash and cash equivalents at beginning of the year | 5,199 | 4,121 |
| Effect of exchange rate changes on cash and cash equivalents | (27) | 20 |
| Cash and cash equivalents at end of the year | <u>2,324</u> | <u>5,199</u> |

Note:

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 financial statements. The consolidated cash flow statement comprises both the Disposal Group and the Company. The Company's cash flows are set out as below:

| | 2009 US\$'000 | 2008 US\$'000 |
|--|------------------|------------------|
| Net cash used in operating activities | (624) | (203) |
| Net cash used in investing activities | (2,935) | (99) |
| Net cash generated from financing activities | - | 3,860 |
| Net (decrease)/increase in cash and cash equivalents | <u>(3,559)</u> | <u>3,558</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 | US\$'000 |
| Group | | | | | | | | |
| Balance at 1 April 2008 | 1,504 | 3,439 | (221) | 4 | 1,957 | 166 | 217 | 7,066 |
| Net expense recognised directly in equity: exchange differences | - | - | - | (27) | - | - | - | (27) |
| Loss for the year | - | - | - | - | - | - | (5,519) | (5,519) |
| Total recognised expense | - | - | - | (27) | - | - | (5,519) | (5,546) |
| Share-based compensation | - | - | - | - | - | 28 | - | 28 |
| Balance at 31 March 2009 | 1,504 | 3,439 | (221) | (23) | 1,957 | 194 | (5,302) | 1,548 |
| Balance at 1 April 2007 | 10,138 | 1,033 | (221) | (29) | - | - | (6,948) | 3,973 |
| Net income/(expense) recognised directly in equity: exchange differences | - | - | - | 33 | - | - | - | 29 |
| (Loss)/profit for the year | - | - | - | - | - | - | (1,802) | (1,704) |
| Total recognised income/(expense) | - | - | - | 33 | - | - | (1,802) | (1,675) |
| Issue of shares for cash | 420 | 3,439 | - | - | - | - | - | 3,859 |
| Issue of shares for acquisition of additional interest in a subsidiary | 704 | 133 | - | - | - | - | (94) | 743 |
| Capital reduction | (9,758) | (1,166) | - | - | 3,701 | - | 7,223 | - |
| Share-based compensation | - | - | - | - | - | 166 | - | 166 |
| Transfer | - | - | - | - | (1,744) | - | 1,744 | - |
| Balance at 31 March 2008 | 1,504 | 3,439 | (221) | 4 | 1,957 | 166 | 217 | 7,066 |
| Company | | | | | | | | |
| Balance at 1 April 2008 | 1,504 | 3,439 | - | - | 1,957 | 166 | - | 7,066 |
| Total recognised expense : loss for the year | - | - | - | - | - | - | (5,736) | (5,736) |
| Share-based compensation | - | - | - | - | - | 28 | - | 28 |
| Balance at 31 March 2009 | 1,504 | 3,439 | - | - | 1,957 | 194 | (5,736) | 1,358 |
| Balance at 1 April 2007 | 10,138 | 1,033 | - | - | - | - | (7,186) | 3,985 |
| Total recognised expense : loss for the year | - | - | - | - | - | - | (1,781) | (1,781) |
| Issue of shares for cash | 420 | 3,439 | - | - | - | - | - | 3,859 |
| Issue of shares for acquisition of additional interest in a subsidiary | 704 | 133 | - | - | - | - | - | 837 |
| Capital reduction | (9,758) | (1,166) | - | - | 3,701 | - | 7,223 | - |
| Share-based compensation | - | - | - | - | - | 166 | - | 166 |
| Transfer | - | - | - | - | (1,744) | - | 1,744 | - |
| Balance at 31 March 2008 | 1,504 | 3,439 | - | - | 1,957 | 166 | - | 7,066 |

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 since 31 March 2008.

There were no shares held as treasury shares as at 31 March 2009 (2008: Nil).

Details of outstanding share options granted to the employees, under the existing share option scheme including directors of the Company, as at 31 March 2009 are as follows:-

| Exercise price US\$ | Number of unissued ordinary shares of US\$0.01 each under option | | | | |
|---------------------|--|-------------------------|---------------------------|------------------------|--------------------------|
| | Balance at 1 April 2008 | Granted during the year | Exercised during the year | Lapsed during the year | Balance at 31 March 2009 |
| 0.1 | 2,410,000 | - | - | (250,000) | 2,160,000 |
| 0.3 | 1,000,000 | - | - | - | 1,000,000 |
| 0.4 | 200,000 | - | - | - | 200,000 |
| 0.7 | 480,000 | - | - | (20,000) | 460,000 |
| 0.8 | 365,000 | - | - | - | 365,000 |
| 0.9 | 115,000 | - | - | (20,000) | 95,000 |
| | 4,570,000 | - | - | (290,000) | 4,280,000 |

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 31 March 2009 was 150,422,582 (2008: 150,422,582 shares).

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 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 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 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 2008, 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.

- (i) The following interpretation is mandatory for the year ended 31 March 2009 which is relevant to the Group's operations but did not result in substantial changes to the accounting policies of the Group.

| | |
|---------------|--|
| IFRIC- Int 11 | IFRS-2 Group and treasury share transactions |
|---------------|--|

- (ii) The following standards, amendments to existing standards and interpretations relevant to the Group have been published but are not effective for the year ended 31 March 2009 and have not been early adopted:

| | |
|--------------------|--|
| IAS 1 (Revised) | Presentation of financial statements; |
| IAS 23 (Revised) | Borrowing costs; |
| IAS 27 (Revised) | Consolidated and separate financial statements; |
| IAS 32 (Amendment) | Financial instruments: Presentation, and |
| IAS 1 (Amendment) | Presentation of financial statements- Puttable financial instruments and obligations arising on liquidation; |
| IFRS 1 (Amendment) | First time adoption of IFRS, and |
| IAS 27 | Consolidated and separate financial statements; |
| IFRS 2 (Amendment) | Share-based payment; |
| IFRS 3 (Revised) | Business combinations; |
| IFRS 8 | Operating segments; |
| IFRIC - Int 16 | Hedges of a net investment in a foreign operation; |

IASB's annual improvements project published in May 2008:

| | |
|--------------------|--|
| IAS 1 (Amendment) | Presentation of financial statements; |
| IAS 19 (Amendment) | Employee benefits; |
| IAS 23 (Amendment) | Borrowing costs; |
| IAS 28 (Amendment) | Investments in associates, |
| IAS 32 | Financial instruments: Presentation, and |
| IFRS 7 | Financial instruments: Disclosures; |
| IAS 36 (Amendment) | Impairment of assets; |
| IAS 38 (Amendment) | Intangible assets; |
| IAS 39 (Amendment) | Financial instruments: Recognition and measurement; |
| IFRS 5 (Amendment) | Non-current assets held for sale and discontinued operations; |
| IFRS 7 (Amendment) | Financial instruments: Disclosures; |
| IAS 8 (Amendment) | Accounting policies, changes in accounting estimates and errors; |
| IAS 10 (Amendment) | Events after the balance sheet date; |
| IAS 18 (Amendment) | Revenue; |
| IAS 34 (Amendment) | Interim financial reporting. |

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 2009 | Group 2008 |
|-----------------------------|------------------------|-----------------|
| (i) Basic loss per share | US (3.67) cents | US (1.69) cents |
| (ii) Diluted loss per share | US (3.67) cents | US (1.69) cents |

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year of 150,422,582 (2008 : 106,832,419) 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 year ended 31 March 2009. The loss per share on a fully diluted basis is calculated on the weighted average number of ordinary shares of 150,422,582 in issue during the year. In 2008, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential ordinary shares which are the share options granted by the Company at nil consideration. The loss per share on a fully diluted basis is calculated on the weighted average number of ordinary shares of 106,936,407 in issue during the year ended 31 March 2008.

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> | |
|--|------------------------------|-----------------------|------------------------------|-----------------------|
| | 31-Mar-09 US cents | 31-Mar-08 US cents | 31-Mar-09 US cents | 31-Mar-08 US cents |
| Net asset value per ordinary share based on issued share capital | 1.03 | 4.70 | 0.90 | 4.70 |

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 decreased by 55% from US\$3.3 million to US\$1.5 million for FY2009. This significant decrease was attributable mainly to the following:-

- turnover from the Games Services division declined by 80% to US\$0.6 million for FY2009, compared to US\$3.2 million in FY2008; and
- reduction in turnover in the Games Services division as a result of increasing expectation by the on-line gamers in respect of exchange of virtual items for both existing and new games.

The above lead to a significant dilution of the Group's market share as gamers' spending on existing games had decreased.

The decrease was however partly offset by an increase of US\$0.8 million in turnover generated by the Game Development and Operation division during FY2009, as a result of the Group's strategy to engage more resources in developing casual games in South East Asia which Management considers there is high potential to develop these casual games as a significant source of revenue.

Group's gross profit decreased by 63% to US\$ 0.5 million in FY2009 due primarily to the decrease in turnover from the Game Services division.

Administrative and other operating expenses increased from US\$3.1 million in FY2008 to US\$4.4 million in FY2009. This net increase was mainly due to:

- i) additional expenses incurred by the Game Development and Operation division for setting up a new operation and market development in the South East Asia;
- ii) an exchange loss of US\$0.1 million due to weakening of Singapore dollar as the cash consideration for issuance of 42,000,000 shares to Asia Pacific Links Limited by the Company in March 2008 was paid in Singapore dollar. The Group has since converted the Singapore dollar denominated consideration into US dollar in early September; and
- iii) additional legal and professional fees incurred in connection with the proposed acquisition of Agni Inc Pte Ltd ("Agni").

A provision for impairment of intangible assets of US\$1.5 million and a provision for impairment of property, plant and equipment of US\$0.1 million made in FY2009 after Managements' valuation on goodwill and the Disposal Group in accordance with IAS 38 and IFRS 5 respectively.

Net loss of US\$5.5 million was recorded for FY2009 compared to a net loss of US\$1.7 million in FY2008.

The net cash used in operating activities was US\$2.8 million for FY2009. Cash used in investing activities was approximately US\$24,000 for FY2009, mainly due to purchase of equipments. Cash generated from financing activities was mainly interest income of approximately US\$25,000.

As a result, the Group's cash and cash equivalents reduced from US\$5.2 million at the beginning of the financial year to US\$2.3 million as at 31 March 2009.

BUSINESS SEGMENT OVERVIEW

GAME DEVELOPMENT AND OPERATION

This division engages in the development and operation of online games. During FY2009, we shifted our focus from new game development and began to redeploy resources to operations in Malaysia, Singapore and Philippines where new game initiatives were launched. The game development operation ceased in January 2009.

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 during FY2009.

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 Game Operation business remains challenging. As for the Game Services division, the Directors are cautiously optimistic of its prospect but realize that there are risks associated with the level of receptiveness of our service offerings and the dynamic and rapidly changing nature of the online game market.

On 1 December 2008, the Company announced that it has entered into a conditional sale and purchase agreement (“the Agreement”) with Agni Inc (the “Vendor”) for acquisition of the entire issued share capital of Agni for a maximum consideration of US\$236 million (the “Consideration”). Agni is a vertically-integrated renewable energy company that designs, develops, manufactures and operates efficient and environment-friendly power generation projects that service the growing demand for renewable energy.

The Company had on 31 March 2009 announced that it has entered into a conditional sales and purchase agreement (the “Divestment Agreement”) with Elite Concept International Limited (the “Purchaser”) for the sale of the entire issued and paid-up share capital of NeteLusion (Hong Kong) Limited and its subsidiaries (“Proposed Divestment”), pursuant to the term and condition of the Agreement.

The Board would advise shareholders on the progress of the proposed acquisition of Agni and Proposed Divestment as and when appropriate.

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/recommendeded, a statement to that effect.

No dividend has been recommended for the financial year ended 31 March 2009.

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.

(I) By business

| | 2009 | | | |
|---|--|---------------------------------------|---------------------------------|---------------------------|
| | Game Development & Operation US\$'000 | Game Services US\$'000 | Unallocated US\$'000 | Total US\$'000 |
| Gross segment revenue | 870 | 631 | - | 1,501 |
| Less: inter-segment revenue | - | (23) | - | (23) |
| | <u>870</u> | <u>608</u> | <u>-</u> | <u>1,478</u> |
| LBITDA | (1,583) | (725) | (1,499) | (3,807) |
| Depreciation of property, plant and equipment | (51) | (8) | (7) | (66) |
| Reversal of impairment of amount due from an associate | - | - | 6 | 6 |
| Provision for impairment of non-current assets | (130) | (1,543) | (4) | (1,677) |
| Operating loss | (1,764) | (2,276) | (1,504) | (5,544) |
| Finance income | 2 | 2 | 21 | 25 |
| Loss before income tax | (1,762) | (2,274) | (1,483) | (5,519) |
| Income tax expense | | | - | - |
| Loss for the year | | | <u>(5,519)</u> | <u>(5,519)</u> |
| Segment assets | 713 | 44 | 1,784 | 2,541 |
| Segment liabilities | (462) | (38) | (500) | (1,000) |
| Capital expenditure | (18) | (17) | - | (35) |

(I) By business (continued)

| | 2008 | | | |
|--|--|------------------------------|-------------------------|-----------------------|
| | Game Development & Operation US\$'000 | Game Services US\$'000 | Unallocated US\$'000 | Total US\$'000 |
| Gross segment revenue | 106 | 3,179 | - | 3,285 |
| Inter-segment revenue | - | - | - | - |
| | <u>106</u> | <u>3,179</u> | <u>-</u> | <u>3,285</u> |
| EBITDA/(LBITDA) | (926) | 191 | (1,112) | (1,847) |
| Depreciation of property, plant and equipment | (35) | (20) | (8) | (63) |
| Reversal of impairment of amounts due from an associate | - | - | 93 | 93 |
| Operating profit/(loss) | <u>(961)</u> | <u>171</u> | <u>(1,027)</u> | <u>(1,817)</u> |
| Finance income | 13 | 6 | 94 | 113 |
| Profit/(loss) before income tax | <u>(948)</u> | <u>177</u> | <u>(933)</u> | <u>(1,704)</u> |
| Income tax expense | | | | <u>-</u> |
| | | | | (1,704) |
| Minority interest | | | | <u>(98)</u> |
| Loss for the year | | | | <u><u>(1,802)</u></u> |
| Segment assets | 871 | 2,706 | 4,026 | 7,603 |
| Segment liabilities | (97) | (165) | (275) | (537) |
| Capital expenditure | (19) | (65) | (9) | (93) |

(II) By Geographical

| | Revenue | | Total assets | | Capital expenditures | |
|-----------------|--------------|--------------|--------------|--------------|----------------------|-----------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Mainland China | 63 | 334 | 192 | 2,698 | 22 | 68 |
| Hong Kong | - | - | 1,991 | 4,241 | - | 9 |
| USA & Europe | 227 | 2,447 | - | 233 | - | - |
| South-east Asia | 1,188 | 504 | 365 | 431 | 13 | 16 |
| | <u>1,478</u> | <u>3,285</u> | <u>2,548</u> | <u>7,603</u> | <u>35</u> | <u>93</u> |

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 item 8.

15. A breakdown of sales.

| | <u>2009</u> | <u>2008</u> | <u>Change</u> |
|---|----------------|-------------|---------------|
| | US\$'000 | US\$'000 | % |
| Sales reported for first half year | 623 | 2,275 | (73%) |
| Operating loss after tax before minority interest reported for first half year | (3,420) | (384) | 791% |
| Sales reported for second half year | 855 | 1,010 | (15%) |
| Operating loss after tax before minority interest reported for second half year | (2,099) | (1,320) | 59% |

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

Michael Ng Lai Yick

Executive Chairman

28/5/2009