fun

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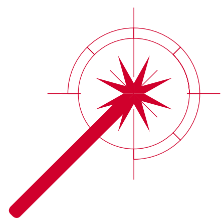

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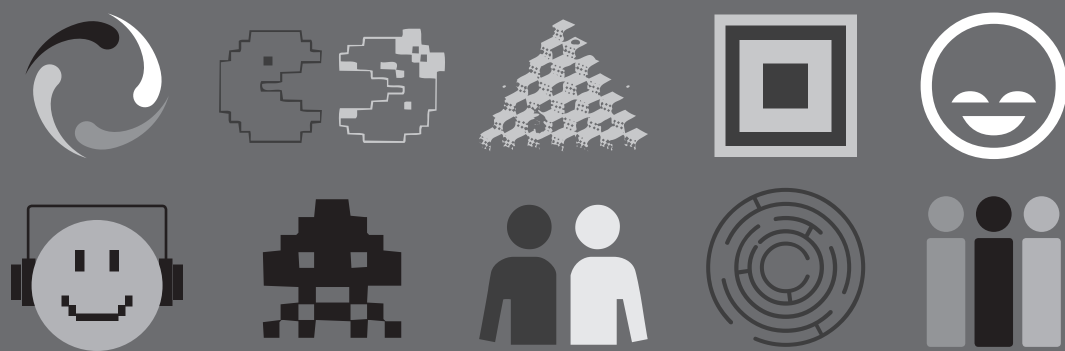
NETELUSION LIMITED

annual report 2009



CONTENTS

fun

New games are incorporating additional functions and features such as community building and blogging that go beyond personal entertainment.

Executive Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of directors, I would like to present the NeteLusion's annual report for the year ended 31 March 2009 ("FY2009").

The last financial year has turned out to be extraordinarily challenging. Many businesses and companies have been hit extremely hard by the global financial crisis.

Despite a satisfactory growth in revenue by the Game Development and Operation division, the sales revenue of our Game Services division has declined by 80%. This has resulted in a reduction in the Group's turnover from US$3.3 million in FY2008 to US$1.5 million this year.

In view of the limited financial resources to grow the existing Game Operation business to a meaningful scale and profitability, NeteLusion decided to pursue an acquisition strategy. In December 2008, the Group entered into a conditional sale and purchase agreement with Agni Inc. (Nevis) to acquire the entire interests of Agni Inc Pte Ltd ("Agni"), a company incorporated in Singapore that engages in the field of alternative clean energy generation technology. We believe this acquisition, upon successful completion, will allow the Group to enter into an industry with attractive growth potential.

Restructuring and repositioning the Company for the benefit of shareholders has always been our priority and objective. This cannot be achieved without continuing to make tough decisions and dedication by Management in a challenging environment as well as generous support and contributions by the Directors. I am confident that this will continue to be the way the Board and Management operate as we move into the coming year.

Lastly, I would like to welcome Mr Ramani Muniyandi to the Board, and express my sincere thanks to our shareholders and business partners for their continued support, patience and understanding over the past year.

Yours Sincerely,

Michael Ng Lai Yick
Executive Chairman

friends

Online gaming has become a widespread leisure activity for millions of Internet users nowadays. The number of gamers, both male and female, is growing sharply on a global scale.

Business Review

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 decline in turnover from the Games Services division by 80% to US$0.6 million for FY2009, compared to US$3.2 million in FY2008. The reduction in turnover in the Games Services division is 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. 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 were made in FY2009 after Managements' valuation on goodwill and the divesting assets 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 for 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.

OPERATION REVIEW

Our strategy is focused on introducing leading and popular online games to the market and brings entertaining and exciting gaming experience to our players. Through publishing and operating games according to genres and target groups, we achieve sales revenue by selling point cards that allow players to purchase in-game virtual items.

Business Review

Game Development and Operation

In FY2009, we continued our business expansion in Southeast Asian countries. Our Singapore game server had grown into an international hub, attracting players not only locally, but also around the world, thanks to advanced communication infrastructure between Singapore and many overseas countries. In Malaysia, through our effective marketing and extensive sales channels, our casual game Highstreet 5 had become the leading casual game, providing enjoyable dancing and music experience as well as social networking to hundreds of thousands of players in the country. The Philippines game server commenced commercial operation in August 2008, and within a few months, Highstreet 5 had already entered into the "top ten" list of most popular games.

While the marketing and sales teams in respective country diligently implementing their plan, our backend support facilities in China continued to enhance the functions and features of the games and provide round-the-clock online customer service and support. In addition, our Beijing team was tasked to identify quality games and negotiate partnerships with companies offering new games that could broaden our player base and attract the growing population of online gamers.

Game Services

The dynamism and unpredictability of an emerging business opportunity such as online gaming could also be relentless and punishing. The increasing expectations by gamers on existing and new games that affected their spending behaviors had resulted in our drastic decline in our game services revenue in the US and European markets in the first six months of last year. Despite stepping up the marketing efforts, the situation had not improved. Subsequently, this business division was restructured and rationalized to a smaller scale.

Business Acquisition

In December 2008, the Company entered into a conditional sale and purchase agreement to acquire the entire interest of Agni Inc Pte Ltd ("Agni"), a company with focus on the renewable energy. Agni designs, develops, manufactures and operates efficient and environment-friendly power generation projects that service the growing demand for renewable and green energy.

The rationale for the proposed acquisition was to embark on a viable business with a profitable track record and increase the market capitalization of the Company significantly as the Company had historically reported losses.

BUSINESS OUTLOOK

Although our game operation business demonstrated satisfactory growth in FY2009 over the previous year, additional financial resources are required to expand the current operation and revenue to a reasonable scale that can turn into profitability. While we are proceeding diligently with the necessary requirements for the successful completion of the acquisition of Agni, we still maintain, as we have always done so in the past, a cautious, responsible and positive management attitude towards the prospects and well-being of the existing business as we firmly believe in the growth potentials of Internet applications and, in particular, online gaming for the entertainment and social networking purposes.

Group Structure

netelusion

NETELUSION LIMITED

GAME DEVELOPMENT AND OPERATION

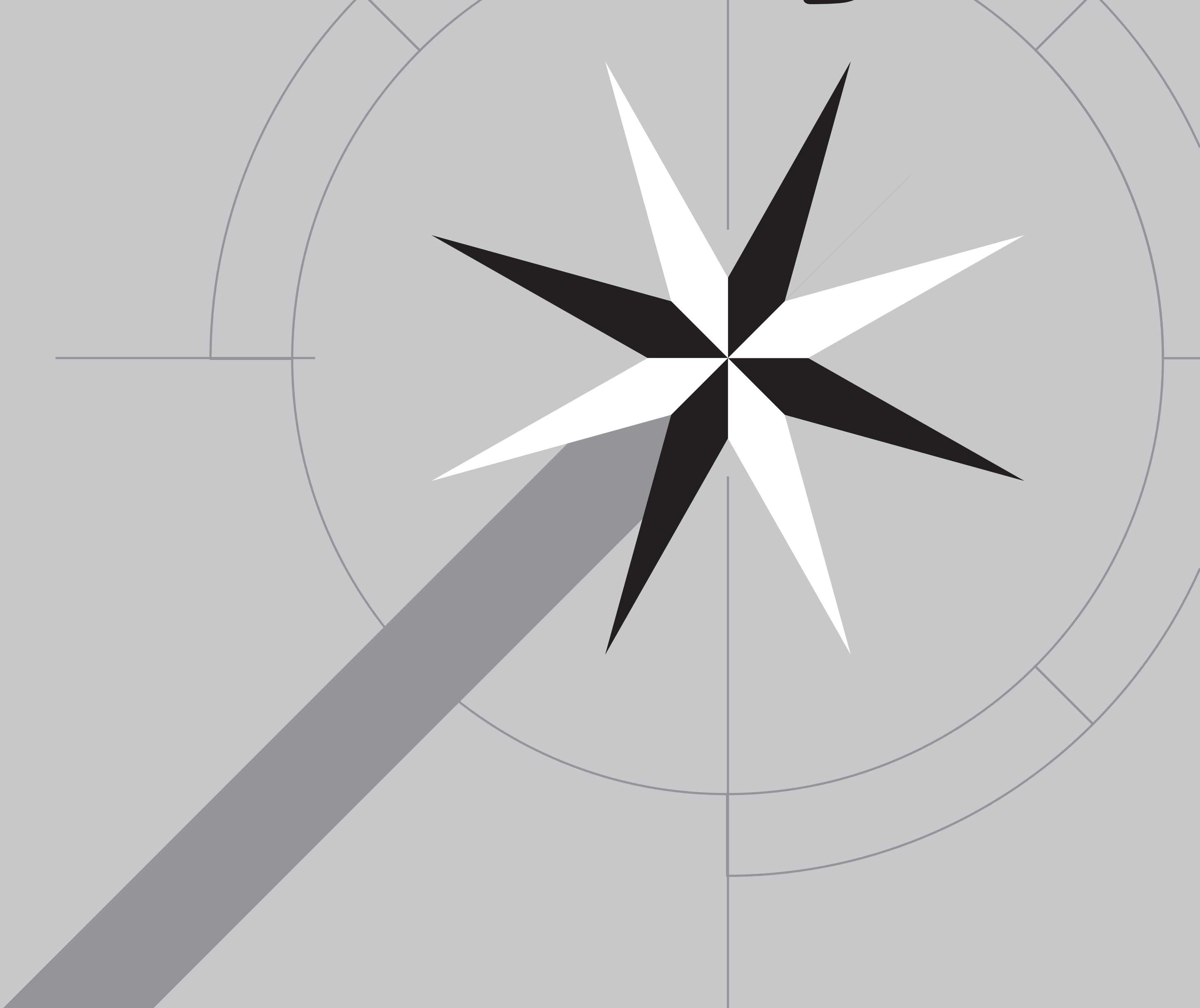
China, South East Asia

GAME SERVICES

China, USA & Europe,
South East Asia

Rapid penetration of PC and broadband access is fueling the rapid growth in online gaming and other online entertainment contents over the past few years.

fantasy



Board of Directors

MICHAEL NG LAI YICK was appointed Executive Chairman of the Company on 1 February 2000. Prior to founding the Group, he co-founded Lenovo Group Limited ("Lenovo"), previously known as Legend Holdings Limited, a company listed on the Hong Kong Stock Exchange Limited in 1994. In 1995, he co-founded Asia Online Ltd., an ISP in Asia. Mr Ng left Lenovo in mid 1997 and invested in a number of technology companies in mainland China before he formed NeteLusion Group in Hong Kong in 1999. Given his significant operational experience throughout China, Mr Ng devotes much of his time to the overall management and development of business activities for the Group. Mr Ng graduated with a Bachelor's Degree in Computing Science in 1980 from the Imperial College of Science and Technology in the United Kingdom.

DANIEL WONG CHU KEE was appointed an Executive Director of the Company on 31 May 2001 and was subsequently re-designated as a Non-executive Independent Director on 29 August 2008. He was also appointed as Deputy Chairman of the Company on 3 September 2007 and was last re-elected a Director of the Company on 28 July 2006. Mr Wong began his career with DAW Computers Systems as a sales support engineer in China. Thereafter, he joined AST Research (Far East) Limited ("AST"), and under his leadership, AST became the number one foreign PC vendor for seven consecutive years through successfully establishing sales channels and initiating joint ventures. In 1998, Mr Wong co-founded ServiceOne Getronics Limited ("S1") (formerly known as ServiceOne Limited). Under his leadership, S1 became one of the largest independent service providers in China and consistently ranked amongst its top service partners. Mr Wong graduated with a Bachelor's Degree in Computing Studies in 1984 from the University of East Anglia in the United Kingdom.

JOHN LIM YEW KONG was appointed a Non-executive Independent Director of the Company on 1 May 2000. He was last re-elected a Director of the Company on 31 July 2008. He is currently a director of AXIA Equity Pte. Ltd., a firm which provides business and financial advisory services to companies in Singapore and the region. Prior to this and since 1991, Mr Lim was involved in the private equity and venture capital industry in Asia as a director of an investment advisory firm engaged in direct investment in the region. From 1989 to 1991, Mr Lim worked in Dowell Schlumberger in the United Kingdom, where he was UK division controller. Between 1984 and 1988, he was with Arthur Andersen & Co, London. Mr Lim graduated with a Bachelor's Degree in Economics in 1984 from the London School of Economics and Political Science in the United Kingdom. He qualified as a chartered accountant in 1987 from the Institute of Chartered Accountants in England and Wales.

Board of Directors

CHEONG CHOW YIN was appointed a Non-executive Independent Director of the Company on 21 October 2002. He was last re-elected a Director of the Company on 27 July 2007. From 1992 to 2000, Mr Cheong served as the President (Asian Region) of The DII Group, Inc., a Nasdaq-listed contract manufacturing company with a US$2 billion market capitalisation. The DII Group, Inc. has changed its name to Flextronics International Ltd, after its successful merger with Flextronics Int'l Inc in April 2000. Mr Cheong graduated with a diploma in Electrical and Electronics Engineering in 1975 from Ngee Ann Polytechnic, Singapore. He obtained his second diploma in Industrial Management in 1982 from the Polytechnic of Central London in the United Kingdom.

RAMANI MUNIYANDI was appointed a Non-executive Director of the Company on 5 December 2008. Mr Ramani is a lawyer by education and training. He is a member of the law society of England and Wales and the law society of Singapore. He has 15 years of experience in the legal field. Mr. Ramani has been a director/President of Agni Inc. Pte. Ltd. since 2002.

OTHER DIRECTORSHIPS OR CHAIRMANSHIPS

	Directorships or Chairmanships in other listed companies and other major appointments, both present and held over the preceding 3 years (as at 26 June 2009)			
	Present appointments		Past appointments	
Name of Director	Title	Company	Title	Company
Michael Ng Lai Yick	-	-	-	-
Daniel Wong Chu Kee	-	-	-	-
John Lim Yew Kong	Non-executive Independent Director Non-executive Independent Director	Karin Technology Holdings Limited Venture International Investment Holdings Limited	-	-
Cheong Chow Yin	Independent Director	LottVision Limited (formerly known as MultiVision Intelligent Surveillance Limited)	Non-executive Director	Asian Union New Media (Group) Limited (formerly known as Universal Holdings Limited)
Ramani Muniyandi	-	-	-	-

Key Executives

RICHARD CUI DI joined the Group in 2001 and is the Chief Executive Officer of the Game Services division in China. He is responsible for the operations of the e-business platform, whoyo.com, which is an Internet portal for the exchange of virtual weapons and products of online games, merchandising and advertising, in China. Prior to joining the Group, Mr Cui held several senior positions in various IT companies since 1994. He was the Managing Director and General Manager of Beijing Network Computer Systems Co. Ltd from 2000 to 2001. Between 1997 and 2000, he was the Deputy Managing Director and General Manager of Union Design Information System Co. Ltd, a computer systems and applications integration company. Mr Cui graduated with a Bachelor's Degree in Management Business in 1984 from the China Mining University in China.

JAMES LEE TECK THIAM joined the Group in 2001 and is the Chief Executive Officer of the Game Development and Operation division, and Game Services division in Malaysia. Mr Lee has diversified experience ranging from taxation, corporate finance, property development to his current involvement in the IT industry. Mr Lee was involved in placing many Cross Border Leveraged leases when he was attached to GATX Leasing, a Fortune 500 USA company. Mr Lee's career took a turn when he joined the IT Industry in 1992 teaming up with his ex-Imperial mates who were the founders of Lenovo. Mr Lee ran the Malaysian business for Lenovo from 1992-1997. From 1998 onwards, Mr Lee was the business owner of various IT ventures ranging from distribution, outsourcing, servicing and to the current Internet business of NeteLusion. Mr Lee graduated with a Bachelor's Degree in Computing Science in 1980 from the Imperial College of Science and Technology in the United Kingdom, and received a Master's Degree in Business Administration from the City University Business School London in 1981.

ERIC CHOY SUN YAM joined the Group as the Business Development Manager in 2006. He is responsible for assisting the heads of various business divisions in accomplishing sales and development goals. Apart from this, Mr Choy also serves as the Chief Operating Officer of the Game Operation Division in the Philippines. Mr Choy has working experience in both multi-national corporations and government department. Before he joined the Group, he had been working in the BMW (Munich), the Hong Kong Dragon Airlines Limited, the Hong Kong Polytechnic University and the Hong Kong Police Force. He is experienced in Web 2.0, knowledge portal and online game market in South East Asia. Mr Choy graduated with a Bachelor's Degree in Engineering and received his Master of Philosophy Degree from the Hong Kong Polytechnic University.

MANDY HO NGA YEE is the Chief Financial Officer. She joined the Group in 2000 and is in charge of the financial management and corporate functions of the Group. Prior to joining the Group, Ms Ho held the position of Deputy General Manager (Finance Department) in Lenovo. Ms Ho graduated with a Bachelor of Arts degree from the Hong Kong Polytechnic University, and received a Master's Degree in Business Administration from the University of Science & Technology, Hong Kong. She is also a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators.

Corporate Information

Board of Directors
Michael Ng Lai Yick
(Executive Chairman)

Daniel Wong Chu Kee
(Non-executive Independent Director/
Deputy Chairman)

John Lim Yew Kong
(Non-executive Independent Director)

Cheong Chow Yin
(Non-executive Independent Director)

Ramani Muniyandi
(Non-executive Director)
appointed on 5 December 2008

Audit Committee
Cheong Chow Yin (Chairman)
John Lim Yew Kong
Daniel Wong Chu Kee

Compensation Committee
John Lim Yew Kong (Chairman)
Cheong Chow Yin
Daniel Wong Chu Kee

Nominating Committee
John Lim Yew Kong (Chairman)
Cheong Chow Yin
Michael Ng Lai Yick

Company Secretaries
Yvonne Choo
Hazel Chia Luang Chew

Business Office
Unit 2602-6, 26/F
Prosperity Millennia Plaza
663 King's Road
North Point, Hong Kong
Tel : (852) 2168 3900
Fax : (852) 2562 9090

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Tel : (1 441) 295 1422
Fax : (1 441) 292 4720

Share Transfer Agent
Boardroom Corporate &
Advisory Services Pte. Ltd.
3 Church Street
#08-01 Samsung Hub
Singapore 049483

Bermuda Share Registrar
Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Auditor
PricewaterhouseCoopers
Hong Kong
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong
Partner-in-charge:
Johnny Wong Ka Keung
(Since financial year 2005)

Report of Corporate Governance

The Board of Directors (the "Board") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group") and has adopted the principles and guidelines as set out in the Code of Corporate Governance 2005 ("the Code"). The Company strives to subscribe to the principles and guidelines as set out in the Code where applicable, feasible and practical to the Group.

1 BOARD MATTERS

Board's Conduct of its Affairs

The Board oversees the business affairs of the Company and assumes responsibility for the Group's overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices.

Board meetings are held quarterly to deliberate strategic policies of the Group, including significant acquisitions and disposals, the annual budget, business performance and approval for the release of half yearly and annual results to the Singapore Exchange Securities Trading Limited ("SGX-ST"). As and when required, additional Board meetings are also held to address significant transactions or issues that arise. The Company's Bye-law 115(2) allows Directors to participate in Board meetings by means of a telephone conference or by any electronic or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously. Details of Directors' attendance at Board and Board Committee meetings held in FY2009 are summarised in the table below:

			Board Committee Meetings					
	Board of Directors Meetings		Audit Committee Meetings		Compensation Committee Meetings		Nominating Committee Meetings	
Name of Directors	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Michael Ng Lai Yick	4	4	–	–	–	–	2	2
Daniel Wong Chu Kee	4	4	4	4	1	1	–	–
John Lim Yew Kong	4	4	4	4	1	1	2	2
Cheong Chow Yin	4	4	4	4	1	1	2	2
Ramani Muniyandi[1]	4	1	–	–	–	–	–	–
Anthony Soh Guan Cheow[2]	4	–	–	–	–	–	–	–

[1] Mr Ramani Muniyandi was appointed on 5 December 2008.
[2] Mr. Anthony Soh Guan Cheow resigned on 28 April 2008.

The Board has adopted a set of internal controls and guidelines which set out approval limits for capital expenditure, investments and divestments, credit facilities from vendors, bank borrowings and cheque signatory arrangements at Board level.

Board's approval is required for matters likely to have a material impact on the Group's operations as well as matters other than in the ordinary course of business.

Management closely monitors all changes to regulations and accounting standards, in particular changes which have a significant bearing on the Company's or Directors' disclosure obligations. Directors are kept informed of such changes through circulated updates or briefings during Board meetings or at specially convened sessions conducted by professional advisors.

Report of Corporate Governance

The Company has in place orientation programmes for newly appointed Directors to ensure that they are familiar with the Group structure, business and operations as well as existing Directors for their better appreciation and understanding of the Group's structure and operations. The Company also has a training budget for Directors to attend courses and seminars whenever necessary. The Company relies on Directors to update themselves on new laws, regulations and changing commercial risks.

Board Composition and Balance

As at the date of this report, the Board comprises five Directors, of which three are Non-executive Independent Directors, one is a Non-executive Director and one is an Executive Director.

The Board is of the view that its current size is appropriate, taking into account the nature and scope of the operations of the Group. As a group, the Directors provide core competencies, such as business or management experience, industry knowledge, finance, strategic planning experience and customer-based experience as well as knowledge and expertise that are necessary and critical to meet the Group's objectives. Details of the Directors' academic and professional qualifications and other appointments are set out on pages 9 and 10 of the Annual Report.

The Non-executive Directors constructively challenge Management and assist in the development of proposals on strategy.

The Board is supported by key Board Committees which provide independent overview of management. These key committees, namely Audit Committee, Compensation Committee and Nominating Committee, comprise mainly Non-executive Independent Directors. Membership in the different Board Committee is carefully managed to ensure that there is equitable distribution of responsibilities among Board members, so as to maximise the effectiveness of the Board and foster active participation and contribution from Board members. In this connection, diversity of expertise, experience and appropriate skills are also considered.

The nature of the current Directors' appointments on the Board and details of their membership on Board Committees are set out below:

		Board Committees Membership		
Name of Directors	**Board Membership**	**Audit**	**Compensation**	**Nominating**
Michael Ng Lai Yick	Executive Chairman	–	–	Member
Daniel Wong Chu Kee	Non-executive Independent Director/ Deputy Chairman	Member	Member	–
John Lim Yew Kong	Non-executive Independent Director	Member	Chairman	Chairman
Cheong Chow Yin	Non-executive Independent Director	Chairman	Member	Member
Ramani Muniyandi	Non-executive Director	–	–	–

The Nominating Committee has reviewed the independence of each Director for the financial year ended 31 March 2009 in accordance with the Code's definition of independence and is satisfied that more than one-third of the Board comprised Non-executive Independent Directors.

Chairman and Chief Executive Officer ("CEO")

Currently, the roles of the Chairman and CEO are not separated. The Board is of the view that as there is adequate representation of Non-executive Independent Directors (more than one-third) on the Board, hence, further reinforcement of Board independence through the separation of the roles of Chairman and CEO is deemed not necessary.

Report of Corporate Governance

Although Mr Michael Ng Lai Yick is both the Executive Chairman and CEO, there is no concentration of power as the Group is run objectively on a transparent basis. As Chairman, Mr Ng is responsible for the working of the Board and ensures the integrity and effectiveness of the Company's corporate governance process. The Chairman is also responsible for the exercise of control of the quality, quantity and timeliness of information flow between the Board and Management. The Chairman also sets the agenda of Board meetings in consultation with fellow Directors and other executives, including professional advisors, where appropriate. As CEO, Mr Ng plays a pivotal role in the development and execution of policies and strategies of the Group as he is also one of the founding shareholders of the Group. However, the Board will review from time to time, the need to separate the roles of Chairman and CEO if the situation warrants.

Board Memberships

The Nominating Committee comprises three members, of whom two are Non-executive Independent Directors and the third member is an Executive Director. The key objectives of the Nominating Committee are to ensure that there is a formal and transparent process in the nomination, appointment and re-appointment of Directors to the Board and in the assessment of the effectiveness and contribution of the Board and its members to the welfare, strategic growth and development of the Company.

The Nominating Committee held two meetings during the financial year ended 31 March 2009, chaired by Mr John Lim Yew Kong, a Non-executive Independent Director not associated with any substantial shareholder.

The principal functions of the Nominating Committee stipulated in its terms of reference are summarised as follows:

(a) Reviews and recommends Directors retiring by rotation for re-election at each Annual General Meeting;

(b) Determines annually the independence of the Board;

(c) Reviews and makes recommendations to the Board on all board appointments;

(d) Assesses the performance of the Board as a whole, as well as the contribution of each Director to the effectiveness of the Board; and

(e) Decides, where a Director has multiple board representations, whether the Director is able to and has been adequately carrying out his duties as a Director of the Company.

In accordance with the Company's Bye-laws, each Director (other than the Chairman) is required to retire at least once every three years by rotation and all newly appointed Directors will have to retire at the next Annual General Meeting following their appointments. The retiring Directors are eligible to offer themselves for re-election. The Nominating Committee had recommended the re-appointment of Mr Daniel Wong Chu Kee and Mr Ramani Muniyandi, Directors who will be retiring at the forthcoming Annual General Meeting. The Board has accepted the Nominating Committee's recommendation and accordingly, Mr Daniel Wong Chu Kee and Mr Ramani Muniyandi will be offering themselves for re-election.

The Nominating Committee has in place a process for the selection and appointment of new Directors. This provides the procedure for identification of potential candidates, evaluation of candidates' skills, knowledge and experience, assessment of candidates' suitability and recommendation for nomination to the Board.

Board Performance

The Nominating Committee has adopted a formal system of evaluating Board performance as a whole. A Board performance evaluation was carried out to assess and evaluate the Board's composition, size and expertise, timeliness of Board information as well as Board accountability and processes.

Report of Corporate Governance

Access to Information

Management keeps the Board regularly updated on the Group's business and performance through periodical performance reports and other financial statements. The Board is kept apprised of strategic business developments concerning the Company and the Group. Information and updates containing background and explanatory notes together with relevent documents, budgets, forecasts and internal financial statements are circulated to Board members. Board papers are generally sent to Directors prior to Board meetings for their review. Senior management is also invited to attend and present their papers/ updates at Board meetings where necessary.

The Directors may seek independent professional advice to fulfill their duties and such cost will be borne by the Company.

All Directors have independent access to the Company Secretaries and the Group's senior management.

The Company Secretary provides secretarial support and assistance to the Board and ensures adherence to the Board procedures and relevant rules and regulations which are applicable to the Company.

The Company Secretary attends all Board and Board Committees Meetings.

2 REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

The Compensation Committee comprises three members, all of whom are Non-executive Independent Directors. The Compensation Committee held one meeting during the financial year ended 31 March 2009, chaired by Mr John Lim Yew Kong, a Non-executive Independent Director.

The Compensation Committee, regulated with functions which are similar to that of the Remuneration Committee stipulated in the Code, reviews the remuneration packages of all Directors and senior management executives. The Compensation Committee also reviews and recommends Directors' fees for approval at the Annual General Meeting.

The Compensation Committee also has access to external professional advice on remuneration matters, if required.

Level and Mix of Remuneration

In setting the remuneration packages for the Executive Director and key management, the Compensation Committee will take into consideration the pay and employment conditions within the industry the Group operates as well as companies within the same business segment as there are no exactly comparable companies. In addition, the Compensation Committee also takes into account the Group's relative performance as well as the performance of individual director and the key management of the Group.

Non-executive Directors have no service contracts and their terms are governed by the Company's Bye-laws. Directors' fees payable to the Non-executive Independent Directors are set in accordance with the Company's Directors' fee policy and in consideration of the contribution, effort, time incurred and responsibilities of the Non-executive Independent Directors. The Non-executive Independent Directors are not over-compensated to the extent that their independence may be compromised. Directors' fees payable to Non-executive Independent Directors will be subject to shareholders' approval at the forthcoming Annual General Meeting.

Executive Director has no service contracts with the Company and does not receive Director's fees.

All Directors and employees are entitled to participate in the Company's Share Option Scheme. Details of which are disclosed on pages 23 to 25 of the Annual Report.

Report of Corporate Governance

Disclosure on Remuneration

A breakdown, showing the level and mix of each individual director's remuneration for the financial year ended 31 March 2009 is set out as follows:

Remuneration band and name of Directors	Fees	Basic salary	Other benefits
US$330,000 and above (approximately equivalent to S$500,000 and above)			
NIL			
US$165,000 to below US$330,000 (approximately equivalent to S$250,000 - below S$500,000)			
NIL			
Below US$165,000 (approximately equivalent to below S$250,000)			
Michael Ng Lai Yick	–	–	–
Daniel Wong Chu Kee	100%	–	–
John Lim Yew Kong	100%	–	–
Cheong Chow Yin	100%	–	–
Ramani Muniyandi	–	–	–

During the financial year ended 31 March 2009, there were 4 key executives and the remuneration paid to these key executives of the Group are within bands of less than US$165,000 (approximately equivalent to S$250,000). The proportions of fixed and variable income payable to these key executives are between 93% to 100% and 0% to 7% respectively. For competitive reasons, the Company is not disclosing the details of remuneration of each individual key executive.

There were no employees who are immediate family members of a Director or the CEO and whose remuneration exceeded US$99,000 (approximately equivalent to S$150,000) during the financial year ended 31 March 2009.

3 ACCOUNTABILITY AND AUDIT

Accountability

The Board provides shareholders with a balanced and understandable explanation and assessment of the Group's performance, position, and prospects through the Group's half-yearly and annual results announcements.

Management provides the Board with balanced and understandable management accounts of the Group's performance on a monthly basis. The Board is briefed on the Group's performance, position and prospects on a quarterly basis during the Board meetings and also as warranted by particular circumstances as deemed appropriate.

Audit Committee

The Audit Committee comprises three members, all of whom are Non-executive Independent Directors.

The Audit Committee held four meetings during the financial year ended 31 March 2009 and the Chairman of the Audit Committee is Mr Cheong Chow Yin, a Non-executive Independent Director.

The Board is of the view that the Audit Committee members have the adequate accounting or related financial management expertise or experience to discharge the Audit Committee function. Details of academic and professional qualifications of the members of Audit Committee are set out in the Annual Report under Directors' Profile on pages 9 and 10.

Report of Corporate Governance

The Audit Committee, regulated by a set of written terms of reference, performs the following key functions:

(a) Reviews with the external auditor, their audit plans, evaluation of the system of internal accounting controls, audit reports and matters which the external auditors may raise;

(b) Reviews the internal control system;

(c) Reviews the half-yearly and annual financial statements prior to submission to the Board for approval;

(d) Reviews any significant findings of internal investigations;

(e) Reviews the cooperation given by Management to the external auditors;

(f) Reviews the financial statements of the Company and the Group before they are submitted to the Board together with the external auditors' report;

(g) Reviews and recommends to the Board the appointment and re-appointment of external auditors;

(h) Reviews interested person transactions, if any, under the requirements of the Listing Rules of SGX-ST; and

(i) Reviews all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence of the external auditors.

The Audit Committee reviews arrangements by which the staff may, in confidence, report possible improprieties which may cause financial or non-financial loss of the Group. The objective is to ensure that arrangements are in place, for the independent investigation of such concerns and for appropriate follow-up action.

The Audit Committee also has explicit authority to investigate any matter within its terms of reference, full access to and cooperation by Management of the Company and full discretion to invite any Director or Management of the Company to attend its meetings, and has reasonable resources to enable it to discharge its functions properly.

Annually, the Audit Committee meets the external auditor separately, without the presence of the Executive Chairman and other management members, in order to have free and unfiltered access to information that it may require. Such a meeting allows for a more open discussion on any issues of concern.

During the year, the Audit Committee performed a review of the financial statements of the Company and the Group before the announcement of the Group's annual results.

The Audit Committee had reviewed the non-audit services provided by the external auditors to determine if the provision of such services, if any, would affect the independence of the external auditors.

The external auditors did not provide any non-audit services to the Group and no non-audit fees were paid to the external auditors during the financial year under review.

The Audit Committee had recommended the re-appointment of PricewaterhouseCoopers, Hong Kong at the forthcoming Annual General Meeting.

Internal Controls

The Audit Committee evaluates the findings of external auditors on the Group's internal controls annually. The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management and that was in place throughout the year and up to and as at the date of this report, is adequate to meet the needs of the Group in its current business environment.

Report of Corporate Governance

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

Internal Audit

The Audit Committee and the Board are of the view that the existing operations of the Group do not warrant the Group to have an internal audit function. The Audit Committee and the Board would, however, review periodically the need to have an internal audit function in place.

4 COMMUNICATION WITH SHAREHOLDERS

The Group does not practice selective disclosure of information. Price-sensitive information and results are publicly released through the SGXNET system on a timely basis for dissemination to shareholders and the public in accordance with the requirements of the SGX-ST.

Notices and explanatory notes for the annual general meeting and special general meeting are advertised in the newspapers and are also made available on the SGX-ST's website.

All shareholders of the Company receive the Annual Report and Notice of Annual General Meeting. At the Annual General Meeting, shareholders are given the opportunity to express their views and to seek clarifications concerning the Group. Issues seeking approval of shareholders, if any, are usually tabled as separate resolutions.

The Chairman of each Board Committees as well as the external auditors will be available at the forthcoming Annual General Meeting to address any queries raised by shareholders.

5 DEALING IN SECURITIES

The Company has adopted an internal code applicable to Directors and officers of the Company and its subsidiaries governing dealings in the Company's securities. All Directors and officers of the Company and its subsidiaries who have access to unpublished price sensitive information are required to observe this code.

The Directors and officers have been informed not to deal in the Company's shares whilst in possession of unpublished price sensitive information and during the periods commencing at least one month prior to the announcement of the Company's full-year and half-year results.

6 INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions are subject to review by the Audit Committee. During the financial year ended 31 March 2009, there were no interested person transactions entered into by the Company which were more than S$100,000. The Company does not have a shareholders' mandate for interested person transactions.

7 MATERIAL CONTRACT

No material contracts were entered into between the Company or any of its subsidiary companies involving the interests of the CEO, a Director or controlling shareholder during the financial year ended 31 March 2009.

Risk Assessment And Management

Although no framework will prevent or preclude all risks, errors or irregularities, the Board has put in place a framework to enable Management to identify and manage those essential risks of the respective businesses and divisions.

The following are the major exposures of the Group:-

Financial Risk
The Group is exposed to a variety of financial risks, viz. foreign exchange, interest rate and liquidity risks. The identification and management of such risks are set out in note 3 to the financial statements.

Operational Risk
Inherent in all business activities, is the potential for financial loss and business instability arising from failures in internal controls, operational processes or the system that supports them.

To minimise exposure to such risks, the Group has in place operating manuals, standard operating procedures, delegation of authority guidelines and a regular reporting framework which encompasses operational and financial reporting.

The Group also reviews risk transfer mechanism such as insurance to insure against risk and to determine insurance levels which are appropriate in terms of cost of cover and risk profiles of the businesses in which it operates.

Competition Risk
The interactive entertainment industry is highly competitive. Demand for the Group's products and services is susceptible to changes in customer preference and economic conditions. Such risks cannot be entirely eliminated, however, the Group recognises that it has to continually improve its products and services and develop its markets and brand presence.

Investment Risk
All major investments are subject to vigorous scrutiny to ensure that they meet the relevant criteria rates of return, taking into consideration all relevant risk factors such as operating currency and liquidity risks.

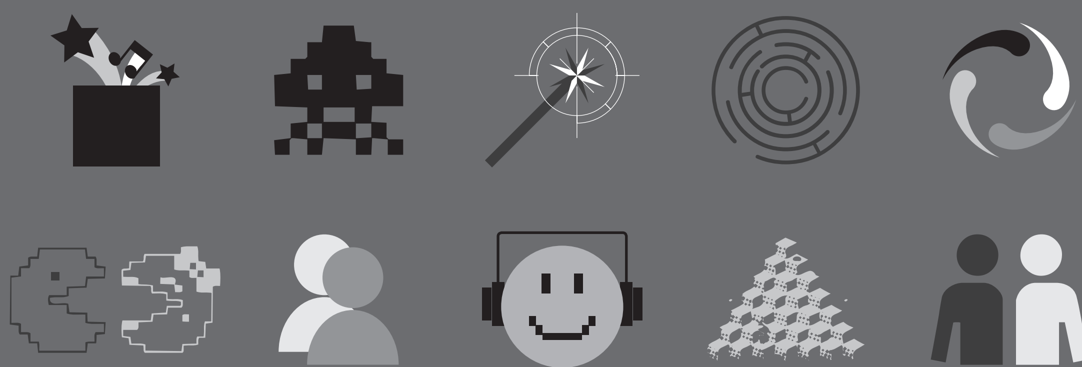
Compliance and Legal Risk
Compliance risk arises from a failure or inability to comply with the laws and regulations, applicable to the various operations. Non-compliance may lead to fines, public reprimands, enforced suspension of operations or withdrawal of license to operate. The responsibility to ensure compliance with applicable laws and regulations lies with the respective operating division heads.

Legal risk includes risks arising from actual or potential violations of law or regulation, inadequate documentation, failure to protect the Group's property etc.The Group identifies and manages legal risk through consulting external legal advisors.

Personnel Risk
The Group depends on the key personnel to deliver consistent high quality services to the clients. The business and growth prospects may be severely disrupted if the Group lose their services. To this end, the Group has set a general guideline for recruitment, promotion and compensation to ensure that the key personnel and employees are competitively rewarded and incentives are accorded based on the performance of the Group and the individual.

Other Risk
The Group may be exposed to the risk of requiring additional financing to fund acquisitions or capital expenditures and investments in projects that it intended to undertake in the future. Additional equity financing may result in dilution of shareholders' interest. The Group may also face the risk whereby additional debt financing includes conditions that would restrict the Group's freedom to operate its business.

The Group is committed and believes that its future growth depends on the ability to expand, hence, contributing to the growth of shareholders' value in the long term. All possible financing and projects undertaken are fully reviewed and considered before endorsing and embarking any funding arrangement and / or investment.



FINANCIAL STATEMENTS

Directors' Report

for the year ended 31 March 2009

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 March 2009 and the balance sheet of the Company as at 31 March 2009.

Directors

The directors of the Company in office at the date of this report are:

Executive Director
Michael Ng Lai Yick

Non-executive Director
Ramani Muniyandi

Non-executive Independent Directors
Daniel Wong Chu Kee
John Lim Yew Kong
Cheong Chow Yin

Mr Daniel Wong Chu Kee and Mr Ramani Muniyandi retire in accordance with Bye-law 86 and Bye-law 85 (2) of the Company's Bye-laws respectively and, being eligible, offer themselves for re-election.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 29 to the financial statements.

Results for the year

The consolidated loss after income tax attributable to the members of the Company for the year was US$5,519,000 (2008: US$1,802,000).

Reserves

Details of the movements in reserves of the Group and of the Company during the year are set out in note 15 to the financial statements.

Share capital

Details of the movements in share capital of the Company are set out in note 14 to the financial statements.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" on pages 23 to 25.

Directors' Report

for the year ended 31 March 2009

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company or related corporations, except for those set out below:

	Company (Ordinary shares of US$0.01 each)			
	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31 March 2009	At 31 March 2008	At 31 March 2009	At 31 March 2008
Michael Ng Lai Yick	–	–	19,597,500	19,597,500
Daniel Wong Chu Kee	1,912,500	1,912,500	–	–
Anthony Soh Guan Cheow (resigned on 28 April 2008)	–	–	42,000,000	42,000,000
	1,912,500	1,912,500	61,597,500	61,597,500

(b) Details of the directors' interests in options to subscribe for ordinary shares of the Company are set out under "Share options" on pages 23 to 25.

(c) The directors' interests in the share capital of the Company as at 21 April 2009 were the same as at 31 March 2009.

Share options

The NeteLusion Share Option Scheme (the "Scheme"), approved by shareholders of the Company on 24 May 2000, allows employees, including directors of the Company, to take up options to subscribe for the shares in the Company subject to the terms and conditions stipulated herein.

Options shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or a multiple thereof), at any time, subject to the following:

(1) Options granted at market price: the option period will commence after the first anniversary of the offer date.

(2) Options granted at discount: the option period will commence on the second anniversary of the offer date.

Provided always that all options shall be exercised before the tenth anniversary of the relevant offer or such earlier date as may be determined by the Compensation Committee, failing which all unexercised options (or, where options are partially exercised, any unexercised part of such options) shall immediately lapse and become null and void and a participant shall have no claim against the Company.

Directors' Report

for the year ended 31 March 2009

Share options (Continued)

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the Scheme to subscribe for ordinary shares of the Company or related corporations, except as set out below:

		Number of unissued ordinary shares of US$0.01 each under options held by directors				
Name of director	**Exercise price (US$)**	**Options granted since commencement of the Scheme and balance at 1 April 2008**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance at 31 March 2009**
Daniel Wong Chu Kee	0.1	250,000	–	–	–	250,000
	0.3	250,000	–	–	–	250,000
	0.4	100,000	–	–	–	100,000
	0.7	30,000	–	–	–	30,000
	0.9	30,000	–	–	–	30,000
Cheong Chow Yin	0.1	250,000	–	–	–	250,000
	0.3	75,000	–	–	–	75,000
John Lim Yew Kong	0.1	250,000	–	–	–	250,000
	0.3	75,000	–	–	–	75,000
	0.7	45,000	–	–	–	45,000
	0.8	45,000	–	–	–	45,000
		1,400,000	–	–	–	1,400,000

None of the directors of the Company has exercised any options granted since commencement of the Scheme.

(b) The table below sets out the participants who receive five per cent (5%) or more of the total number of options under the Scheme.

Name of participant	**Aggregate options outstanding at 1 April 2008**	**Options granted during the year**	**Aggregate options granted since commencement of the Scheme to the end of the year**	**Aggregate options exercised since commencement of the Scheme to end of the year**	**Aggregate options outstanding at 31 March 2009**
Samuel Lin Jr.	550,000	–	550,000	–	550,000
Daniel Wong Chu Kee (Director)	660,000	–	660,000	–	660,000
Mandy Ho Nga Yee	550,000	–	550,000	–	550,000
Ignatius Cheng Kwok Lap	300,000	–	300,000	–	300,000
Tay Kin Hock	230,000	–	230,000	–	230,000
John Lim Yew Kong (Director)	415,000	–	415,000	–	415,000
Richard Cui Di	500,000	–	500,000	–	500,000
Cheong Chow Yin (Director)	325,000	–	325,000	–	325,000
	3,530,000	–	3,530,000	–	3,530,000

Directors' Report

for the year ended 31 March 2009

Share options (Continued)

(c) The Scheme is administered by the Compensation Committee comprising the following members: Mr John Lim Yew Kong (Chairman), Mr Cheong Chow Yin and Mr Daniel Wong Chu Kee.

(d) Details of share options granted to the employees, including directors of the Company, pursuant to the Scheme during the year ended 31 March 2009 are as follows:

	Number of unissued ordinary shares of US$0.01 each under options				
Exercise price (US$)	**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

There were no options granted to participants who are controlling shareholders of the Company and their associates during the financial year.

There were no options granted at a discount during the financial year.

There were no options granted to any director or employee of the parent company and its subsidiaries during the financial year.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements and in this report.

Auditor

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers Hong Kong who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Michael Ng Lai Yick
Executive Chairman

Daniel Wong Chu Kee
Deputy Chairman

26 June 2009

Statement By Directors

In the opinion of the directors, the consolidated financial statements of the Group and the financial information of the Company as set out on pages 28 to 69 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2009 and of the results of the business, cash flows, and changes in shareholders' equity of the Group for the financial year then ended, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board

Michael Ng Lai Yick
Executive Chairman

Daniel Wong Chu Kee
Deputy Chairman

26 June 2009

Independent Auditor's Report

to the Shareholders of NeteLusion Limited

We have audited the consolidated financial statements of NeteLusion Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 28 to 69, which comprise the consolidated balance sheet as of 31 March 2009, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with Section 90 of the Companies Act 1981 of Bermuda. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 March 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with Section 90 of the Companies Act 1981 of Bermuda.

Other matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong,
26 June 2009

CONSOLIDATED BALANCE SHEET

(All amounts in US dollars in thousands unless otherwise stated)

	Note	As at 31 March 2009 (note 2.1)	As at 31 March 2008
ASSETS			
Non-current assets			
Intangible assets	5	–	1,543
Property, plant and equipment	6	–	201
Interests in associates	7	12	–
		12	1,744
Current assets			
Inventories	9	27	20
Trade receivables	10	41	254
Deposits, prepayments and other receivables	11	144	386
Cash and cash equivalents	12	2,324	5,199
		2,536	5,859
Total assets		2,548	7,603
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	1,504	1,504
Reserves	15	44	5,562
		1,548	7,066
Minority interest		–	–
Total equity		1,548	7,066
LIABILITIES			
Current liabilities			
Trade payables		18	39
Other payables and accruals	13	982	498
		1,000	537
Total equity and liabilities		2,548	7,603

The notes on pages 32 to 69 form an integral part of these consolidated financial statements.

Consolidated Income Statement

(All amounts in US dollars in thousands unless otherwise stated)

	Note	Year ended 31 March 2009	2008
		(note 2.1)	
Revenue	26	1,478	3,285
Cost of sales	16	(987)	(1,954)
Gross profit		491	1,331
Administrative expenses	16	(2,077)	(2,046)
Other operating expenses	16	(2,281)	(1,102)
Provision for impairment of non-current assets	5, 6	(1,677)	–
Operating loss		(5,544)	(1,817)
Finance income - bank interest income	19	25	113
Loss before income tax		(5,519)	(1,704)
Income tax expense	20	–	–
Loss for the year		(5,519)	(1,704)
Attributable to:			
Equity holders of the Company		(5,519)	(1,802)
Minority interest		–	98
		(5,519)	(1,704)
Basic loss per share (US cents)	22	(3.67)	(1.69)
Diluted loss per share (US cents)	22	(3.67)	(1.69)

The notes on pages 32 to 69 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

(All amounts in US dollars in thousands unless otherwise stated)

	Note	Year ended 31 March 2009 (note 2.1)	Year ended 31 March 2008
Cash flows from operating activities			
Net cash used in operating activities	23	(2,849)	(2,114)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(35)	(93)
Proceeds from sale of property, plant and equipment		10	–
Acquisition of an associate		(5)	–
Repayment of amount due from an associate		6	93
Acquisition of additional interest in a subsidiary	14(a)	–	(800)
Net cash used in investing activities		(24)	(800)
Cash flows from financing activities			
Interest received		25	113
Proceeds from issuance of ordinary shares	14(c)	–	3,859
Net cash generated from financing activities		25	3,972
Net (decrease)/increase in cash and cash equivalents		(2,848)	1,058
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	12	2,324	5,199

The notes on pages 32 to 69 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(All amounts in US dollars in thousands unless otherwise stated)

	Attributable to equity holders of the Company				
	Share capital	Other reserves	Retained profits/ (accumulated losses)	Minority interest	Total equity
Balance at 1 April 2007	10,138	783	(6,948)	–	3,973
Net income/ (expense) recognised directly in equity: exchange differences	–	33	–	(4)	29
(Loss)/profit for the year	–	–	(1,802)	98	(1,704)
Total recognised income/(expense)	–	33	(1,802)	94	(1,675)
Issue of shares for acquisition of additional interest in a subsidiary (note 14(a))	704	133	–	(94)	743
Issue of shares for cash (note 14(c))	420	3,439	–	–	3,859
Capital reduction (note 14(b) & note 15 (a))	(9,758)	2,535	7,223	–	–
Share-based compensation	–	166	–	–	166
Transfer (note15(b))	–	(1,744)	1,744	–	–
Balance at 31 March 2008	1,504	5,345	217	–	7,066
Balance at 1 April 2008	**1,504**	**5,345**	**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**	**5,346**	**(5,302)**	**–**	**1,548**

The notes on pages 32 to 69 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General information

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 29 to the consolidated financial statements.

The Company was incorporated in Bermuda on 24 January 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (the "Bermuda Act"). The address of its registered office is Clarendon House, 2 Church Street Hamilton HM 11, Bermuda.

The Company has its primary listing on the Singapore Exchange Securities Trading Limited.

These consolidated financial statements are presented in thousand of units of United States dollars (US$'000), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 June 2009.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention.

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 should be classified as held for sale on 31 March 2009. However, 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 financial statements comprise both the Disposal Group and the Company. The Company's financial position, financial performance and cash flows are set out in note 29. Details of the divestment are set out in note 4(b).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) Interpretation effective for the year ended 31 March 2009 and relevant to the Group

IFRIC- Int 11, 'IFRS 2 - Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards relevant to the Group have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2009 or later periods, but the Group has not early adopted them:

(i) IAS 1 (Revised), 'Presentation of financial statements' (effective for the Group's accounting periods beginning on or after 1 April 2009).

The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS (Revised) from 1 April 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

(ii) IAS 27 (Revised), 'Consolidated and separate financial statements' (effective for the Group's accounting periods beginning on or after 1 April 2010).

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 April 2010.

(iii) IFRS 1 (Amendment), 'First time adoption of IFRS and IAS 27 'Consolidated and separate financial statements' (effective for the Group's accounting periods beginning on or after 1 April 2010).

The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply IAS (Amendment) prospectively from 1 April 2010 in its separate financial statements.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

(iv) IFRS 3 (Revised), 'Business combinations' (effective for the Group's accounting periods beginning on or after 1 April 2010).

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 April 2010.

(v) IFRS 8, 'Operating segments' (effective for the Group's accounting periods beginning on or after 1 April 2009).

IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 April 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

The following standard, amendments to existing standards and interpretation relevant to the Group have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2009 or later periods, but the Group has not early adopted them. These standards, amendments to existing standards and interpretations are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in details:

(i) IAS 23 (Revised), 'Borrowing costs' (effective for the Group's accounting periods beginning on or after 1 April 2009).

(ii) IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective for the Group's accounting periods beginning on or after 1 April 2009).

(iii) IFRS 2 (Amendment), 'Share-based payment' (effective for the Group's accounting periods beginning on or after 1 April 2009).

(iv) IFRIC - Int 16, 'Hedges of a net investment in a foreign operation' (effective for the Group's accounting periods beginning on or after 1 April 2009).

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

In May 2008, IASB's annual improvements project was published, which were not yet effective for the Group's accounting periods beginning on or after 1 April 2008. This document set out amendments to various existing standards. The Group has not early adopted them:

(i) IAS 19 (Amendment), 'Employee benefits' (effective for the Group's accounting periods beginning on or after 1 April 2009).

The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

The distinction between short term and long term employee benefi ts will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

IAS 37, 'Provisions, contingent liabilities and contingent assets' requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The Group will apply the IAS 19 (Amendment) from 1 April 2009.

(ii) IAS 23 (Amendment), 'Borrowing costs' (effective from for the Group's accounting periods beginning on or after 1 April 2009).

The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 April 2009.

(iii) IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective for the Group's accounting periods beginning on or after 1 April 2009).

An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 April 2009.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

(iv) IAS 36 (Amendment), 'Impairment of assets' (effective for the Group's accounting periods beginning on or after 1 April 2009).

Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 April 2009.

(v) IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective for the Group's accounting periods beginning on or after 1 April 2010).

The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 April 2010.

The following amendments included in the IASB's annual improvements project are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in details:

(i) IAS 1 (Amendment), 'Presentation of financial statements' (effective for the Group's accounting periods beginning on or after 1 April 2009).

(ii) IAS 38 (Amendment), 'Intangible assets' (effective for the Group's accounting periods beginning on or after 1 April 2009).

(iii) IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective for the Group's accounting periods beginning on or after 1 April 2009).

(iv) Minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the balance sheet date', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting'.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests resulting in gains and losses for the Group are recorded in the consolidated income statement. Purchases from minority interests resulting in goodwill, being the excess of consideration paid over the relevant share acquired of the carrying value of net assets of the subsidiary, are recorded in the consolidated balance sheet; or resulting in negative goodwill, being the excess of the relevant share acquired of the carrying value of net assets of the subsidiary over consideration paid, are recognised directly in the consolidated income statement.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's interests in associates include goodwill identified on acquisition, net of any accumulated impairment loss (note 2.7).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in associates equals or exceeds its interests in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(c) Associates (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in interest in associates are recognised in the consolidated income statement.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services which are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment which are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	20% - 33%
Furniture and fixtures	20% - 33%
Office equipment	20% - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within other operating expenses in the consolidated income statement.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversable. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill identified according to operating segment.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.6 Intangible assets (Continued)

(b) Development cost of multimedia products

Development cost of multimedia products is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the development cost of multimedia products over their estimated useful lives of 2 years.

2.7 Impairment of investments in subsidiaries, interests in associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial instruments

The Group classifies its financial assets in the following category: loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables, deposits and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.10 and 2.11).

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. They are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other receivables is described in note 2.10.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, comprises all direct costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within other operating expenses. When the trade and other receivables are uncollectible, they are written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the consolidated income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are recognised initially as fair value and subsequently measured as amortised cost using the effective interest method.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.14 Current and deferred income tax (Continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

(a) Pension obligations

Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. The schemes are generally funded through payments to trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation benefits

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.15 Employee benefits (Continued)

(d) Bonus plan

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provision are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Online games income

The Group receives subscription fees from distributions for the sale of game points. The distribution of game points to the end users typically is made by sale of pre-paid cards, in physical or virtual form. All subscription fees are deferred when received and revenue is recognised based on the actual usage of game points by the end users.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.18 Revenue recognition (Continued)

(b) Sales of goods

Revenue from the sale of goods is recognised on the transfer of risk and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Board of Directors of the Company provides guidance for overall risk management which seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the senior management of the Group under policies approved by the Board of Directors of the Company. The senior management identify, evaluate and hedge financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group operates in different countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars, Malaysia ringgit, Singapore dollars and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The group companies manage their foreign exchange risks by engaging in transactions mainly in the respective functional currencies to the extent possible. The management is responsible for managing the net position in each foreign currency.

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through operating liabilities denominated in the relevant foreign currencies.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31 March 2009, if United States dollars had weakened/strengthened by 10% against Singapore dollars with all other variables held constant, loss for the year would have been US$45,000 (2008: US$358,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of trade receivables, trade payables, and cash and cash equivalents which are denominated in Singapore dollars.

At 31 March 2009, if United States dollars had weakened/strengthened by 10% against Malaysia ringgit with all other variables held constant, loss for the year would have been US$9,000 (2008: (US$3,000)) lower/higher, mainly as a result of foreign exchange gains/losses on translation of trade receivables, trade payables, cash and cash equivalents which are denominated in Malaysia ringgit.

At 31 March 2009, if United States dollars had weakened/strengthened by 10% against Renminbi with all other variables held constant, loss for the year would have been US$25,000 (2008: US$60,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of trade receivables, trade payables, cash and cash equivalents which are denominated in Renminbi.

Considering Hong Kong dollars are pegged with United States dollars, management is of the opinion that the currency exposure arising from these transactions is not significant to the Group. As a result, loss for the year is unlikely to be materially sensitive to movement in Hong Kong dollar/United States dollar exchange rates.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to the receivables. For cash and cash equivalents, deposits are only placed with reputable banks. For credit exposures to the receivables, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. See note 10 and note 12 for further disclosure on credit risk.

No credit limits were exceeded during the year, and management does not expect any losses from non-performance by these debtors.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, senior management of the Group aims at maintaining sufficient cash and cash equivalents.

As at 31 March 2008 and 2009, all of the Group's financial liabilities have the contractual maturity date of less than 1 year.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain a gearing ratio of zero. The gearing ratio at 31 March 2008 and 2009 was zero as the Group has no borrowing or debt.

3.3 Fair value estimation

The carrying values less impairment provision of trade receivables, deposits, other receivables, trade payables, other payables and accruals are assumed to approximate their fair values.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.6(a). The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of estimates (note 5(b)).

A full impairment charge of US$1,543,000 arose in the CGU of game service segment in Mainland China during the year, resulting in the carrying amount of the CGU being written down to its recoverable amount.

If the estimated growth rate used in the value-in-use calculation had been 10% higher than management's estimates (i.e., 0% instead of -10%), the Group would still have recognised a full impairment against goodwill.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgements (Continued)

(b) Disposal Group held for sale

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.

The Disposal Group is classified as held for sale on 31 March 2009, in accordance with the accounting policy stated in note 2.17. 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 was made as of 31 March 2009.

5 Intangible assets

	Group		
	Development cost of multimedia products	**Goodwill**	**Total**
At 1 April 2007			
Cost	220	5,331	5,551
Accumulated amortisation and impairment	(220)	(5,331)	(5,551)
Net book value	–	–	–
Year ended 31 March 2008			
Opening net book value	–	–	–
Acquisition of additional interest in a subsidiary (note a)	–	1,543	1,543
Net book value	–	1,543	1,543
At 31 March 2008			
Cost	220	6,874	7,094
Accumulated amortisation and impairment	(220)	(5,331)	(5,551)
Net book value	–	1,543	1,543

Notes to the Consolidated Financial Statements

5 Intangible assets (Continued)

	Group		
	Development cost of multimedia products	**Goodwill**	**Total**
Year ended 31 March 2009			
Opening net book value	–	1,543	1,543
Impairment charge (note b)	–	(1,543)	(1,543)
Net book value	–	–	–
At 31 March 2009			
Cost	220	6,874	7,094
Accumulated amortisation and impairment	(220)	(6,874)	(7,094)
Net book value	–	–	–

Note:

(a) On 7 August 2007, the Group's shareholding in NeteLusion Fortune Holdings Limited ("NFHL") increased from 60% to 100% following the acquisition of additional 40% of the issued share capital of NFHL at consideration of US$1,600,000. Consequently, the Group recorded a goodwill of US$1,543,000 in this transaction.

(b) Impairment test for goodwill

Goodwill is allocated to the Group's CGUs identified according to country of operation and business segment.

A segment-level summary of the goodwill allocation is presented as below:

	Group	
	2009	**2008**
Game Services segment, Mainland China	–	1,543

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

The key assumptions used for value-in-use calculations are as follows:

Gross margin	30%
Growth rate	-10%
Discount rate	5.25%

Management determined budgeted gross margin based on past performance and its expectations of market development and weighted average growth rates based on its expectations of current market trend. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

The impairment charge during the year arose in the CGU of game service segment in Mainland China which had been adversely affected due to keen competition and did not yield the expected results. Based on the results of the value-in-use calculations, the directors are of the opinion that provision for impairment loss of US$1,543,000 should be recorded for the year ended 31 March 2009 (2008: Nil).

Notes to the Consolidated Financial Statements

6 Property, plant and equipment

	Group			
	Leasehold improvements	**Furniture and fixtures**	**Office equipment**	**Total**
At 1 April 2007				
Cost	22	17	383	422
Accumulated depreciation	(6)	(16)	(228)	(250)
Net book value	16	1	155	172
Year ended 31 March 2008				
Opening net book value	16	1	155	172
Exchange differences	–	–	9	9
Additions	1	3	89	93
Disposals	–	–	(10)	(10)
Depreciation	(4)	(1)	(58)	(63)
Net book value	13	3	185	201
At 31 March 2008				
Cost	23	20	448	491
Accumulated depreciation and impairment	(10)	(17)	(263)	(290)
Net book value	13	3	185	201
Year ended 31 March 2009				
Opening net book value	13	3	185	201
Additions	–	4	31	35
Disposals	–	–	(36)	(36)
Depreciation	(4)	(4)	(58)	(66)
Impairment (note 4(b))	(9)	(3)	(122)	(134)
Net book value	–	–	–	–
At 31 March 2009				
Cost	23	24	316	363
Accumulated depreciation and impairment	(23)	(24)	(316)	(363)
Net book value	–	–	–	–

Notes to the Consolidated Financial Statements

7 Interests in associates

	Group 2009	Group 2008
Interests in associates		
At 1 April	–	–
Acquisition	12	–
At 31 March	12	–
Amount due from an associate	64	70
Provision for impairment	(64)	(70)
	–	–

The Group's interests in associates were as follows:

Name	Place of incorporation and kind of legal entity	Particular of registered capital	Assets	Liabilities	Effective interest held
2009					
NeteLusion Media Limited	The British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	23	212	45%
上海敏鑒數碼科技有限公司	The PRC, limited liability company	Registered capital of RMB500,000	13	1	20%
2008					
NeteLusion Media Limited	The British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	25	215	45%

The associates were inactive during the years ended 31 March 2008 and 2009.

The Group has not recognised profit of the associates amounting to US$1,000 (2008: US$37,000). The accumulated losses of the associates not recognised were US$44,000 (2008: US$45,000).

Notes to the Consolidated Financial Statements

8 Financial instruments by category

	Group	
	2009	**2008**
Assets as per consolidated balance sheet		
Loans and receivables		
Trade receivables (note 10)	41	254
Deposits and other receivables	103	86
Cash and cash equivalents (note 12)	2,324	5,199
	2,468	5,539

	Group	
	2009	**2008**
Liabilities as per consolidated balance sheet		
Other financial liabilities		
Trade payables	18	39
Other payables and accruals (note 13)	982	498
	1,000	537

9 Inventories

	Group	
	2009	**2008**
Finished goods, at cost	27	20

The cost of inventories recognised as expense and included in "cost of sales" amounted to US$518,000 (2008: US$1,954,000).

No inventories are carried at net realisable value at 31 March 2009 (2008: nil).

10 Trade receivables

	Group	
	2009	**2008**
Trade receivables	195	408
Less: provision for impairment of trade receivables	(154)	(154)
Trade receivables, net	41	254

Trade receivables that are less than three months past due are not considered for impairment.

As of 31 March 2009, no trade receivables were past due but not impaired (2008: Nil).

Notes to the Consolidated Financial Statements

10 Trade receivables (Continued)

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	Group	
	2009	2008
Counterparties without external credit rating		
Group 1	41	254
Group 2	–	–
	41	254

Group 1 - existing customers with no defaults in the past.
Group 2 - existing customers with some defaults in the past. All defaults were fully recovered.

As of 31 March 2009, trade receivables of US$154,000 (2008: US$154,000) were impaired and full provisions were made accordingly. The individually impaired receivables were past due over an extended period of time and the Group considers that they may not be recoverable.

The carrying amounts of the Group's trade receivables after impairment provision are denominated in the following currencies:

	Group	
	2009	2008
United States dollars	–	233
Renminbi	–	2
Singapore dollars	15	15
Malaysia ringgit	2	4
Philippine peso	24	–
	41	254

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables mentioned above. The Group does not hold any collateral as security.

11 Deposits, prepayments and other receivables

	Group	
	2009	2008
Rental and utilities deposits	75	56
Prepayments and other receivables	69	330
	144	386

Notes to the Consolidated Financial Statements

12 Cash and cash equivalents

	Group		Company	
	2009	2008	2009	2008
Cash at bank and on hand	1,058	4,474	11	3,570
Short-term bank deposits	1,266	725	–	–
	2,324	5,199	11	3,570
Maximum exposure to credit risk	2,319	5,193	11	3,570

The effective interest rate on short-term bank deposits was 0.70% (2008: 2.51%) and these deposits have an average maturity of 7 to 14 days.

Included in the balances, approximately US$257,000 (2008: US$681,000) represented Renminbi deposits placed with banks in the People's Republic of China (the "PRC") by the Group. The remittance of these funds out of the PRC is subject to the foreign exchange control restrictions imposed by the PRC government.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
United States dollars	1,271	630	9	9
Renminbi	257	681	–	–
Hong Kong dollars	119	250	2	2
Singapore dollars	435	3,586	–	3,559
Malaysia ringgit	206	52	–	–
Philippine Peso	36	–	–	–
	2,324	5,199	11	3,570

The credit quality of cash at bank and short-term bank deposits can be assessed by reference to Moody's ratings:

	Group		Company	
	2009	2008	2009	2008
AA	54	54	–	–
A	2,094	4,505	11	3,570
BAA	171	634	–	–
	2,319	5,193	11	3,570

Notes to the Consolidated Financial Statements

13 Other payables and accruals

	Group	
	2009	2008
Trade deposits from customers	17	35
Accrued operating expenses	965	463
	982	498

14 Share capital

	Compay	
	2009	2008
Authorised:		
5,000,000,000 (2008: 5,000,000,000) ordinary shares of US$0.01 each	50,000	50,000
Issued and fully paid:		
150,422,582 (2008: 150,422,582) ordinary shares of US$ 0.01 each	1,504	1,504

	Issued ordinary shares	
	Number of shares (thousands)	Amount
At 1 April 2007	101,376	10,138
Issue of shares for acquisition of additional interest in a subsidiary (note a)	7,047	704
Capital reduction (note b)	–	(9,758)
Issue of shares for cash (note c)	42,000	420
At 31 March 2008 and 2009	150,423	1,504

Note:

(a) 7,046,510 new ordinary shares of US$0.10 each credited as fully paid were issued on 20 September 2007, as share consideration for the acquisition of an additional 40% of the issued and paid-up share capital of a subsidiary, NeteLusion Fortune Holdings Limited. The total consideration for the acquisition was US$1,600,000 of which US$800,000 was paid in cash and the balance was satisfied by issue of 7,046,510 shares of US$0.10 each.

(b) Pursuant to the shareholders' approval on 18 January 2008, the par value of each issued and unissued share of the Company was reduced from US$0.10 to US$0.01 with effect from 21 January 2008.

(c) On 17 March 2008, 42,000,000 shares of US$0.01 were issued to Asia Pacific Links Limited, a nominee company of Dr. Soh Guan Cheow Anthony, for an aggregate cash consideration of S$5,460,000 pursuant to a subscription agreement dated 9 October 2007.

Notes to the Consolidated Financial Statements

14 Share capital (Continued)

(d) Share options

The NeteLusion Share Option Scheme (the "Scheme") approved by shareholders of the Company on 24 May 2000, allow employees, including directors of the Company, to take up options to subscribe for the shares in the Company subject to the terms and conditions stipulated herein.

Options shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or a multiple thereof), at any time, subject to the following:

(1) Options granted at market price: the option period will commence after the first anniversary of the offer date.

(2) Options granted at discount: the option period will commence on the second anniversary of the offer date.

Provided always that all options shall be exercised before the tenth anniversary of the relevant offer or such earlier date as may be determined by the Compensation Committee, failing which all unexercised options (or, where options are partially exercised, any unexercised part of such options) shall immediately lapse and become null and void and a participant shall have no claim against the Company.

Movement in the number of share options outstanding and their related exercise prices are as follows:

	Number of unissued ordinary shares of US$0.01 each under options					
Exercise price US$	**Outstanding Balance at 1 April 2007**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding Balance at 31 March 2008**	**Exercisable at 31 March 2008**
0.1	–	2,470,000	–	(60,000)	2,410,000	–
0.3	1,000,000	–	–	–	1,000,000	1,000,000
0.4	200,000	–	–	–	200,000	200,000
0.7	485,000	–	–	(5,000)	480,000	480,000
0.8	370,000	–	–	(5,000)	365,000	365,000
0.9	115,000	–	–	–	115,000	115,000
	2,170,000	2,470,000	–	(70,000)	4,570,000	2,160,000

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

Notes to the Consolidated Financial Statements

14 Share capital (Continued)

(d) Share options (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price	Number of options 2009	Number of options 2008
	(US$)		
22 Oct 2010	0.9	95,000	115,000
22 Oct 2010	0.7	95,000	115,000
15 Jan 2011	0.8	170,000	170,000
15 Jan 2011	0.7	170,000	170,000
18 Sep 2011	0.8	195,000	195,000
18 Sep 2011	0.7	195,000	195,000
30 Mar 2013	0.3	1,000,000	1,000,000
06 Jul 2013	0.4	200,000	200,000
26 Jun 2017	0.1	2,160,000	2,410,000
		4,280,000	4,570,000

Pursuant to the transitional provision of HKFRS 2, the fair value of services received from employees in return for share options granted after 7 November 2002 and not yet vested on 1 January 2005 are measured by reference to the fair value of share options granted. The amount is to be expensed in the consolidated income statement over the vesting period of the share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. Key assumptions at the dates of grant are as follows:

Risk-free interest rate (%)	2.83
Expected option life (years)	10
Expected dividend rate (%)	0
Expected volatility (%)	193

The expected volatility is based on the historical volatility. The expected option life used has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The total share based compensation costs recognised during the year amounted to US$28,000 (2008: US$166,000) (note 17).

Notes to the Consolidated Financial Statements

15 Reserves

	Group						
	Share premium	Merger reserve	Exchange reserve	Contributed surplus	Share-based compensation reserve	Retained earnings/ (accumulated losses)	Total
At 1 April 2007	1,033	(221)	(29)	–	–	(6,948)	(6,165)
Issue of shares for acquisition of additional interest in a subsidiary (note 14(a))	133	–	–	–	–	–	133
Issue of shares for cash (note 14(c))	3,439	–	–	–	–	–	3,439
Capital reduction (note (a))	(1,166)	–	–	3,701	–	7,223	9,758
Exchange differences	–	–	33	–	–	–	33
Share-based compensation	–	–	–	–	166	–	166
Loss for the year	–	–	–	–	–	(1,802)	(1,802)
Transfer (note (b))	–	–	–	(1,744)	–	1,744	–
At 31 March 2008	3,439	(221)	4	1,957	166	217	5,562
At 1 April 2008	3,439	(221)	4	1,957	166	217	5,562
Exchange differences	–	–	(27)	–	–	–	(27)
Share-based compensation	–	–	–	–	28	–	28
Loss for the year	–	–	–	–	–	(5,519)	(5,519)
At 31 March 2009	3,439	(221)	(23)	1,957	194	(5,302)	44

Notes to the Consolidated Financial Statements

15 Reserves (Continued)

	Company				
	Share premium	Contributed surplus	Share-based compensation reserve	Accumulated losses	Total
At 1 April 2007	1,033	–	–	(7,186)	(6,153)
Acquisition of additional interest in a subsidiary (note 14(a))	133	–	–	–	133
Issue of shares for cash (note 14(c))	3,439	–	–	–	3,439
Capital reduction (note (a))	(1,166)	3,701	–	7,223	9,758
Share-based compensation	–	–	166	–	166
Loss for the year	–	–	–	(1,781)	(1,781)
Transfer (note (b))	–	(1,744)	–	1,744	–
At 31 March 2008	3,439	1,957	166	–	5,562
At 1 April 2008	3,439	1,957	166	–	5,562
Share-based compensation	–	–	28	–	28
Loss for the year	–	–	–	(5,736)	(5,736)
At 31 March 2009	3,439	1,957	194	(5,736)	(146)

Note

(a) Pursuant to the shareholders' approval on 18 January 2008, the full amount standing to the credit of the share premium account of the Company as at 30 September 2007 was cancelled and reduced to nil. The amount equal to the share premium account as at that date together with the credit arising from capital reduction have been applied to write off all the accumulated losses of the Company as at 30 September 2007, and the remaining credit balance of US$3,701,000 has been transferred to the contributed surplus account of the Company.

(b) Pursuant to the directors' approval on 31 March 2008, a balance of contributed surplus of US$1,744,000 was applied to set off the remaining accumulated losses of the Company as at that date.

Notes to the Consolidated Financial Statements

16 Expenses by nature

	Group	
	2009	2008
Cost of inventories sold	518	1,954
Other cost of sales	469	–
Auditors' remuneration		
- auditor of the Company	124	126
- other auditors	7	5
Depreciation of property, plant and equipment (note 6)	66	63
Employee benefits expenses (note 17)	2,077	2,046
Loss on disposal of property, plant and equipment	19	10
Reversal of impairment of amount due from an associate	(6)	(93)
Operating lease rentals for land and buildings	263	233
Other expenses	1,808	758
Total cost of sales, administrative expenses and other operating expenses	5,345	5,102

17 Employee benefits expenses (including directors' emoluments)

	Group	
	2009	2008
Wages, salaries and fees	1,845	1,556
Pension costs - defined contribution plans	76	54
Staff welfare expenses	128	270
Share-based compensation	28	166
	2,077	2,046

18 Directors' emoluments

	Group	
	2009	2008
Fees	83	79
Basic salaries, housing allowances, other allowances and benefits in kind	–	14
Share-based compensation	10	52
	93	145

The directors' fees disclosed above were paid to three Non-executive Independent Directors.

No directors waived any emoluments during the year (2008: nil). No emoluments or incentive payments have been paid by the Group to the directors as an inducement to join the Group or as compensation for loss of office during the year (2008: nil).

Notes to the Consolidated Financial Statements

19 Finance income

	Group	
	2009	2008
Bank interest income	25	113

20 Income tax expense

Income tax expense is provided at the prevailing rates on the estimated assessable profit of group companies operating in respective countries. No income tax has been provided for as the Group has no estimated assessable profit for the year (2008: Nil).

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the places of operation of the Company and its subsidiaries as follows:

	Group	
	2009	2008
Loss before income tax	(5,519)	(1,704)
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	(549)	(346)
Income not subject to tax	(4)	(33)
Expenses not deductible for tax purposes	389	17
Utilisation of previously unrecognised tax losses	(47)	–
Tax losses not recognised	211	362
Income tax expense	–	–

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of US$6,752,000 (2008: US$5,759,000) to carry forward against future taxable income. Included in the unrecognised tax losses, US$5,192,000 (2008: US$4,308,000) have no expiry date and the balance will expire at various dates up to and including 2013.

The domestic tax rates ranged from 0% to 25% for the year (2008: 0% to 33%).

21 Net foreign exchange losses/(gains)

The exchange differences recognised in the consolidated income statement are included as follows:

	Group	
	2009	2008
Other operating expenses/(income)	115	(66)

Notes to the Consolidated Financial Statements

22 Loss per share

(a) Basic

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:

	Group	
	2009	**2008**
Loss attributable to equity holders of the Company (US'000)	5,519	1,802
Weighted average number of ordinary shares in issue (thousands)	150,423	106,832
Basic loss per share (US cents)	3.67	1.69

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

In 2009, 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, and the loss per share on fully diluted basis was calculated on the weighted average number of ordinary shares of 150,422,582.

	Group	
	2009	**2008**
Loss attributable to equity holders of the Company (US'000)	5,519	1,802
Weighted average number of ordinary shares in issue (thousands)	150,423	106,832
Adjustment for share options (thousands)	–	104
Weighted average number of ordinary shares for diluted loss per share (thousands)	150,423	106,936
Diluted loss per share (US cents)	3.67	1.69

Notes to the Consolidated Financial Statements

23 Notes to the consolidated cash flow statement

	Year ended 31 March	
	2009	**2008**
Loss before income tax		
Adjustments for:	(5,519)	(1,704)
Depreciation of property, plant and equipment (note 6)	66	63
Loss on disposal of property, plan and equipment	19	10
Reversal of impairment of amount due from an associate	(6)	(93)
Provision for impairment loss of goodwill (note 5)	1,543	–
Provision for impairment of property, plant and equipment (note 6)	134	–
Share-based compensation	28	166
Interest income (note 19)	(25)	(113)
Changes in working capital (excluding the offsets of exchange differences on consolidation):		
Inventories	(7)	14
Receivables	455	(398)
Payables	463	(59)
Net cash used in operating activities	(2,849)	(2,114)

24 Banking facilities

At 31 March 2009 and 2008, the Group had no bank overdrafts and trade finance facilities.

25 Operating lease commitments

At 31 March 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2009	**2008**
Not later than one year	192	220
Later than one year and not later than five years	212	96
	404	316

26 Revenue and segment information

Revenue recognised during the year are as follows:

	Group	
	2009	**2008**
Sales of goods	277	2,604
Online games income	1,201	681
	1,478	3,285

Notes to the Consolidated Financial Statements

26 Revenue and segment information (Continued)

(a) Primary reporting format - business segments

There are two operating business segments during the year and they are as follows:

Game development and operation

This segment is engaged in development and operation of online games.

Game services

This segment is engaged in distribution of game point cards, development of in-game advertising technologies and operation of a service platform for exchange of virtual items for online games.

Expenses incurred for investment management, which does not constitute a separately reportable segment, are classified under "unallocated".

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade receivables, deposits, prepayments and other receivables, and cash and cash equivalents. Segment liabilities comprise trade payables, other payable and accruals. Capital expenditure comprises additions to property, plant and equipment.

	2009			
	Game Development and Operation	**Game Services**	**Unallocated**	**Group Total**
Total gross segment revenue	870	631	–	1,501
Inter-segment revenue	–	(23)	–	(23)
Revenue	870	608	–	1,478
LBITDA [1]	(1,583)	(725)	(1,499)	(3,807)
Depreciation of property, plant and equipment	(51)	(8)	(7)	(66)
Reversal of provision for 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				(5,519)
Segment assets	713	44	1,779	2,536
Interests in associates	12	–	–	12
Segment liabilities	(462)	(38)	(500)	(1,000)
Capital expenditure	(18)	(17)	–	(35)

[1] LBITDA represents loss before interest, tax, deprecation, net provision for impairment.

Notes to the Consolidated Financial Statements

26 Revenue and segment information (Continued)

(a) Primary reporting format - business segments (Continued)

	2008			
	Game Development and Operation	Game Services	Unallocated	Group Total
Total gross segment revenue	106	3,179	–	3,285
Inter-segment revenue	–	–	–	–
Revenue	106	3,179	–	3,285
(LBITDA)/EBITDA [1]	(926)	191	(1,112)	(1,847)
Depreciation of property, plant and equipment	(35)	(20)	(8)	(63)
Reversal of impairment of amount due from an associate	–	–	93	93
Operating profit/(loss)	(961)	171	(1,027)	(1,817)
Finance income	13	6	94	113
Profit/(loss) before income tax	(948)	177	(933)	(1,704)
Income tax expense				–
Loss for the year				(1,704)
Segment assets	871	2,706	4,026	7,603
Segment liabilities	(97)	(165)	(275)	(537)
Capital expenditure	(19)	(65)	(9)	(93)

[1] (LBITDA)/EBITDA represents (loss)/earnings before interest, tax, deprecation and reversal of impairment.

(b) Secondary reporting format - geographical segments

The Group's business segments operate in the following areas:

	Revenue	
	2009	2008
Mainland China	63	334
USA & Europe	227	2,447
South-east Asia	1,188	504
	1,478	3,285

Notes to the Consolidated Financial Statements

26 Revenue and segment information (Continued)

(b) Secondary reporting format - geographical segments (Continued)

	Total assets		Capital expenditure	
	2009	2008	2009	2008
Mainland China	192	2,698	22	68
Hong Kong	1,991	4,241	–	9
USA & Europe	–	233	–	–
South-east Asia	365	431	13	16
	2,548	7,603	35	93

Revenue is based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area in which the assets are located.

27 Related party transactions

Other than those as described in this note to the consolidated financial statements, no other major transactions with related parties are entered during the year. The following major transactions were carried out with the key management:

Key management compensation

	Group	
	2009	2008
Wages, salaries and fee	369	377
Pension costs – defined contribution plans	11	10
Share-based compensation	21	110
Staff welfare expenses	23	1
	424	498
Comprise amounts paid to:		
- Directors of the Company	93	145
- Other key management personnel	331	353
	424	498

28 Fair value of financial instruments

The carrying amounts of the following financial assets and liabilities approximate to their fair values: cash and cash equivalents, trade receivables and payables, deposits, other receivables, other payables and accruals.

Notes to the Consolidated Financial Statements

29 Financial information of the Company

(a) Balance sheet of the Company

	At 31 March 2009	At 31 March 2008
ASSETS		
Non-current assets		
Investments in subsidiaries (note (a))	–	–
Current assets		
Amount due from a subsidiary (note (b))	1,347	3,502
Cash and bank balances (note 12)	11	3,570
	1,358	7,072
Total assets	1,358	7,072
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital (note 14)	1,504	1,504
Reserves (note 15)	(146)	5,562
Total equity	1,358	7,066
LIABILITIES		
Current liabilities		
Other payable	–	6
Total equity and liabilities	1,358	7,072

Note:

	2009	**2008**
(a) Investments in subsidiaries		
At cost	5,283	5,283
Less: Provision for impairment of investments	(5,283)	(5,283)
	–	–

Particulars of the principal subsidiaries as at 31 March 2009 are set forth on pages 67 to 69.

	2009	**2008**
(b) Amount due from a subsidiary [1]	23,783	20,848
Less: Provision for impairment of receivable	(22,436)	(17,346)
	1,347	3,502

[1] Amount due from a subsidiary is unsecured, interest-free and repayable on demand. The carrying value of amount due from a subsidiary is a reasonable approximation of its fair value. The amount of US$1,347,000 as at 31 March 2009 represents the consideration of S$2,000,000 for the Proposed Divestment . Details are set out in note 4(b).

Notes to the Consolidated Financial Statements

29 Financial information of the Company (Continued)

(b) Financial Performance of the Company

	2009	2008
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	(5,736)	(1,781)

(c) Cash Flows of the Company

	2009	2008
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	(3,559)	3,558

(d) Particulars of principal subsidiaries as at 31 March 2009

Name of subsidiary	Principal activities	Place of incorporation/ establishment	Issued/registered and fully paid capital	Interest held	
				2009	2008
				%	%
Held by the Company					
NeteLusion Hong Kong Limited (note (a))	Investment holding and provision of management services	Hong Kong	3,000,000 ordinary shares of HK$1 each	100	100
Held by the subsidiaries					
Beijing NeteLusion Fortune Company Limited (note (b))	Development and provision of game services	The PRC	Registered and fully paid capital of US$500,000	100	100
Beijing Whoyo E-Commerce Co. Ltd (note (b) and (d))	Provision of game services	The PRC	Registered and fully paid capital of RMB3,000,000	100	100
Deswick Technology Limited (note (a))	Inactive	Hong Kong	2 ordinary shares of HK$1 each	100	100

Notes to the Consolidated Financial Statements

29 Financial information of the Company (Continued)

(d) Particulars of principal subsidiaries as at 31 March 2009 (Continued)

Name of subsidiary	Principal activities	Place of incorporation/ establishment	Issued/registered and fully paid capital	Interest held 2009 %	Interest held 2008 %
Held by the subsidiaries (Continued)					
Eaglegame International Limited (note (c))	Operation of games	The British Virgin Island	Issued and fully paid capital of US$200,000	100	100
Eaglegame (Singapore) Pte. Ltd. (note (b))	Operation of games	Singapore	Issued and fully paid capital of S$1	100	100
Eaglegame (M) Sdn.Bhd (note (b))	Operation of games	Malaysia	100 ordinary shares of MYR1 each	80	80
Game Services Limited (note (c))	Provision of game services	The British Virgin Islands	1 ordinary shares of US$1 each	100	100
Media Kingdom Limited (note (c))	Investment holding	The British Virgin Islands	100 ordinary shares of US$1 each	100	100
NeteLusion Fortune Holdings Limited (note (c))	Investment holding	The British Virgin Islands	5,000,000 ordinary shares of US$0.1 each	100	100
NeteLusion Games Holdings Limited (note (c))	Development of online games and other multimedia products	The British Virgin Islands	100 ordinary shares of US$1 each	80	80
NeteLusion Games (Hong Kong) Limited (note (a))	Inactive	Hong Kong	2 ordinary shares of US$1 each	80	80
NeteLusion Games (M) Sdn. Bhd. (note (b))	Distribution of online game cards	Malaysia	10,000 ordinary shares of MYR1 each	80	80

Notes to the Consolidated Financial Statements

29 Financial information of the Company (Continued)

(d) Particulars of principal subsidiaries as at 31 March 2009 (Continued)

Name of subsidiary	Principal activities	Place of incorporation/ establishment	Issued/registered and fully paid capital	Interest held 2009 %	Interest held 2008 %
Held by the subsidiaries (Continued)					
NeteLusion International Limited (note (c))	Investment holding	The British Virgin Islands	1 ordinary share of US$1 each	100	100
Qian Wan Technology Co., Ltd. (note (b) and (d))	Operation of games	The PRC	Registered and fully paid capital of RMB1,000,000	80	80
Xiamen Media Kingdom Company Limited (note (b))	Inactive	The PRC	Registered and fully paid capital of US$200,000	100	100
Xiamen Pioneer Soft Company Limited (note (b))	Development of online games and other multimedia products	The PRC	Registered and fully paid capital of HK$5,000,000	80	80

Note:

(a) Statutory financial statements are audited by PricewaterhouseCoopers Hong Kong.

(b) Statutory financial statements are not audited by members of PricewaterhouseCoopers.

(c) Statutory financial statements are not required to be audited under the laws of the country of incorporation.

(d) Beijing Whoyo E-Commerce Co. Ltd. and Qian Wan Technology Co. Ltd. are domestic enterprises in the PRC owned legally by the PRC nationals. The Group has entered into contractual arrangements with the legal owners of these companies so that operating and financing activities of these companies are ultimately controlled by the Group. Under these arrangements, the Group is also entitled to substantially all of the operating profits and residual interests generated by these companies which will be transferred to the Group or the Group's designee upon the Group's request at a pre-agreed nominal consideration. Further, the Group can receive the cash flow derived from the operations of these companies through the levying of service and licensing fees. The ownership interests in these companies have also been pledged by the legal owners of these companies to the Group. On this basis, the directors regard these companies as subsidiaries of the Group.

The Board and Audit Committee are satisfied that the appointment of different auditors for different subsidiaries would not compromise the standard and effectiveness of the audit of the Group as PricewaterhouseCoopers have reviewed the financial statements of these subsidiaries during the audit of the Group.

Shareholding Statistics

As at 10 June 2009

Authorised share capital	:	US$50,000,000
Issued and fully paid-up capital	:	US$1,504,226
Class of shares	:	Ordinary share of US$0.01 each
Voting rights	:	One vote per share

Distribution of shareholdings

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 999	4,117	60.40	869,057	0.58
1,000 - 10,000	2,274	33.36	7,453,240	4.96
10,001 - 1,000,000	412	6.05	22,344,842	14.85
1,000,001 and above	13	0.19	119,755,443	79.61
Total	6,816	100.00	150,422,582	100.00

Treasury Shares

The Company does not hold any Treasury Shares.

Substantial shareholders
As recorded in the Register of Substantial Shareholders

		No. of shares of US$0.01 each fully paid			
Name	**Note**	**Direct interest**	**%**	**Deemed interest**	**%**
Asia Pacific Links Limited		42,000,000	27.92	–	–
Anthony Soh Guan Cheow	1	–	–	42,000,000	27.92
Glorious Mountain Limited	2	–	–	19,597,500	13.03
Michael Ng Lai Yick	3	–	–	19,597,500	13.03

Notes:

1. Anthony Soh Guan Cheow is deemed to be interested in 42,000,000 shares held in the name of Asia Pacific Links Limited.
2. Glorious Mountain Limited has a beneficial interest in 19,597,500 shares held by DBS Vickers Securities (S) Pte Ltd.
3. Michael Ng Lai Yick is deemed to be interested in 19,597,500 shares held in the name of Glorious Mountain Limited.

Shareholding Statistics

As at 10 June 2009

Twenty largest shareholders

No.	Name	No. of shares	%
1	DBS Vickers Securities (S) Pte Ltd	47,307,221	31.45
2	Asia Pacific Links Limited	42,000,000	27.92
3	OCBC Securities Private Ltd	9,295,900	6.18
4	Mok Chu Leung Terry	4,455,000	2.96
5	Cheung Man Kwong	3,563,255	2.37
6	Lim & Tan Securities Pte Ltd	2,869,767	1.91
7	Wong Siew Lan	2,006,000	1.33
8	Daniel Wong Chu Kee	1,912,500	1.27
9	Terence Derek Lai Chin Siew	1,808,000	1.20
10	Chong Keng Ban @ Johnson Chong	1,218,000	0.81
11	CIMB-GK Securities Pte Ltd	1,141,000	0.76
12	Citibank Nominees Singapore Pte Ltd	1,118,800	0.74
13	Yiu Ho Yin Rosita	1,060,000	0.70
14	Kim Eng Securities Pte Ltd	906,100	0.60
15	Lin Samuel Jr	760,000	0.51
16	DBS Nominees Ptd Ltd	667,000	0.44
17	Phillip Securities Pte Ltd	649,750	0.43
18	Ngin Choon Kay	607,000	0.40
19	Ong Geok Huay	500,000	0.33
20	Lau Hung Lun Alan	491,700	0.33
	TOTAL :	124,336,993	82.64

Percentage of shareholdings held by the public

As at 10 June 2009, approximately 49% of the issued ordinary shares of the Company was held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of NETELUSION LIMITED (the "Company") will be held at Park Avenue Suites Meeting Rooms 1 and 2, 81A Clemenceau Avenue, #05-18 UE Square, Singapore 239918 on Friday, 31 July 2009 at 10:30am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 March 2009 together with the Auditors' Report thereon. **(Resolution 1)**

2. (i) To re-elect Mr Ramani Muniyandi, a Director retiring pursuant to Bye-law 85(2) of the Company's Bye-laws. **(Resolution 2)**

   (ii) To re-elect Mr Daniel Wong Chu Kee, a Director retiring by rotation pursuant to Bye-law 86 of the Company's Bye-laws. **(Resolution 3)**

   Mr Daniel Wong Chu Kee will, upon re-election as a Director of the Company, remain a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. Mr Daniel Wong will also remain a member of the Compensation Committee.

3. To approve the payment of Directors' fees of S$120,000 for the year ending 31 March 2010 (2009: S$120,000). **(Resolution 4)**

4. To re-appoint PricewaterhouseCoopers, Hong Kong as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Share Issue Mandate**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

   (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company;

   (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares shall be based on the total number of issued shares of the Company as at the date of the passing of this Resolution, after adjusting for:

      (i) new shares arising from the conversion or exercise of convertible securities;

Notice of Annual General Meeting

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

(d) the fifty per centum (50%) limit in sub-paragraph (a) above may be increased to one hundred per centum (100%) for issues of Shares and/or Instruments by way of a renounceable rights issue where shareholders of the Company are entitled to participate in the same on a pro-rata basis.
[See Explanatory Note (i)] **(Resolution 6)**

7. **Discount for Non Pro-rata Share Issue**

(a) That subject to and conditional upon the passing of Ordinary Resolution 6 above, approval be and is hereby given to the Directors of the Company at any time to issue Shares (other than on a pro-rata basis to shareholders of the Company) at an issue price for each Share which shall be determined by the Directors of the Company in their absolute discretion provided that such price shall not represent a discount of more than twenty per centum (20%) to the weighted average price of a Share for trades done on the SGX-ST (as determined in accordance with the requirements of SGX-ST); and

(b) That (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (ii)] **(Resolution 7)**

8. **Authority to allot and issue shares under the NeteLusion Share Option Scheme**

That the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the NeteLusion Share Option Scheme (the "Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company from time to time.
[See Explanatory Note (iii)] **(Resolution 8)**

By Order of the Board

Yvonne Choo
Hazel Chia Luang Chew
Company Secretaries

Singapore, 8 July 2009

Notice of Annual General Meeting

Explanatory Notes:

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis.

This increased limit of up to 100% (referred to in sub-paragraph (d)) for renounceable pro-rata rights issue will be effective up to 31 December 2010 pursuant to SGX-ST's news release of 19 February 2009. The increased limit is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and, provides a status report on the use of proceeds in the annual report.

(ii) Ordinary Resolution 7 proposed in item 7 above, if passed, will enable Directors to issue new Shares on a non pro-rata basis, at a discount of not more than 20% to the weighted average market price of the Company's shares, determined in accordance with the requirements of SGX-ST. The discount in issue price of non pro-rata new Share issue is one of the interim measures announced by the SGX to accelerate and facilitate the listed issuers' fund-raising efforts in a volatile and difficult market condition.

(iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the total number of issued shares in the capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

Notes:

1. A Shareholder is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Shareholder of the Company.

2. If a Depositor wishes to appoint a proxy/proxies to attend the Annual General Meeting (the "Meeting"), then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 3 Church Street #08-01, Samsung Hub, Singapore 049483, at least forty-eight (48) hours before the time of the Meeting.

3. If the Depositor is a corporation, then the Depositor Proxy Form must be executed under seal or the hand of its duly authorised officer or attorney and must be deposited at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., 3 Church Street #08-01, Samsung Hub, Singapore 049483, at least forty-eight (48) hours before the time of the Meeting.

NeteLusion Limited
(Company Registration No. 27671)

Singapore Office :
36 Robinson Road, #17-01, City House, Singapore 068877

Hong Kong Office :
Unit 2602-6, 26/F, Prosperity Millennia Plaza, 663 King's Road, North Point, Hong Kong

Tel: (852) 2168 3900

Fax: (852) 2562 9090

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