

Date: 30 June 2011

Interim Results

Galleon Holdings plc Interim results for the six months ended 31 March 2011

Galleon Holdings plc (AIM: GON), the AIM listed entertainment media company that is a publisher of digital content in China across both online and mobile platforms, is pleased to announce its interim results for the six months ended 31 March 2011.

Interim Highlights:

- Loss Before Tax* of £1.7m (2010: Loss Before Tax* of £0.7m)
- EBITDA loss of £1.6m (2010: EBITDA loss of £0.4m)
- Cash at bank at 31 March 2011 of £2m (2010: £4.2 m)
- Launch of first exclusive online game, Saga of Heroes

*Adjusted profit/loss before tax is before charges for the impairment of goodwill and share options expense

Post Period Highlights:

- Secured loan facilities totalling £2m to support the growth of the product business, Croco

Commenting on the results, David Wong, Chairman of Galleon Holdings, said:

“In the past six months we have restructured our operations across the Group to focus on revenue generating activities. The management believes that the long term benefits of these changes and the investment made in our digital operations in China will provide a platform for the Company to grow, with the aim of returning to profitability in the next financial year.

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CHAIRMAN'S STATEMENT

The first half of the year has seen significant restructuring to focus on revenue generating activities and growth opportunities across the Group. As part of this restructuring, Stephen Green and Len Dunne took the opportunity to leave

Galleon. We have reduced overhead going forward across the Group and focussed on providing a platform from which to grow our revenues with the aim of returning to profitability next financial year. The operations of our product business, Croco, have moved to Hong Kong and we invested more than £1m in our Digital Operations in China providing a solid platform for future growth.

China Digital Operations

Having control of both online and mobile distribution gives Galleon China a direct route to market for digital content and is where we expect the most significant growth will be going forward. We have placed a heavy emphasis on this area of our business where we feel the best quality of earnings will be generated. In doing so, we have invested more than £1m into our online portal wowan365.com and expect to spend more than £2m on marketing during the year to provide a strong platform for future growth. In December we launched our first exclusive game, growing revenues to £450,000 per month in May. It is our intention to launch a further 3 exclusive games in the next 6 months which we expect will see a material increase in monthly revenues. The Chinese gaming market grew 25% last year to \$5billion and we are well placed to take advantage of this growth.

Entertainment – Other

Super Soccer Star continues to sell into new territories and we are pleased to announce a sale for the rights in Indonesia where the show is expected to air on a lead broadcaster this year. Sales discussions continue for our entertainment properties, including Super Soccer Stars, Apollo's Pad, Super Fashion Star and Sokator-442 which continue to generate interest. Following the restructuring of our Entertainment division we are now focused on exploiting our existing IP rather than spending significant resources developing any new formats. In doing so we are have a more targeted sales approach and have significantly reduced our costs.

Croco

Croco continues to provide innovative products to its customers, who include PepsiCo and Ferrero. Having seen an increase in activity from new and existing customers recently Galleon entered into an agreement securing loan facilities totalling £2m to fund this period of growth. Croco has already secured orders totalling £3.4m for this financial year and we expect this growth to continue.

Outlook

We have invested in, and are strategically focussing on areas where there are identifiable growth opportunities. Our digital operations in China is where we see the most significant increase in revenues and having put in place the foundations to facilitate this growth we believe we can target a to return to profitability in the next financial year.

David Wong, Executive Chairman

GALLEON HOLDINGS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2011

		Unaudited Six months ended 31 March 2011 £'000	Unaudited Six months ended 31 March 2010 £'000	Audited Year ended 30 September 2010 £'000
Revenue	3	4,893	7,973	14,661
Cost of sales		<u>(4,667)</u>	<u>(6,779)</u>	<u>(12,102)</u>
Gross profit		226	1,194	2,559
Administrative expenses		(1,986)	(2,073)	(22,869)
Administrative Expenses				
Depreciation and amortisation		(147)	(493)	(996)
Provision against loans and receivables		-	-	(2,167)
Impairment of assets		-	-	(15,807)
Other		(1,839)	(1,580)	(3,899)
Loss from operations		<u>(1,760)</u>	<u>(879)</u>	<u>(20,310)</u>
Share of operating loss of associate		(10)	-	-
Finance income		2	61	148
Finance costs		(9)	(1)	(2)
Loss before taxation		<u>(1,777)</u>	<u>(819)</u>	<u>(20,164)</u>
Taxation credit		110	7	241
Loss for the financial period attributable to the equity holders of the Company		<u>(1,667)</u>	<u>(812)</u>	<u>(19,923)</u>
Other comprehensive income				
Foreign exchange		176	598	152
Total comprehensive expenditure for the period		<u>(1,491)</u>	<u>(214)</u>	<u>(19,771)</u>
Loss per share				
- Basic	5	<u>(1.0p)</u>	<u>(0.5p)</u>	<u>(12.1p)</u>
- Diluted	5	<u>(1.0p)</u>	<u>(0.5p)</u>	<u>(12.1p)</u>

GALLEON HOLDINGS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2011

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Capital redemption reserve £'000	Other reserves £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 30 September 2009 (audited)	1,400	22,207	4,018	9,601	210	1,772	(12,625)	26,583
Issue of share capital	274	4,060	-	-	-	-	-	4,334
Deferred consideration paid	-	-	(4,018)	-	-	-	-	(4,018)
Share based payments	-	-	-	-	-	-	81	81
Transactions with owners	274	4,060	(4,018)	-	-	-	81	397
Loss for the year and total recognised income and expenditure for the period	-	-	-	-	-	-	(812)	(812)
Foreign exchange gain	-	-	-	-	-	598	-	598
Total comprehensive income/(expenditure) for the period	-	-	-	-	-	598	(812)	(214)
At 31 March 2010 (unaudited)	1,674	26,267	-	9,601	210	2,370	(13,356)	26,766
Issue of share capital	-	2	-	-	-	-	-	2
Share based payments	-	-	-	-	-	-	127	127
Transactions with owners	-	2	-	-	-	-	127	129
Profit for the year and total recognised income and expense for the period	-	-	-	-	-	-	(19,111)	(19,111)
Foreign exchange loss	-	-	-	-	-	(446)	-	(446)
Total comprehensive (expenditure)/income for the period	-	-	-	-	-	(446)	(19,111)	(19,557)
At 30 September 2010 (audited)	1,674	26,269	-	9,601	210	1,924	(32,340)	7,338
Share based payments	-	-	-	-	-	-	117	117
Transactions with owners	-	-	-	-	-	-	117	117
Loss for the year and total recognised income and expenditure for the period	-	-	-	-	-	-	(1,667)	(1,667)
Foreign exchange gain	-	-	-	-	-	176	-	176
Total comprehensive income/(expenditure) for the period	-	-	-	-	-	176	(1,667)	(1,491)
At 31 March 2011 (unaudited)	1,674	26,269	-	9,601	210	2,100	(33,890)	5,964

GALLEON HOLDINGS PLC**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

For the six months ended 31 March 2011

	Unaudited 31 March 2011 £'000	Unaudited 31 March 2010 £'000	Audited 30 September 2010 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	318	338	253
Goodwill	2,942	11,606	2,922
Intangible assets	581	6,847	515
Other non-current assets	85	2,962	-
	<u>3,926</u>	<u>21,753</u>	<u>3,690</u>
Current assets			
Inventories	463	130	548
Trade and other receivables	1,525	3,755	2,639
Cash and cash equivalents	2,001	4,217	2,850
	<u>3,989</u>	<u>8,102</u>	<u>6,037</u>
Total assets	<u>7,915</u>	<u>29,855</u>	<u>9,727</u>
LIABILITIES			
Current liabilities			
Trade and other payables	1,657	2,324	1,952
Corporation Tax	294	415	437
	<u>1,951</u>	<u>2,739</u>	<u>2,389</u>
Non-current liabilities			
Deferred Tax	-	350	-
	<u>-</u>	<u>350</u>	<u>-</u>
Total liabilities	<u>1,951</u>	<u>3,089</u>	<u>2,389</u>
EQUITY			
Share capital	1,674	1,674	1,674
Reserves	4,290	25,092	5,664
Equity interests attributable to equity holders of the company	<u>5,964</u>	<u>26,766</u>	<u>7,338</u>
Total equity and total liabilities	<u>7,915</u>	<u>29,855</u>	<u>9,727</u>

GALLEON HOLDINGS PLC

CONSOLIDATED STATEMENT OF CASHFLOWS

For the six months ended 31 March 2011

	Unaudited Six months ended 31 March 2011 £'000	Unaudited Six months ended 31 March 2010 £'000	Audited Year ended 30 September 2010 £'000
Operating activities			
(Loss) for the period	(1,667)	(812)	(19,923)
Taxation	(110)	(7)	(241)
Share of operating loss of associate	10	-	-
Net finance costs / (income)	7	(60)	(146)
Loss on sale of property, plant and equipment	-	-	53
Depreciation of property, plant and equipment	79	66	193
Impairment of goodwill	-	-	8,390
Impairment of intangible assets	-	-	6,534
Amortisation of intangible assets	95	433	803
Impairment of available for sale financial assets	-	-	883
Impairment of loan advanced to supplier	-	-	2,167
Decrease in inventories	367	2,473	535
Decrease in trade and other receivables	904	2,973	4,054
(Decrease) in trade and other payables	(294)	(1,907)	(2,370)
Share based payments	117	81	208
Foreign exchange loss/(gain)	91	(172)	(116)
	(401)	3,068	1,024
Taxation paid	(32)	(211)	(210)
Net interest (paid)/received	(7)	(1)	27
Net cash (outflows) / inflow from operating activities	(440)	2,856	841
Investing activities			
Purchase of property, plant and equipment	(153)	(89)	(141)
Purchase of intangible assets	(160)	(2,805)	(1,989)
Purchase of subsidiary undertakings	-	-	(58)
Purchase of investment	(96)	(309)	(317)
Net cash outflow from investing activities	(409)	(3,203)	(2,505)
Financing activities			
Repayment of loan	-	50	-
Net cash inflow from financing activities	-	50	-
Decrease in cash and cash equivalents	(849)	(297)	(1,664)
Cash and cash equivalents brought forward	2,850	4,514	4,514
Cash and cash equivalents carried forward	2,001	4,217	2,850

NOTES TO THE INTERIM REPORT

For the six months ended 31 March 2011

1 GENERAL INFORMATION

Galleon Holdings plc, a Public Limited Company is incorporated and domiciled in the United Kingdom.

Galleon Holdings plc is primarily a publisher of digital content in China across both online and mobile platforms. It also has a Product IP Division that provides innovative marketing devices for fast moving consumable goods and an Entertainment Division that develops multi-platform branded formats designed to establish a direct, interactive relationship with the viewer.

The financial information set out in the interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 September 2010, prepared under International Financial Reporting Standards (IFRS), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

The interim report was approved by the Board on 29 June 2011.

2 BASIS OF PREPARATION

This consolidated financial information for the six months ended 31 March 2011 has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The half yearly consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 September 2010, which have been prepared in accordance with IFRS as adopted by the European Union.

The principal accounting policies of the Group are consistent with those detailed in the 30 September 2010 financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRSs, as adopted by the European Union).

3 SEGMENTAL ANALYSIS

An analysis of segmental performance is as follows;

Unaudited period ended 31 March 2011	Product £'000	Entertainment Digital £'000	Entertainment Other £'000	Unallocated £'000	Eliminated £'000	Total £'000
Revenue						
From external customers	1,584	3,293	16	-	-	4,893
From other segments	3	-	10	-	(13)	-
Segment revenues	<u>1,587</u>	<u>3,293</u>	<u>26</u>	<u>-</u>	<u>(13)</u>	4,893
Profit / (loss) before taxation	<u>15</u>	<u>(936)</u>	<u>(492)</u>	<u>(364)</u>	<u>-</u>	(1,777)

Unaudited period ended 31 March 2010

Revenue						
From external customers	2,209	5,704	60	-	-	7,973
From other segments	7	-	2	-	(9)	-
Segment revenues	<u>2,216</u>	<u>5,704</u>	<u>62</u>	<u>-</u>	<u>(9)</u>	7,973
Profit / (loss) before taxation	<u>334</u>	<u>66</u>	<u>(870)</u>	<u>(349)</u>	<u>-</u>	(819)

Year ended 30 September 2010

Revenue						
From external customers	2,826	11,148	687	-	-	14,661
From other segments	8	-	249	-	(257)	-
Segment revenues	<u>2,834</u>	<u>11,148</u>	<u>936</u>	<u>-</u>	<u>(257)</u>	14,661
(Loss) before taxation	<u>(170)</u>	<u>(8,234)</u>	<u>(11,047)</u>	<u>(713)</u>	<u>-</u>	(20,164)

As at 31 March 2011

Assets	420	6,693	802	-	-	7,915
Liabilities	(54)	(1,309)	(588)	-	-	(1,951)
Net Assets	<u>366</u>	<u>5,384</u>	<u>214</u>	<u>-</u>	<u>-</u>	5,964

As at 31 March 2010

Assets	667	12,113	17,075	-	-	29,855
Liabilities	(124)	(1,977)	(988)	-	-	(3,089)
Net Assets	<u>543</u>	<u>10,136</u>	<u>16,087</u>	<u>-</u>	<u>-</u>	26,766

As at 30 September 2010

Assets	1,242	7,356	1,129	-	-	9,727
Liabilities	(279)	(1,454)	(656)	-	-	(2,389)
Net Assets	<u>963</u>	<u>5,902</u>	<u>473</u>	<u>-</u>	<u>-</u>	7,338

	31 March 2011		31 March 2010		30 September 2010	
	Revenues	Assets	Revenues	Assets	Revenues	Assets
	£000	£000	£000	£000	£000	£000
United Kingdom	17	1,360	12	11,843	35	2,274
China	3,292	6,485	5,752	16,862	11,389	7,204
Rest of World	1,584	70	2,209	1,150	3,237	249
Total	<u>4,893</u>	<u>7,915</u>	<u>7,973</u>	<u>29,855</u>	<u>14,661</u>	<u>9,727</u>

The Group's largest three customers contributed 32%, 17% and 15% respectively to the Group's revenue (March 2010 : 40%, 29% and 24%, September 2010: 48%, 20% and 16 %).

4 TAXATION

The tax credit for the period ended 31 March 2011 arises in the UK and China after allowing for tax losses brought forward.

5 EARNINGS PER SHARE

	Unaudited 31 March 2011 £'000	Unaudited 31 March 2010 £'000	Audited 30 September 2010 £'000
(Loss) / profit for the period	<u>(1,667)</u>	<u>(812)</u>	<u>(19,923)</u>
	Number	Number	Number
Weighted average number of shares in 000's	167,426	160,516	163,981
Share options	20,689	11,742	18,515
Dilutive average weighted number of shares in 000's	188,115	172,258	182,496
Basic (loss) / earnings per share (pence)	(1.0p)	(0.5p)	(12.1p)
Diluted (loss) / earnings per share (pence)	<u>(1.0p)</u>	<u>(0.5p)</u>	<u>(12.1p)</u>