



GALLEON HOLDINGS PLC

Interim results for the six months ended 31 March 2008

Date: 27 June 2008
On behalf of: Galleon Holdings plc ('Galleon' or the 'Group')
Embargoed until: 0700hrs

GALLEON HOLDINGS PLC

Interim results for the six months ended 31 March 2008

Galleon Holdings plc (AIM: GON), the AIM-listed intellectual property owner and developer in the entertainment sector, is pleased to announce its interim results for the six months ended 31 March 2008.

Highlights:

- Maiden Profit before tax of £355,000 compared to loss of £357,000 for same period last year
- Turnover increased by 146% to £5.8million (H1 2007: £2.4 million)
- Positive EBITDA of £480,000 compared to a loss of £148,000 for the same period last year
- Acquisition of Lushy Assets ("Yunbo"), a mobile service provider in China, adding to Phoenix our existing Chinese operation and consolidating our China media strategy
- Launch of first show, Super Soccer Star, in China, co-produced with Guangdong Sports Channel and Chelsea Football Club

Commenting on the first half results, David Wong, Chairman, Galleon Holdings plc, said:

"The first six months of this financial year have been very solid as the Group moves into a profitable phase of growth. This is a huge achievement by the management which has generated a profit in a period when they acquired and then integrated Phoenix and Yunbo in China and South East Asia.

"It is evident that we are steadily executing our business model in the emerging markets, particularly in China. Each of our divisions has continued to gain momentum and this will continue into the second half of the year. We are excited by the opportunities that we see ahead of us."

- Ends -

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Chairman's Statement

I am delighted to see the Group generate a profit for the first six months of the year with revenues coming from both the entertainment and the product division. In accordance with the requirements of the AIM market of the London Stock Exchange the Group is required to prepare this interim financial information under International Financial Reporting Standards (IFRS).

We have been consistent with our strategy for the entertainment division, focusing on multiplatform entertainment and interactive revenue streams in emerging markets such as China and South East Asia. We acquired Yunbo, a mobile service provider in China, in February 2008, for an initial consideration of US\$3 million. This has bolstered our ability to provide Chinese broadcasters a complete media solution for multiplatform entertainment, giving us total control over the interactive content, its delivery to the consumer, data capture and the billing process. We have continued to grow our footprint in the region supplying interactive entertainment solutions to several broadcasters in China and Malaysia. Interactive entertainment revenues for this period was £1.1m compared to £nil for the same period last year.

Entertainment

Our first multiplatform entertainment property Super Soccer Star, an interactive family orientated football talent show, was launched in April with co-producers Guangdong Sports Channel and Chelsea Football Club. The show has been a huge success and is one of the broadcaster's top 5 rated shows. This has led to the show being syndicated by the Shanghai Sports Channel, which will take it to another 11 million viewers. We are in discussions with other national satellite broadcasters for a second series in China. We are also in final negotiations for a series in Malaysia and there are discussions underway in Thailand, Vietnam and Indonesia. Our second show, The Limit, is set to air later in the year on Hunan Satellite, a leading broadcaster with a reach of 400 million homes. Our network and operational expertise has allowed us to develop relationships with other media companies looking to gain traction in China. During this period we agreed a deal with RDF Media to co-produce a select number of their properties and represent its shows in the region.

In addition to entertainment content deals Phoenix continues to provide interactive TV services for broadcasters in China and South East Asia. Recently it signed agreements with Malaysian TV stations, Metropolitan TV Sdn Bhd and CH-9 Media Sdn Bhd, to supply its multiplatform interactive system as part of a multi-year service agreement to provide SMS gateway, interactive advertising and SMS campaign management. Metropolitan TV is Malaysia's third-largest TV channel, targeting the urban and ethnic Chinese audience. CH-9 now ranks second in viewership ratings, and is focused on delivering programming for the mass and ethnic Malay market.

Our general entertainment portfolio is also developing. As a result of its great ratings in the UK on the BBC, and on The CW in the US at weekends, Skunk Fu!, an award-winning children's animated action/comedy TV series aimed at children aged 6-11 years old, has now been placed on Cartoon Network, a major US kids network. This dual platform in the US has allowed us to launch our merchandising programme globally, using the critical mass that this territory gives us in core categories such as toys. In addition to English speaking territories the show is on air in France and about to go on air on leading platforms in Germany and more than 100 other markets.

On 9 June, we announced the launch of Skunk Fu! as a merchandising brand in the US and Canada. The brand was launched at the New York Licensing Show by The Sharpe Group Inc., which has been appointed as licensing agent for Skunk Fu! in North America. Sharpe Group is a boutique intellectual property agency, with an emphasis in marketing IP in North America. A Skunk Fu! toylines has been developed by Croco Worldwide, Galleon's toy division and this was also previewed at the show.

In addition, NCircle has secured the DVD distribution rights for Skunk Fu! in the US. NCircle is an entertainment content distributor, specialising in children's programming. The company is a division of Alliance Entertainment Corporation (AEC), the largest single source of home entertainment, with distribution channels in over 110,000 stores throughout North America.

Apollo's Pad, an interactive online animated sitcom, was launched in October 2007, targeting 16-24 year olds. We have developed strong relationships with the music majors which have widened to include EMI publishing as well as Sony BMG.

We have also signed a development deal for another popular show, Mysti, with Planet Nemo, a leading French production company in the kids sector. We hope this will enable us to develop a more multi-territory treatment of the next TV series. Sokator-442, a comedy action fantasy targeted to children aged 6-11 years old, continues to attract strong interest in Europe. We have pre-sale offers in Germany, Australia and Scandinavia and are focusing on bringing in one more key territory to give the property the critical mass that it needs.

Croco Worldwide

Croco Worldwide is our global toy division, focusing on designing and manufacturing innovative bespoke in-pack premiums for the global FMCG companies. The division continues to grow in terms of volume, value and also geographical reach. Our relationship with Pepsico is expanding well beyond Europe and our presence in Latin America has been bolstered by the successful test of our product IP Blasterz in a promotion in Mexico.

Our focus for the remaining months will be to secure regular business from this region and to expand our sales and distribution into Asia. Greater visibility of business and stronger relationships allows us to be more strategic about our investment in product IP and also manufacturing technology, all of which provide significant barriers to entry for any competitors.

Current Trading & Outlook

The first six months of this financial year have been very solid as the Group moves into a profitable phase of growth. This is a huge achievement by the management which has generated a profit in a period when they acquired and then integrated Phoenix and Yunbo in China and South East Asia. We are fortunate to have excellent dedicated employees and managers locally in each of the markets where we operate which allows us to act efficiently, responsively and timely to our partners in this period of quantum growth.

It is evident that we are steadily executing our business model in the emerging markets, particularly in China. Each of our divisions has continued to gain momentum and this will continue into the second half of the year. We are excited by the opportunities that we see ahead of us.

David Wong
CHAIRMAN
27 June 2008

INDEPENDENT REVIEW REPORT TO GALLEON HOLDINGS PLC

INTRODUCTION

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 31 March 2008 which comprises the consolidated income statement, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement and related notes 1 to 7. We have read the other information contained in the interim report which comprises only the Chairman's statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with the basis of preparation.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 31 March 2008 is not prepared, in all material respects, in accordance with the basis of accounting described in note 2.

GRANT THORNTON UK LLP
AUDITOR

Birmingham
27 June 2008

GALLEON HOLDINGS PLC

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2008

	Note	Unaudited Six months ended 31 March 2008 £'000	Unaudited Six months ended 31 March 2007 £'000	Unaudited Year ended 30 September 2007 £'000
Revenue		5,794	2,360	4,493
Cost of sales		<u>(4,124)</u>	<u>(1,939)</u>	<u>(3,096)</u>
Gross profit		1,670	421	1,397
Administrative expenses		(1,429)	(667)	(1,547)
EBITDA		480	(148)	169
Depreciation, amortisation and impairment		(239)	(98)	(319)
Profit /(loss) from operations		241	(246)	(150)
Share of profits of associates accounted for using equity method		-	4	17
Finance income		154	-	-
Finance costs		(40)	(115)	(210)
Profit /(loss) before taxation		355	(357)	(343)
Taxation expense	4	(71)	-	-
Profit /(loss) for the financial period		284	(357)	(343)
Earnings/(loss) per share				
- Basic	5	0.3p	(0.7)p	(0.7)
- Diluted	5	0.3p	(0.7)p	(0.7)p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 31 MARCH 2008

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserves £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 30 September 2006 (Unaudited)	494	4,882	9,601	210	-	(13,643)	1,544
Loss for the year	-	-	-	-	-	(343)	(343)
Issue of share capital	154	1,846	-	-	-	-	2,000
Cost of issue of share capital	-	(78)	-	-	-	-	(78)
Share based payments	-	-	-	-	-	56	56
At 30 September 2007 (Unaudited)	<u>648</u>	<u>6,650</u>	<u>9,601</u>	<u>210</u>	<u>-</u>	<u>(13,930)</u>	<u>3,179</u>
Profit for the period	-	-	-	-	-	284	284
Foreign exchange differences	-	-	-	-	(36)	-	(36)
Issue of share capital	350	9,977	-	-	-	-	10,327
Cost of issue of share capital	-	(209)	-	-	-	-	(209)
Share based payments	-	-	-	-	-	29	29
At 31 March 2008 (Unaudited)	<u>998</u>	<u>16,418</u>	<u>9,601</u>	<u>210</u>	<u>(36)</u>	<u>(13,617)</u>	<u>13,574</u>

GALLEON HOLDINGS PLC

CONSOLIDATED BALANCE SHEET

For the six months ended 31 March 2008

	Unaudited 31 March 2008 £'000	Unaudited 31 March 2007 £'000	Unaudited 30 September 2007 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	251	10	12
Interests in associates	-	(13)	-
Available for sale investments	-	2	-
Intangible assets	13,375	2,316	2,117
Other receivables	1,050	-	-
	<u>14,676</u>	<u>2,315</u>	<u>2,129</u>
Current assets			
Inventories	1,784	379	758
Trade and other receivables	1,520	952	1,177
Cash and cash equivalents	4,358	360	201
	<u>7,662</u>	<u>1,691</u>	<u>2,136</u>
Total assets	<u>22,338</u>	<u>4,006</u>	<u>4,265</u>
LIABILITIES			
Current liabilities			
Trade and other payables	1,488	2,779	1,086
Provisions	276	12	-
Shares to be issued	1,779	-	-
	<u>3,543</u>	<u>2,791</u>	<u>1,086</u>
Non-current liabilities			
Shares to be issued	5,221	-	-
	<u>5,221</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,764</u>	<u>2,791</u>	<u>1,086</u>
EQUITY			
Share capital	6 998	494	648
Reserves	12,576	721	2,531
Equity interests attributable to equity holders of the company	<u>13,574</u>	<u>1,215</u>	<u>3,179</u>
Total equity and total liabilities	<u>22,338</u>	<u>4,006</u>	<u>4,265</u>

GALLEON HOLDINGS PLC**CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 31 March 2008

	Unaudited Six months ended 31 March 2008 £'000	Unaudited Six months ended 31 March 2007 £'000	Unaudited Year ended 30 September 2007 £'000
Operating activities			
Profit/(loss) before taxation	355	(357)	(343)
Non cash finance costs	34	-	-
Share of profit of associate	-	(4)	(17)
Share based payments	29	28	56
Depreciation of property, plant and equipment	24	4	6
Amortisation of intangible assets	215	94	313
Release of provision for joint ventures	-	-	(12)
Impairment of available for sale investments	-	-	2
Increase in inventories	(1,026)	(137)	(515)
Increase in trade and other receivables	(896)	(805)	(1,030)
(Decrease)/increase in trade and other payables	(160)	438	(14)
Foreign exchange	(36)	-	-
Net cash outflow from operating activities	<u>(1,461)</u>	<u>(739)</u>	<u>(1,554)</u>
Investing activities			
Purchase of property, plant and equipment	(224)	-	(4)
Purchase of intangible assets	(278)	(10)	(30)
Purchase of a subsidiary, net of cash acquired	(1,671)	-	-
Net cash outflow from investing activities	<u>(2,173)</u>	<u>(10)</u>	<u>(34)</u>
Financing activities			
Issue of shares	8,000	-	2,000
Expenses paid in connection with share issues	(209)	-	(78)
Receipts from borrowings	-	500	(300)
Net cash inflow from financing activities	<u>7,791</u>	<u>500</u>	<u>1,622</u>
Movement in cash and cash equivalents	<u>4,157</u>	<u>(249)</u>	<u>34</u>
Cash and cash equivalents brought forward	201	167	167
Cash and cash equivalents carried forward	<u>4,358</u>	<u>(82)</u>	<u>201</u>

NOTES TO THE INTERIM REPORT

FOR THE PERIOD ENDED 31 MARCH 2008

1 GENERAL INFORMATION

The information for the period ended 31 March 2008 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The figures for the period ended 30 September 2007 have been extracted from the 2007 statutory financial statements prepared under UK GAAP and adjusted where necessary in order to comply with International Financial Reporting Standards (IFRS) as shown in note 3. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act 1985.

2 ACCOUNTING POLICIES

BASIS OF PREPARATION

The Group is required to adopt IFRS for the first time in its financial statements for the year ending 30 September 2008. This interim financial report has therefore been prepared under the historical cost convention and in accordance with the requirements of International Financial Reporting Standard 1 "First Time Adoption of International Reporting Standards" relevant to interim reports and the measurement and recognition principles of IFRS as adopted by the European Union.

The transition to IFRS reporting has resulted in a number of changes in the reported financial statements, notes thereto and accounting policies compared to the previous annual report. Note 3 provides further details on the transition from UK GAAP to IFRS.

The principal accounting policies of the Group are set out below.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the balance sheet date. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from their activities. The group obtains and exercises control through voting rights.

Unrealised gains on transactions between the group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Contingent consideration in connection with acquisitions is accounted for when the payment is considered probable. Adjustments to the cost of combinations, and therefore goodwill, are made at each reporting date until the consideration is finally determined. Where material, the cost of business combinations are discounted to their present value at the date of exchange to allow for deferred payment terms. The difference between the fair value and the total amounts payable at future dates is a finance cost and is charged in the income statement over the period the liability is outstanding.

REVENUE

The Group follows the principles of IAS18, Revenue, in determining the appropriate revenue recognition policies. In principle, therefore revenue is recognised to the extent that the Group has obtained the right to consideration through its performance.

Revenue, excluding VAT, comprises revenue arising from the sale of goods and services provided, including development income. Revenue from up-front fixed licensing fees are recognised on contract signature if the following additional criteria are met:

- the contract is non-cancellable;
- the licensee is able to exploit its rights freely and;
- the group has no remaining obligations to perform under the contract.

Revenues arising from the sale of value-added multimedia products and services, representing wireless revenues from SMS, IVR, WAP, are recognised at their gross values on the date of the transaction with the mobile operator, excluding any local sales taxes, prior to any deductions from the mobile operator or revenue sharing partners.

For Croco Worldwide Sourcing Limited, revenue is recognised at the date the risks of ownership are passed to the customer which is on delivery.

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Entities whose economic activities are controlled jointly by the group and by other ventures independent of the group are accounted for using the equity method.

Associates are those entities over which the group has significant influence but which are neither subsidiaries nor interests in joint ventures. A jointly controlled entity is an entity which operates under a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control and exists only when the strategic financial and operating decision relating to the activity require the unanimous consent of the venturers. Investments in associates and jointly controlled entities are recognised initially at cost and subsequently accounted for using the equity method. Acquired investments in associates and jointly controlled entities are also subject to purchase method accounting. However, any goodwill or fair value adjustment attributable to the share in the associate and jointly controlled entities is included in the amount recognised as investment in associates and jointly controlled entities.

All subsequent changes to the share of interest in the equity of the associate and jointly controlled entities are recognised in the group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate and jointly controlled entities are reported in "results from equity associated investments" in the consolidated income statement and therefore affect the net results of the group. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Items that have been recognised directly in the associate's and jointly controlled entity's equity are recognised in the consolidated equity of the group. However, when the group's share of losses in an associate and jointly controlled entities equals or exceeds its interest in the associate and jointly controlled entities, including any unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate and jointly controlled entities. If the associate or jointly controlled entity subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the group and its associates and jointly controlled entities are eliminated to the extent of the group's interest in the associates and jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of associates and jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

GOODWILL

Goodwill representing the excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

TAXATION

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

INTANGIBLE ASSETS

Intellectual property rights

The costs of creating and protecting internally generated property, patents and know-how are written-off to the income statement in the period in which they are incurred.

The costs of acquiring rights to the use of third party intellectual property are capitalised and, subject to impairment reviews, amortised over the estimated economic life of the intellectual property concerned.

Trademarks, licences and websites

Expenditure on trademarks, licences and website are capitalised and, subject to impairment reviews, amortised over their expected useful economic lives.

Assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the group. An independent valuation is undertaken in order to assess the fair value of the intangible assets acquired in a business combination. The fair value is then amortised over the economic life of the asset. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the group are not reliably measurable. Where the individual fair value of the complimentary assets are reliably measurable, the group recognises them as a single asset provided the individual assets have a similar useful lives.

IMPAIRMENT, TESTING OF GOODWILL, OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested 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 or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

PROPERTY, PLANT AND EQUIPMENT

Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets 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. All other costs, such as repairs and maintenance are charged to the income statement during the period in which they are incurred.

When assets are sold, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

Depreciation

Depreciation is provided to write off the cost of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Computer equipment	33.3%
Office equipment	20%

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

LEASES

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

FINANCIAL ASSETS

The Group's financial assets include available for sale investments, cash and trade and other receivables.

All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in value are recognised in the income statement.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Trade and other receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand, bank deposits repayable on demand and other short-term highly liquid investments with original maturities of 3 months or less.

INVENTORIES

Inventories comprise development costs and directly attributable overheads incurred and are valued at the lower of cost and net realisable value at the balance sheet date.

EQUITY

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The capital redemption reserve represents the nominal value of shares cancelled on the purchase of own shares in order to maintain the capital base of the company.

Other reserves represents the difference between the issue prices and the nominal value of shares issued as consideration for the acquisition of subsidiaries where the Company has taken advantage of section 131 of the Companies Act 1985.

Foreign currency translation differences recognised directly in equity are included in the foreign exchange reserve.

Retained earnings include all current and prior period results as disclosed in the income statement together with the cumulative amount of share based expenses and movements in available for sale financial assets which are both transferred to equity.

SHARE BASED PAYMENTS

All share-based payment arrangements are recognised in the financial statements. The Group operates equity-settled share-based remuneration plans for remuneration of its employees.

All services received in exchange for the grant of any share-based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Share-based payments are ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings in equity, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense or share issue cost recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

FINANCIAL LIABILITIES

The Group's financial liabilities include trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance cost" in the income statement.

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

Dividend distributions to shareholders are included in 'other short term financial liabilities' when the dividends are approved by the shareholders' meeting.

PENSION OBLIGATIONS

Pensions are provided to certain employees through defined contribution plans. The contributions recognised in respect of defined contribution plans are expensed as they fall due.

OTHER PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Other provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised, if virtually certain as a separate asset, not exceeding the amount of the related provision. 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. In addition, long term provisions are discounted to their present values, where time value of money is material.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the balance sheet.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

FOREIGN CURRENCIES

The financial statements are presented in United Kingdom Sterling, which is also the functional currency of the parent company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity 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 of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of subsidiaries, associates and jointly controlled entities, originally presented in a currency different from the Group's presentation currency, have been converted into United Kingdom Sterling. Assets and liabilities have been translated into United Kingdom Sterling at the exchange rates ruling at the balance sheet date. Any differences arising from this procedure have been dealt with in foreign exchange reserve equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into United Kingdom Sterling at the closing rates.

3 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The transition from UK GAAP to IFRS has been disclosed with regard to IFRS 1, "First-time Adoption of International Financial Reporting Standards". The Group's interim report for the six months ended 31 March 2008 and the comparatives presented for the periods ended 31 March 2007 and 30 September 2007 comply with all presentation recognition and measurement requirements of IFRS applicable for accounting periods commencing on or after 1 October 2006.

IFRS permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS from the date of transition. These interim financial statements have been prepared on the basis of taking the exemption that business combinations prior to 1 October 2006, the Groups date of transition to IFRS, have not been restated to comply with IFRS 3, "Business Combinations". Accordingly the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement.

The transitional provisions used for past business combinations apply equally to past acquisitions of interests in associates and joint ventures.

The following reconciliations and explanatory notes thereto describe the effects of the transition for the financial period ended 30 September 2007. All explanations should be read in conjunction with the IFRS accounting policies of Galleon Holdings plc.

There are no adjustments to the balance sheet previously reported under UK GAAP as at 1 October 2006 on transition to IFRS . The re-measurement of balance sheet and income statement as at 30 September 2007 and 31 March 2007 may be summarised as follows:

Reconciliation of balance sheet presentation at 31 March 2007	UK GAAP £'000	Effect of transition £'000	IFRS £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	-	10
Interests in associates	(13)	-	(13)
Available for sale investments	2	-	2
Intangible assets	2,274	42	2,316
	<u>2,273</u>	<u>42</u>	<u>2,315</u>
Current assets			
Inventories	379	-	379
Trade and other receivables	952	-	952
Cash and cash equivalents	360	-	360
	<u>1,691</u>	<u>-</u>	<u>1,691</u>
Total assets	<u>3,964</u>	<u>42</u>	<u>4,006</u>
LIABILITIES			
Current liabilities			
Trade and other payables	2,779	-	2,779
Other provisions	12	-	12
Total liabilities	<u>2,791</u>	<u>-</u>	<u>2,791</u>
EQUITY			
Share capital	494	-	494
Reserves	679	42	721
Equity attributable to equity holders of the company	<u>1,173</u>	<u>42</u>	<u>1,215</u>
Total equity and liabilities	<u>3,964</u>	<u>42</u>	<u>4,006</u>

Reconciliation of income statement presentation at 31 March 2007	UK GAAP £'000	Effect of transition £'000	IFRS £'000
Revenue	2,360	-	2,360
Cost of sales	(1,939)	-	(1,939)
Gross profit	421	-	421
Administrative expenses	(709)	42	(667)
EBITDA	(148)	-	(148)
Depreciation, amortisation and impairment	(140)	42	(98)
Loss from operations	(288)	42	(246)
Results from equity accounted investments	4	-	4
Finance costs	(115)	-	(115)
Loss before taxation	(399)	42	(357)
Taxation expense	-	-	-
Loss for the financial period	<u>(399)</u>	<u>42</u>	<u>(357)</u>

The difference between the deficit reported under UK GAAP for the period ended 31 March 2007 and the deficit as reported under IFRS is represented by a reduction in amortisation charge of £42,081. The charge under UK GAAP relates to the amortisation of goodwill which is not subject to periodic amortisation under IFRS but instead is the subject of review for impairment.

Reconciliation of balance sheet presentation at 30 September 2007	UK GAAP £'000	Effect of Transition £'000	IFRS £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	-	12
Available for sale investments	-	-	-
Intangible assets	2,068	49	2,117
	<u>2,080</u>	<u>49</u>	<u>2,129</u>
Current assets			
Inventories	758	-	758
Trade and other receivables	1,177	-	1,177
Cash and cash equivalents	201	-	201
	<u>2,136</u>	<u>-</u>	<u>2,136</u>
Total assets	<u>4,216</u>	<u>49</u>	<u>4,265</u>
LIABILITIES			
Current liabilities			
Trade and other payables	1,086	-	1,086
Total liabilities	<u>1,086</u>	<u>-</u>	<u>1,086</u>
EQUITY			
Share capital	648	-	648
Reserves	2,482	49	2,531
Equity attributable to equity holders of the company	<u>3,130</u>	<u>49</u>	<u>3,179</u>
Total equity and liabilities	<u>4,216</u>	<u>49</u>	<u>4,265</u>

Reconciliation of income statement presentation at 30 September 2007	UK GAAP £'000	Effect of transition £'000	IFRS £'000
Revenue	4,493	-	4,493
Cost of sales	(3,096)	-	(3,096)
Gross profit	<u>1,397</u>	<u>-</u>	<u>1,397</u>
Administrative expenses	(1,596)	49	(1,547)
EBITDA	<u>169</u>	<u>-</u>	<u>169</u>
Depreciation, amortisation and impairment	(368)	49	(319)
Loss from operations	<u>(199)</u>	<u>49</u>	<u>(150)</u>
Results from equity accounted investments	17	-	17
Finance costs	(210)	-	(210)
Loss before taxation	<u>(392)</u>	<u>49</u>	<u>(343)</u>
Taxation expense	-	-	-
Loss for the financial period	<u>(392)</u>	<u>49</u>	<u>(343)</u>

The difference between the deficit reported under UK GAAP for the year ended 30 September 2007 and the deficit as reported under IFRS is represented by a reduction in amortisation charge of £48,781. The charge under UK GAAP relates to the amortisation of goodwill which is not subject to periodic amortisation under IFRS but instead is the subject of review for impairment.

4 TAXATION

The tax charge for the period ended 31 March 2008 arises in the UK and China after allowing for tax losses brought forward. In view of losses incurred previously there is no tax charge arising in either the period ended 31 March 2007 or year ended 30 September 2007.

5 EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) for the period attributable to shareholders of £284,000 (six months ended 31 March 2007: (£357,000), year ended 30 September 2007: (£343,000)) divided by the weighted average number of shares in issue of 93,666,411 (six months ended 31 March 2007: 49,439,342, year ended 30 September 2007: 52,600,565).

The diluted earnings per share for the period ended 31 March 2008 is based on 98,093,553 shares. The effect of the share options is anti-dilutive for the periods ended 31 March 2007 and 30 September 2007.

6 SHARE CAPITAL

	Unaudited 31 March 2008 £'000	Unaudited 31 March 2007 £000	Unaudited 30 September 2007 £'000
Authorised 275,000,000 (31 March 2007: 100,000,000 30 September 2007: 275,000,000) ordinary shares of 1p each	2,750	1,000	2,750
Allotted, issued and fully paid 99,794,113 (31 March 2007:49,439,342, 30 September 2007: 64,823,959) ordinary shares of 1p	998	494	648

Allotments during the period

Date of Allotment	Number	Issue Price	Purpose
26 October 2007	27,586,212	29p	Working Capital
26 October 2007	4,863,814	32.25p	Acquisition of Phoenix Investment Global Ltd
21 January 2008	1,621,272	31.25p	Acquisition of Phoenix Investment Global Ltd
20 February 2008	898,856	28p	Acquisition of Lushy Assets Limited

7 ACQUISITIONS

i) On 26 October 2007 the Group acquired 100% of the nominal share capital of Phoenix Investment Global Limited for initial consideration of £1.5m, settled in full by the issue of shares, and deferred consideration of up to £4m. Goodwill arising on the acquisition of £4,709,000 has been capitalised. The purchase has been accounted for by the acquisition method of accounting.

The assets and liabilities acquired were as follows:

	Book value £'000	Fair value adjustments £'000	Provisional fair value £'000
Non-current assets:			
Intangible assets - other intangibles	-	389	389
Property, plant and equipment	11	-	11
	<u>11</u>	<u>389</u>	<u>400</u>
Current assets:			
Trade and other receivables	4	-	4
Cash and cash equivalents	27	-	27
	<u>31</u>	<u>-</u>	<u>31</u>
Trade and other payables	(49)	20	(29)
Deferred tax	-	(99)	(99)
	<u>(7)</u>	<u>310</u>	<u>303</u>
Goodwill capitalised			4,709
Consideration			<u><u>5,012</u></u>
Consideration satisfied by:			
Issue of shares			2,075
Shares to be issued			2,742
Capitalisation of legal fees and other costs			195
			<u><u>5,012</u></u>

The contingent consideration is payable over three years from the date of acquisition based on the post acquisition results of Phoenix and subject to a maximum additional consideration of £3,500,000. For the purposes of determining the fair value of the contingent consideration, which is to be settled in shares, a discount factor of 10% has been applied.

The Directors have made estimates of the future consideration payable in connection with the acquisition and will continue to do so until the final cost of the acquisition has been determined. On this basis the estimate of goodwill arising on consolidation is considered provisional. The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of Phoenix which cannot be recognised as an intangible asset under IAS 38 "Intangible Assets".

ii) On 20 February 2008 the Group acquired 100% of the nominal share capital of Lushy Assets Limited and Mengbo (Shanghai) Information Technology Co. Limited for an initial consideration of £2,019,388 settled in full by the payment of £1,763,214 in cash and the issue of shares to the value of £251,680. Costs incurred in connection with the acquisition were £32,000. Deferred consideration of up to USD\$12m is payable in shares. Goodwill arising on the acquisition of £5,119,000 has been capitalised. The purchase has been accounted for by the acquisition method of accounting.

The assets and liabilities acquired were as follows:

	Book value £'000	Fair value adjustments £'000	Provisional fair value £'000
Non-current assets:			
Intangible assets - other intangibles	-	926	926
Property, plant and equipment	29	-	29
	<u>29</u>	<u>926</u>	<u>955</u>
Current assets:			
Trade and other receivables	1,120	(627)	493
Cash and cash equivalents	291	-	291
	<u>1,411</u>	<u>(627)</u>	<u>784</u>
Trade and other payables	(501)	-	(501)
Deferred Tax	-	(139)	(139)
	<u>939</u>	<u>160</u>	<u>1,099</u>
Goodwill capitalised			5,172
Consideration			<u><u>6,271</u></u>
Consideration satisfied by:			
Cash payment			1,763
Issue of shares			252
Shares to be issued			4,224
Capitalisation of legal fees and other costs			32
			<u><u>6,271</u></u>

The contingent consideration is payable based on the results of Yunbo for the year ended 31 December 2008 and is subject to a maximum aggregate purchase price of US\$16,000,000. For the purposes of determining the fair value of the contingent consideration, which is to be settled in shares, a discount factor of 10% has been applied.

The Directors have made estimates of the future consideration payable in connection with the acquisition and will continue to do so until the final cost of the acquisition has been determined. On this basis the estimate of goodwill arising on consolidation is considered provisional. The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of Yunbo which cannot be recognised as an intangible asset under IAS 38 "Intangible Assets".