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Miscellaneous	
* Asterisks denote mandatory information	
Name of Announcer *	NETELUSION LIMITED
Company Registration No.	N.A.
Announcement submitted on behalf of	NETELUSION LIMITED
Announcement is submitted with respect to *	NETELUSION LIMITED
Announcement is submitted by *	Ng Lai Yick
Designation *	Executive Chairman
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>> Announcement Details
The details of the announcement start here ...

Announcement Title *	(A) PROPOSED ACQUISITION OF 1077 ORDINARY SHARES IN THE SHARE CAPITAL OF RETAIL RESOURCES MANAGEMENT LIMITED ("RRM"); (B) PROPOSED CONVERTIBLE LOAN OF S\$2,000,000 TO RRM; AND (C) NON-RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 651,300,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "RIGHTS SHARES") AT AN ISSUE PRICE OF S\$0.015 FOR EACH RIGHTS SHARE (THE "ISSUE PRICE"), ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) EXISTING ORDINARY SHARE IN THE CAPITAL OF THE COMPANY (THE "SHARES") HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT A BOOKS CLOSURE DATE TO BE DETERMINED, SUBJECT TO THE ROUNDING MECHANISM (AS DEFINED BELOW) (THE "RIGHTS ISSUE")
Description	Please see attached.
Attachments	 Netelusion-Chp10RightsIssueAnnc-020310.pdf Total size = 103K (2048K size limit recommended)

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NETELUSION LIMITED
(Incorporated in Bermuda)
(Company Registration No.: 27671)

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- (A) **PROPOSED ACQUISITION OF 1077 ORDINARY SHARES IN THE SHARE CAPITAL OF RETAIL RESOURCES MANAGEMENT LIMITED ("RRM");**
- (B) **PROPOSED CONVERTIBLE LOAN OF S\$2,000,000 TO RRM; AND**
- (C) **NON-RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 651,300,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "RIGHTS SHARES") AT AN ISSUE PRICE OF S\$0.015 FOR EACH RIGHTS SHARE (THE "ISSUE PRICE"), ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) EXISTING ORDINARY SHARE IN THE CAPITAL OF THE COMPANY (THE "SHARES") HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT A BOOKS CLOSURE DATE TO BE DETERMINED, SUBJECT TO THE ROUNDING MECHANISM (AS DEFINED BELOW) (THE "RIGHTS ISSUE")**
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1. INTRODUCTION

1.1 The Proposed Transactions

The Board of Directors of NeteLusion Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), is pleased to announce that it has today entered into:

- (a) a conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") with Universal Chinese Limited, Head Team Limited, Best Coach Limited, Pacific Finance Services Limited, Market Thrive Limited (the aforesaid parties collectively, the "**Vendors**" and together with the Company, the "**Parties**"), pursuant to which, subject to the satisfaction (or waiver) of certain conditions precedent stipulated therein (the "**Conditions Precedent**") the Company shall purchase from the Vendors 1077 ordinary shares in the share capital RRM (the "**RRM Shares**") representing in aggregate approximately 55% of the total issued RRM Shares¹ (the "**RRM Sale Shares**") (the "**Proposed Acquisition**"). In consideration for the RRM Sale Shares, the Company shall allot and issue to the Vendors new Shares representing in aggregate approximately 20.3% of the total issued Shares²; and
- (b) a conditional convertible loan agreement with RRM (the "**Loan Agreement**"), pursuant to which the Company shall extend to RRM an interest-free loan of the principal amount of

¹ Unless otherwise stated, in this Announcement, all references to the total number of issued RRM Shares shall be to 1958 RRM Shares, being the total number of issued RRM Shares as at 1 March 2010.

² Unless otherwise stated, in this Announcement, all references to the total number of issued Shares shall be to 180,422,582 Shares, being the total number of issued Shares as at 1 March 2010.

S\$2,000,000 (the "**Proposed Loan**") with the option (at the Company's sole discretion) to convert the Proposed Loan and all other sums payable or due under the Loan Agreement to such number of new RRM Shares ("**RRM Conversion Shares**") calculated based on the Conversion Ratio (as defined at paragraph 4.1 below),

(the Proposed Loan and the Proposed Acquisition, together the "**Proposed Transactions**").

Following the completion of the Proposed Acquisition, RRM shall become a direct subsidiary (as defined in the Bermuda Companies Act) of the Company, with the Company holding 1077 RRM Shares representing in aggregate approximately 55% of the total issued RRM Shares.

Assuming the Company exercises its option to convert fully the principal Proposed Loan amount of S\$2,000,000 (assuming no other sums are payable or due by RRM under the Loan Agreement) (the "**Loan Conversion Scenario**"), RRM shall by way of repayment of the Proposed Loan amount, allot and issue to the Company 783 RRM Conversion Shares, resulting in the Company holding an aggregate of 1860 RRM Shares (including the RRM Sale Shares acquired pursuant to the Sale and Purchase Agreement) representing approximately 67.9% of the total enlarged issued RRM Shares.³

1.2 The Rights Issue

In connection with the Proposed Transactions, the Company is also proposing to undertake the Rights Issue in respect of up to 651,300,000 Rights Shares at the Issue Price of S\$0.015 for each Rights Share, on the basis of three (3) Rights Shares for every one (1) Share held by the shareholders of the Company (the "**Shareholders**") as at a books closure date to be determined (the "**Books Closure Date**"), subject to the Rounding Mechanism. The Company intends to utilise the proceeds from the Rights Issue to explore new business opportunities in the lifestyle retail product market in the People's Republic of China (the "**PRC**") and as general working capital.

2. **RATIONALE FOR THE PROPOSED TRANSACTIONS**

The Directors believe that the PRC presents attractive market potential for lifestyle consumer products, especially in the segment of fashionable ladies wear. The Directors are of the view that the Proposed Transactions provide the Group with an opportunity to diversify the Group's business activities as well as to enhance the prospects of the Group and shareholder values.

³ Unless otherwise stated, in this Announcement, all references to the total enlarged issued RRM Shares shall be to 2741 RRM Shares, being the total number of issued RRM shares on the date of issue of the RRM Conversion Shares, on a fully diluted basis on the assumption that (a) all securities convertible into or exercisable for RRM Shares are exercised and converted to the fullest extent of their terms, (b) all securities issuable pursuant to contractual or other obligations of RRM existing at completion and the date of issue of the RRM Conversion Shares are issued, including the RRM Conversion Shares, and (c) all RRM Shares reserved for issuance to employees, consultants or directors of RRM are issued and exercised in full.

3. INFORMATION ON RRM

3.1 RRM

RRM is a company registered in the British Virgin Islands engaged in the design and marketing of ladies wear in the PRC. The founders of RRM (who are also part of the management of RRM and have an indirect shareholding interest in RRM) are seasoned operators with extensive industry depth of similar business in the PRC for more than 20 years. RRM operates its retail shops under the name "the Carnaby". RRM commenced operation in late 2007. With the objective to establish a leading position in the women apparel industry and quality branding in the PRC market, the management of RRM decided to build up a network of retail shops located in department stores and shopping malls. RRM maintains a team of designers in-house and also works closely with several outsourced manufacturers. The Directors understand that RRM plans to open around 50 retail shops in the next twelve months, either self-operated or through its franchisee network, in various cities of the PRC. In addition, the Directors also understand that RRM will be launching its marketing campaign through advertisements and product release events. In terms of product offerings, the Directors further understand that RRM will introduce products in various designs, styles and colors to customers, coupled with frequent updates throughout four seasons.

3.1 Asset Value

As at 30 September 2009 (based on the management accounts of RRM for the nine-month ended 30 September 2009), the net tangible asset value ("**NTA**") of:

- (a) the 1077 RRM Shares comprising the RRM Sale Shares was approximately US\$808,000; and
- (b) the 1860 RRM Shares (comprising the RRM Sale Shares and the 783 RRM Conversion Shares (assuming the Loan Conversion Scenario takes place), collectively the "**Maximum RRM Shares**") was approximately US\$1,468,000.

RRM is a private company, hence there is no open market value available.

3.3 Net Profit/ Loss

Based on the management accounts of RRM for the nine-month ended 30 September 2009, the net loss attributable to:

- (a) the 1077 RRM Shares comprising the RRM Sale Shares was approximately US\$817,000; and
- (b) the 1860 RRM Shares comprising the Maximum RRM Shares was approximately US\$1,485,000.

4. CONSIDERATION AND COMPLETION

4.1 Consideration

Proposed Acquisition

The consideration payable by the Company for the RRM Sale Shares is the sum of S\$2,750,000 (the "**Acquisition Consideration**"), which shall be fully satisfied by the Company by its allotment and issue of an aggregate of 36,666,667 new Shares (the "**Consideration Shares**") to the Vendors on the completion of the purchase of the RRM Sale Shares ("**SPA Completion**") representing approximately 20.3% of the total issued Shares, in the respective proportions specified in the Sale and Purchase Agreement.

The Consideration Shares shall, when allotted and issued pursuant to the Sale and Purchase Agreement, be credited as fully paid, free from all and any encumbrances whatsoever, and shall rank *pari passu* in all respects with and carry all rights similar to, one another as well as other issued Shares existing as at the date of issue.

The Company will be making an application to the Singapore Exchange Trading Limited ("**SGX-ST**") to list and quote the Consideration Shares on the Official List of the SGX-ST.

The Acquisition Consideration was arrived at after arms' length negotiations on a 'willing-buyer, willing-seller' basis, taking into account against other things, the capital contribution of the Vendors into RRM, prevailing market conditions, market prices of the Shares (as traded on the SGX-ST) and the financial performance, position and business prospects of both the Company and RRM.

Proposed Loan

Pursuant to the Loan Agreement, the Company has the sole option during the Conversion Period (defined below at paragraph 5.2 of this Announcement) to convert the Proposed Loan and all other sums payable or due under the Loan Agreement into such number of RRM Conversion Shares which shall be calculated based on the following ratio (the "**Conversion Ratio**"):

One (1) RRM Conversion Share for every S\$2,554.28 of the Proposed Loan, as at the date of the notice delivered by the Company to RRM electing to convert the Loan to RRM Conversion Shares pursuant to the Loan Agreement (the "**Conversion Notice**") (fractions of a RRM Share shall be disregarded and the number of RRM Conversion Shares to be issued shall be rounded downwards.

The Conversion Ratio shall be adjusted to take into account any variation in the issued share capital of RRM between the date of the Loan Agreement and the date of such conversion in such manner as shall result in the Company holding after the conversion, such number of RRM Shares representing in aggregate 67.9% of the total enlarged issued RRM Shares.

The Conversion Ratio was arrived at after arms' length negotiations on a 'willing-buyer, willing-seller' basis, taking into account amongst other things, prevailing market conditions, market prices of the Shares (as traded on the SGX-ST) and the financial performance, position and business prospects of both the Company and RRM.

The Company proposes to use its internal resources to disburse the principal amount of the Proposed Loan to RRM.

4.2 Completion

The Company shall not be obliged to complete the purchase of any of the RRM Sale Shares from any of the Vendors unless the purchase of all the RRM Sale Shares is completed simultaneously and the purchase of all the RRM Sale Shares is completed simultaneously with the disbursement of the First Loan Drawdown (as defined in paragraph 5.2 below). The Company shall also not be obliged to disburse or make available to RRM the First Loan Drawdown unless the disbursement of the First Loan Drawdown is made simultaneously with the purchase of all the RRM Sale Shares on SPA Completion.

SPA Completion is expected to take place three (3) Business Days (being a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Hong Kong and Singapore after the fulfillment (or waiver, as the case may be) of the Conditions Precedent.

Subject to SPA Completion, the Company shall on the date of SPA Completion disburse and make available to RRM the First Loan Drawdown on the terms and conditions of the Loan Agreement. The Company shall disburse and make available to RRM the Second Loan Drawdown (as defined in paragraph 5.2 below) at any time within two (2) months after the date of SPA Completion on the terms and conditions of the Loan Agreement.

5. MATERIAL TERMS AND CONDITIONS OF THE PROPOSED TRANSACTIONS

5.1 Proposed Acquisition

The Conditions Precedent are set out in Schedule 1 (Part A) to this Announcement.

Unless specifically waived by the Company, if any of the Conditions Precedent is not fulfilled by 31 July 2010 or such other date agreed by the Parties, the Sale and Purchase Agreement shall terminate.

The Company may also prior to SPA Completion terminate the Sale and Purchase Agreement upon the occurrence of any of the events set out in Schedule 1 (Part B) to this Announcement.

The Sale and Purchase Agreement also contains the following covenants and undertakings by each Vendor:

- (a) that it shall not without the Company's prior written consent during the period of six (6) months commencing from the date of SPA Completion, directly or indirectly, (i) offer, (ii) sell, transfer, give or otherwise dispose of, (iii) grant any option or right to purchase or transfer in respect of, or (iv) charge, mortgage pledge or otherwise encumber all or any of its respective Consideration Shares or any interest therein (or enter into any agreement with a view to effecting any of the foregoing); and
- (b) that it shall procure the appointment of one (1) director nominated by the Company to the board of directors of RRM, such appointment to take effect on the date of the Sale and Purchase Agreement.

5.2 Proposed Loan

The Proposed Loan shall be made available to RRM in two (2) separate draw downs as follows:

- (a) an amount of not less S\$1,000,000 but not more than S\$1,500,000, shall be drawn down by RRM on the date of SPA Completion, such amount to be specified by RRM to the Company in a notice ("**Drawdown Notice**") to be received by the Company at least three (3) Business Days prior to the date of SPA Completion ("**First Loan Drawdown**"); and
- (b) the remaining balance of the principal amount of the Proposed Loan shall be drawn down by RRM at any time within two (2) months after the date of SPA Completion subject to the Company receiving a Drawdown Notice specifying such amount ("**Second Loan Drawdown**") at least three (3) Business Days prior to the proposed date of drawdown, which date of drawdown shall be specified in the said Drawdown Notice ("**Second Drawdown Date**").

The Proposed Loan is conditional upon the satisfaction (unless waived by the Company) of the Conditions Precedent and SPA Completion.

RRM shall repay the Proposed Loan in full to the Company on the date falling two (2) years from the date of SPA Completion (the "**Maturity Date**"). RRM has the option to pre-pay the Proposed Loan.

The Company may elect to convert up to the whole of the amount of the Proposed Loan (but not including any other sums due under the Loan Agreement) outstanding into the RRM Conversion Shares (based on the Conversion Ratio) by delivering the Conversion Notice to RRM at any time during the period commencing on the date of Second Loan Drawdown Date (or the date of SPA Completion if the Second Loan Drawdown does not take place) and ending on the later of:

- (a) the Maturity Date (assuming the entire amount of the Proposed Loan is fully repaid by RRM to the Company on the Maturity Date); or
- (b) the date the Proposed Loan and all other sums payable or due under the Loan Agreement (including any late payment interest or fees in the case where RRM fails to make payment of the Proposed Loan on or before the Maturity Date) is fully repaid by RRM to the Company pursuant to the terms of the Loan Agreement (including by prepayment),

(the "**Conversion Period**").

Upon full receipt by the Company of the RRM Conversion Shares, the Proposed Loan shall be deemed to be repaid in full.

Upon the occurrence of any of the events of default set out in Schedule 2 to this Announcement ("**Loan Events of Default**"), the Proposed Loan and all other sums payable or due under the Loan Agreement shall become immediately due and payable.

6. APPLICATION OF CHAPTER 10 OF THE LISTING MANUAL

6.1 Net Asset Value Test

The net asset value test set out in Rule 1006(a) of the Listing Manual of the SGX-ST (the "**Listing Manual**") is not applicable for the purposes of the Proposed Transactions.

6.2 Net Profits Test

In respect of the net profits test set out in Rule 1006(b) of the Listing Manual, the net loss attributable to the RRM Shares being acquired pursuant to the Proposed Transactions is approximately:

- (a) assuming only the RRM Sale Shares are acquired by the Company: 49.2% of the Group's net loss for its half-year financial period ended 30 September 2009, based on 1077 RRM Shares being acquired (comprising the RRM Sale Shares); and
- (b) assuming SPA Completion and the Loan Conversion Scenario take place: 60.7% of the Group's net loss for its half-year financial period ended 30 September 2009, based on the Company holding 1860 RRM Shares (comprising the Maximum RRM Shares) upon the issue by RRM to the Company of the RRM Conversion Shares (assuming the principal amount of the Proposed Loan is repaid by the issuance of the RRM Conversion Shares to RRM).

As at the date of this Announcement, RRM's financial year is for the period of 1 January to 31 December. RRM is not required under the laws of the British Virgin Islands to audit its accounts. RRM's latest audited accounts was for its financial year ended 31 December 2008, which recorded that RRM and its subsidiaries made a net loss for its financial year ended 31 December 2008. The Group recorded a loss for its half-year financial period ended 30 September 2009 and RRM also recorded a loss for this same period.

6.3 Market Capitalisation Test

In respect of the market capitalisation test set out in Rule 1006(c) of the Listing Manual, Rule 1003(3) of the Listing Manual states that where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher.

Accordingly, for the purpose of Rule 1006(c) of the Listing Manual, the aggregate value of the consideration to be given by the Company to acquire the:

- (a) assuming only the RRM Sale Shares are acquired by the Company: 1077 RRM Shares (comprising the RRM Sale Shares) pursuant to the Sale and Purchase Agreement (being S\$2,750,000, based on the market value of the Consideration Shares) constitutes approximately 20.3% of the market capitalisation of the Company (based on the total number of issued Shares excluding treasury shares, on 26 February 2010); and
- (b) assuming SPA Completion and the Loan Conversion Scenario take place: 1860 RRM Shares (comprising the Maximum RRM Shares, assuming the principal amount of the Proposed Loan is repaid by the issuance of the RRM Conversion Shares to RRM) pursuant to the Sale and Purchase Agreement and the Loan Agreement (being

S\$2,750,000, based on the market value of the Consideration Shares, added to the principal amount of S\$2,000,000 under the Proposed Loan) constitutes approximately 34.2% of the market capitalisation of the Company (based on the total number of issued Shares excluding treasury shares, on 26 February 2010.

6.4 Equity Securities Test

In respect of the equity securities test set out in Rule 1006(d) of the Listing Manual, the 36,666,667 Consideration Shares to be issued by the Company as the Acquisition Consideration constitutes approximately 20.3% of the 180,422,582 Shares in issue as at the date of this Announcement.

6.5 Major Transaction

The relative figures under Rules 1006(b), (c) and 1006(d) of the Listing Manual exceed 20%. Accordingly, the Proposed Transactions constitute a major transaction under Rule 1006 of the Listing Manual and are therefore subject to and conditional upon the approval of the Shareholders.

7. **FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS**

7.1 The financial effects of the Proposed Transactions set out below are purely for illustrative purposes only and do not reflect or represent the actual financial effects of the Proposed Transactions on the NTA per Share or earnings per share ("**EPS**") of the Company, nor the actual financial position of the Company after SPA Completion, disbursement of the Proposed Loan or after the conversion of the Proposed Loan (if the Loan Conversion Scenario takes place). The financial effects or results have been prepared based on the audited consolidated financial statements of the Company for its latest financial year ended 31 March 2009 and are subject to the following assumptions:

- (a) the Proposed Transactions were completed on: (i) 31 March 2009 for the purposes of illustrating the financial effects on the NTA per Share of the Company and (ii) 1 April 2008 for the purposes of illustrating the financial effects on the EPS of the Company; and
- (b) based on 180,422, 582 Shares, being the total number of issued Shares as at the date of this Announcement.

7.2 Effect on EPS

Assuming that the Proposed Transactions had been completed on 1 April 2008, the effects of the Proposed Transactions on the consolidated EPS of the Company are as follows:

	Profit After Tax (US\$'000)	EPS (US Cents)
Before the Proposed Transactions	(5,519)	(3.06)
After the Proposed Transactions (on the basis that the Company only acquires 1077 RRM Shares, comprising the RRM Sale Shares)	(6,738)	(3.10)
After the Proposed Transactions (on the basis that the Company acquires an aggregate of 1860 RRM Shares, being the Maximum RRM Shares (assuming the Loan Conversion Scenario takes place, and the principal amount of the Proposed Loan is repaid by RRM's issue of the RRM Conversion Shares to the Company))	(7,023)	(3.24)

7.3 Effect on NTA per Share

Assuming that the Proposed Transaction had been completed on 31 March 2009, the effects of the Proposed Transaction on the consolidated NTA per Share of the Company are as follows:

	NTA (US\$'000)	NTA Per Share (US Cents)
Before the Proposed Transactions	3,041	1.69
After the Proposed Transactions (on the basis that the Company only acquires 1077 RRM Shares, comprising the RRM Sale Shares)	3,458	1.59
After the Proposed Transactions (on the basis that the Company acquires an aggregate of 1860 RRM Shares, being the Maximum RRM Shares (assuming the Loan Conversion Scenario takes place, and the principal amount of the Proposed Loan is repaid by RRM's issue of the RRM Conversion Shares to the Company))	3,556	1.64

8. PROPOSED RIGHTS ISSUE

8.1 Proposed Principal Terms of the Rights Issue

Up to 651,300,000 Rights Shares will be offered at the Issue Price of S\$0.015 for each Rights Share, on the basis of three (3) Rights Shares for every one (1) Share held by the Shareholders as at the Books Closure Date, subject to the Rounding Mechanism.

Entitlements to subscribe for the Rights Shares will not be renounceable. Entitled Depositors (as defined below) will be at liberty to accept or decline their provisional allocation of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allocation under the Rights Issue.

The Rights Shares will be payable in full upon acceptance and/or application, and when allotted and issued, will rank *pari passu* in all respects with the then existing Shares, except that they will not rank for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls before the date of issue of the Rights Shares.

Where an Entitled Depositor's provisional allocation of Rights Shares is other than an integral multiple of 1,000 Rights Shares, the increase in the provisional allocation of Rights Shares to the Entitled Depositor will be by such number which, when added to such Entitled Depositor's shareholdings as at the Books Closure Date, results in an integral multiple of 1,000 Rights Shares (the "**Rounding Mechanism**").

The Issue Price represents a discount of approximately 81.25% to the closing price of S\$0.08 for each Share on 26 February 2010, being last trading day prior to the date of this announcement.

The terms and conditions of the Rights Issue are subject to such changes as the Directors may deem fit.

The Rights Issue will be undertaken on a non-underwritten basis.

8.2 Rationale

The Proposed Transactions will allow the Company to diversify into a new business initiative in the Chinese lifestyle consumer product market. The proceeds from the Rights Issue will place the Company in a position to take advantage of attractive expansion opportunities in a timely manner. In proposing to undertake the Rights Issue, the Company is also providing existing Shareholders who are confident of the future prospects of the Company with an opportunity to subscribe for additional Shares.

8.3 Use of Proceeds

The Company expects to receive net proceeds from the Rights Issue of approximately US\$6.7 million (approximately S\$9.4 million, based on an exchange rate of US\$1:S\$1.4062) (after deducting estimated expenses of approximately US\$0.2 million and assuming all the Shareholders subscribe for their respective entitlements of Rights Shares under the Rights Issue). The Company intends to use the net proceeds of approximately US\$6.7 million raised from the Rights Issue as follows:

- (a) approximately US\$5 million to explore new business opportunities in the lifestyle retail product market in the PRC; and
- (b) the balance as general working capital.

As and when any significant amount of the proceeds is disbursed or deployed, the Company will make the necessary announcements on SGXNET and subsequently provide a status report on the use of such proceeds in its annual report. Pending the deployment of the proceeds for the uses mentioned above, the proceeds may be placed as deposits with financial institutions or invested in short-term money market or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit.

8.4 Financial Effects

The financial effects of the Rights Issue as presented herein:

- (a) are purely for illustrative purposes only and is not a projection of the actual future financial performance or financial position of the Group after the Rights Issue;
- (b) are based on the audited consolidated financial statements of the Group for 31 March 2009;
- (c) based on 180,422,582 Shares, being the total number of issued Shares as at the date of this Announcement;
- (d) assume that the Proposed Transactions have been completed as at 31 March 2009 and the Consideration Shares have been issued as at 31 March 2009;
- (e) assume that the 651,300,000 Rights Shares had been issued, in respect of profit and loss statements on 31 March 2009, and in respect of balance sheets on 31 March 2009; and
- (f) assume that all the Shareholders subscribe for their respective entitlements of Rights Shares under the Rights Issue.

8.4.1 Share capital

	No. of Shares	US\$'000
Issued share capital as at 31 March 2009	217,089,249	2,170,892
Add: Rights Shares to be issued	651,300,000	6,513,000
Issued share capital after Rights Issue	868,389,249	8,683,892

8.4.2 NTA / Net tangible liabilities ("NTL")

NTL as at 31 March 2009 (US\$'000)	3,556
Add: Rights Proceeds (US\$'000)	6,700
(NTL)/NTA after Rights Issue (US\$'000)	<hr/> 10,256 <hr/>
Number of Shares as at 31 March 2009	217,089,249
NTA per Share as at 31 March 2009 (US Cents)	1.64
Number of Shares after Rights Issue	651,300,000
(NTL)/NTA per Share after Rights Issue (US cents)	<hr/> 1.18 <hr/>

8.4.3 Gearing

The Group has no borrowings.

8.4.4 EPS

Net profit attributable to Shareholders for the year ended 31 March 2009 (US\$'000)	7,023
Weighted average number of Shares for the year ended 31 March 2009	217,089,249
Weighted average number of Shares after Rights Issue	868,389,249
Basic EPS for the year ended 31 March 2009 (US Cents)	3.24
Basic EPS after Rights Issue (US Cents)	0.81

8.5 Eligibility to Participate in the Rights Issue

Shareholders whose securities accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with Shares as at 5.00 p.m. (Singapore time) on the Books Closure Date ("**Depositors**") will be provisionally allocated Rights Shares on the basis of the number of Shares standing to the credit of their securities accounts with CDP as at the Books Closure Date provided that such Depositors have registered addresses in Singapore with CDP as at the Books Closure Date or if they have registered addresses outside Singapore, they have provided CDP, at 4 Shenton Way, #02-01 SGX Centre 2, Singapore 068807, with a registered address in Singapore no later than

5.00 p.m. (Singapore time) on the date being five (5) market days prior to the Books Closure Date (the "**Entitled Depositors**").

8.6 Approvals

The Rights Issue is subject to, *inter alia*, the following:

- (a) the receipt of the approval in-principle of the SGX-ST for the dealing in, listing of and quotation for the Rights Shares on the Main Board of the SGX-ST; and
- (b) the Proposed Acquisition, the allotment and issuance of the Consideration Shares, the Loan Agreement and the Rights Issue being approved by the Shareholders at the special general meeting to be convened ("**SGM**").

An application will be made to the SGX-ST for permission to deal in and for the listing of and quotation for the Rights Shares on the Main Board of the SGX-ST. The Company will make an appropriate announcement upon receipt of the in-principle approval of the SGX-ST.

9. **OTHER INFORMATION**

9.1 Interest of Directors and Controlling shareholders

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect in the Proposed Transactions.

No directors will be appointed to the board of directors of the Company in connection with the Proposed Transactions upon SPA Completion. The Company may subsequently, depending on the operations and expertise required to manage the business of RRM, after SPA Completion, appoint up to two (2) senior management staff of RRM to the board of directors of the Company. As such contemplated new appointments are to take place after SPA Completion (if at all), such person(s) have not been nominated nor have any service contracts in this regard been agreed as at the date of this Announcement.

9.2 SGM

A circular ("**Circular**") setting out information on the Proposed Transactions and the Rights Issue, together with a notice of the SGM to approve the Proposed Transactions (including the allotment and issue of the Consideration Shares) and the Rights Issue will be despatched by the Company to the Shareholders in due course.

9.3 Documents Available for Inspection

Copies of the Sale and Purchase Agreement and the Loan Agreement are available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this Announcement.

BY ORDER OF THE BOARD OF
NETELUSION LIMITED

NG LAI YICK
Executive Chairman

1 March 2010

SCHEDULE 1

Part A

SPA Completion is conditional upon the satisfaction or waiver (as the case may be) of the following Conditions Precedent:

- (a) approval by the Shareholders of the Proposed Acquisition, the allotment and issuance of the Consideration Shares, and the Loan Agreement having been obtained at a special general meeting of the Shareholders;
- (b) the receipt by the Company of the approval-in-principle from the SGX-ST and all necessary regulatory consents and approvals, for admission of the Consideration Shares to, and the listing and quotation of the Consideration Shares on, the SGX-ST and such consents and approvals remaining in full force and effect on the date of SPA Completion and, if such consent and approval is subject to any conditions which are required to be fulfilled on or prior to the date of SPA Completion, such conditions being satisfactory to the Company in its sole and absolute discretion and insofar as required to be fulfilled on or prior to the date of SPA Completion, being so fulfilled;
- (c) approval of the shareholders of RRM authorising the execution and delivery by RRM of the Loan Agreement and all other documents and agreements ancillary or pursuant thereto or in connection therewith, and the execution thereof (where necessary) under the common seal of RRM, and the transactions contemplated thereby including the allotment and issue of the RRM Conversion Shares (if any) to the Company and/or its nominees;
- (d) all representations, warranties and undertakings made by each Vendor (including in its capacity as Covenantors, which is defined as Universal Chinese Limited and Head Team Limited in the Sale and Purchase Agreement) contained or referred to in the Sale and Purchase Agreement ("**Warranties**") and the representations, warranties and undertakings made by RRM contained or referred to in the Loan Agreement ("**Loan Warranties**") remaining true, correct and not misleading in all respects up to and at SPA Completion, as if repeated at SPA Completion and at all times between the date of the Sale and Purchase Agreement and SPA Completion;
- (e) the Vendors (including in their capacity as Covenantors, which is defined as Universal Chinese Limited and Head Team Limited in the Sale and Purchase Agreement) having performed all of the covenants, undertakings and obligations required to be performed or caused to be performed by each of them under the Sale and Purchase Agreement or the Loan Agreement ("**Covenants**") on or before the date of SPA Completion;
- (f) the receipt by the Company of such waivers or consents as may be necessary to enable the Company and/or its nominee(s) to be registered as holder of all of the RRM Sale Shares and the RRM Conversion Shares (in the event the RRM Conversion Shares are issued pursuant to the Loan Agreement);
- (g) all other consents, approvals and regulatory filings required under any and all applicable laws for the sale of the RRM Sale Shares, the allotment and issue of the RRM Conversion Shares to the Company (in the event the RRM Conversion Shares are issued pursuant to the Loan Agreement) and to give effect to the transactions contemplated under the Sale and Purchase Agreement and in the Loan Agreement (including without limitation, such waivers as may be necessary of terms which would otherwise constitute a default under any instrument, contract, document or

agreement to which the any of the Vendors or RRM or its subsidiary is a party or by which any of the Vendors or RRM or its subsidiary or its or their respective assets are bound) being obtained and remaining in full force and effect on the date of SPA Completion and where any consent or approval is subject to conditions, such conditions being satisfactory to the Company in its sole and absolute discretion and insofar as required to be fulfilled on or prior to the date of SPA Completion, being so fulfilled;

- (h) no Party having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the Sale and Purchase Agreement and in the Loan Agreement or notice that any of the foregoing is pending or threatened;
- (i) there being no change (or any development including a prospective change) in the national or international monetary, financial, economic or political conditions or currency exchange rates or foreign exchange controls that would have a material adverse effect on the business, operations, assets, financial condition or prospects of RRM since the date of signing of the Sale and Purchase Agreement; and
- (j) there being no material adverse change in the business, operations, assets, financial condition or prospects of RRM since the date of signing of the Sale and Purchase Agreement.

Part B

The Company may also prior to SPA Completion terminate the Sale and Purchase Agreement upon the occurrence of any of the following events:

- (a) a breach of any Warranties or Loan Warranties;
- (b) a breach of any of the Covenants;
- (c) a default by RRM or any of its subsidiaries (each a "**RRM Group Company**") in any of its obligations by which such RRM Group Company may become bound or liable to be called upon to repay prematurely any loan capital or borrowed moneys;
- (d) any of the Parties having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the Sale and Purchase Agreement or the Loan Agreement or notice that any of the foregoing is pending or threatened;
- (e) a material adverse change in the business operations, assets, financial condition or prospects of RRM since the date of signing of the Sale and Purchase Agreement;
- (f) a change (or any development including a prospective change) in the national or international monetary, financial, economic or political conditions or currency exchange rates or foreign exchange controls that would have a material adverse effect on the business, operations, assets, financial condition or prospects of RRM since the date of the Sale and Purchase Agreement;
- (g) RRM or any Vendor having taken or threatened to take any action as a result of or in anticipation of the transactions contemplated under the Sale and Purchase Agreement or the Loan Agreement that would be materially inconsistent with any of the Warranties; or

- (h) the relevant authorities having enacted or proposed any legislation (including any subordinate legislation) which would prohibit, materially restrict or materially delay the implementation of the transactions contemplated by the Sale and Purchase Agreement or the Loan Agreement or the operations of the Company.

SCHEDULE 2

Loan Events of Default

A Loan Event of Default shall occur upon any of the following events:

- (a) default by RRM in the payment on the due date of any amount payable to the Company hereunder;
- (b) default by RRM in the due and punctual observance and performance of any other provision of or covenant contained in the Loan Agreement and if such default is capable of remedy such default shall not have been remedied within fourteen (14) days after notice from the Company requesting for it to be remedied;
- (c) the Company becomes aware of any fact event or circumstance occurring that would affect the ability of RRM to pay its indebtedness to the Company or to perform its obligations under the Loan Agreement;
- (d) any other indebtedness of RRM in respect of borrowed money is or is declared to be or is capable of being rendered due and payable before its normal maturity by reason of any actual or potential default, event of default or the like (however described) or is not paid when due or, as a result of any actual or potential default, event of default or the like (however described) any facility relating to any such indebtedness is or is declared to be or is capable of being cancelled or terminated before its normal expiry date or any person otherwise entitled to use any such facility is not so entitled;
- (e) any insolvency event occurs in respect of RRM, and an "insolvency event" under the Loan Agreement shall mean the occurrence of any one of the following events:
 - (i) an application or petition is presented or a meeting is convened for the purpose of considering a resolution or other steps are taken by any person with the view to winding up of RRM or, placing RRM under judicial management;
 - (ii) RRM resolving to wind itself up or otherwise dissolve itself;
 - (iii) the appointment of a liquidator or provisional liquidator in respect of RRM;
 - (iv) a judicial manager being appointed in respect of RRM or any of RRM's assets;
 - (v) RRM entering into a scheme of arrangement or composition with or assignment for the benefit of all or any class of its creditors;
 - (vi) the appointment of a receiver or receiver and manager over RRM or any of its assets; or
 - (vii) anything analogous or having a substantially similar effect to any of the events specified above happening under the law of any applicable jurisdiction; or
- (f) any provision of the Loan Agreement is or becomes for any reason, illegal, invalid or unenforceable.