Annual Report 2011

Z-OBEE HOLDINGS LIMITED

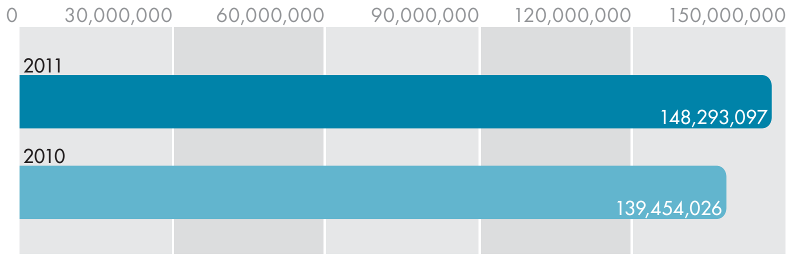
(Incorporated in Bermuda with limited liability)

Stock Code
Singapore: D5N
Hong Kong: 948

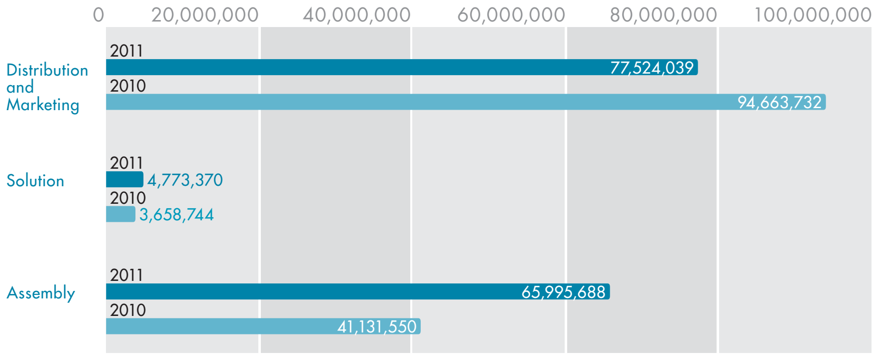
CONTENTS

FINANCIAL HIGHLIGHTS

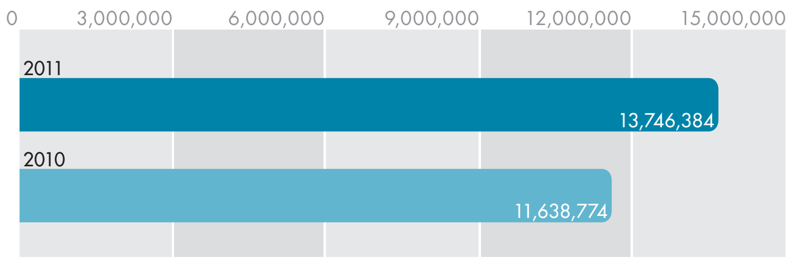
Revenue
US$



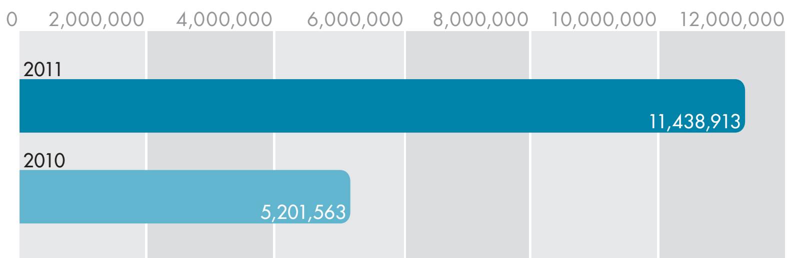
Revenue by Segment
US$



Gross Profit
US$



Net Profit Attributable to Owners of the Company
US$



CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of Z-Obee Holdings Limited ("Z-Obee", the "Company" or the "Group") for the year ended 31 March 2011 (the "FY2011").

The Group saw a fruitful year in FY2011 and the results were encouraging. With regard to the global mobile handset market, total shipment of mobile handsets worldwide approximated 1,390 million in 2010, representing a growth of 18.5% over 2009. The China market is also promising, with the number of mobile handset subscribers having reached 890.27 million at the end of March 2011, representing an increment of 113.4 million compared to the same period last year. The PRC mobile handset industry also saw rapid growth in 3G business. It is expected that by the end of 2011, the number of 3G subscribers would reach 150 million. The increasing number of 3G subscribers will simultaneously drive the demand for 3G mobile handsets and smartphones, and encourage consumers to replace their mobile handsets. As a result, the overall performance of the PRC mobile handset industry was satisfactory. With its visionary strategy on the research and development of smartphones and the dedication of its staff, the Group managed to capitalise on opportunities to grow further this year and achieved a good set of results compared to the previous year.

CHAIRMAN'S STATEMENT

The Group recorded a 6.34% increase in revenue in FY2011 to approximately US$148.3 million. Gross profit increased by 18.11% to approximately US$13.7 million whereas profit attributable to owners of the Company increased by 119.91% to approximately US$11.4 million. All major financial results of the Group have shown notable improvements compared to last year.

The Group entered a milestone this year. The Company's Taiwan Depository Receipts (the "TDRs") were listed on the Taiwan Stock Exchange Corporation (the "Taiwan Stock Exchange") on 3 December 2010. The strategy of the TDR listing in Taiwan was aimed to further strengthen the following aspects of the Group:

(i) Increase the liquidity of the Company's shares by attracting international investors, particularly potential investors in Taiwan, to invest and deal in the Shares of the Company and broaden and diversify the shareholder base of the Company to pave way for the Group's future growth.

(ii) Increase public awareness and attention of the Group by promoting the Group's corporate image in Taiwan, and to lay a solid foundation for the Group's business growth in Taiwan.

(iii) Introduce quality suppliers and research and development technologies to other markets through strategic cooperation with research corporations in Taiwan.

The Group became the first company in the Greater China region to have its shares listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Stock Exchange of Hong Kong Limited (the "HKSE") and the Taiwan Stock Exchange. Taking advantage of the strength of these three markets, i.e. research capability of Taiwan, and the financial expertise of Singapore and Hong Kong, the Group will be able to make use of their advantages without being hindered by their deficiencies to consolidate its foundation, establish a sound platform and increase its competitive edge to explore opportunities in the huge Mainland China market.

Another major achievement of the Group in the current year is the launching of the first model of "VIM" smartphone in FY2011. In line with the Group's strategy to develop smartphones, the Group has now developed the platforms of two intelligent operating systems – Windows Mobile and Android. In response to the demand of smartphones in the mobile handset market, the Group will expedite the launching of intelligent products in the second half of 2011. In addition, the smartphones of the Group successfully brought in the application of the "Internet of Things" through the innovative accessory technology, which was researched and developed by the Group. The "Internet of Things" is the notion of connecting things with people or things and people, creating a larger network than the Internet itself. Its application is mainly realized in the solutions for government departments and enterprises. It is expected that, in China alone, the industry scale of the "Internet of Things" will reach RMB75 billion in 2015. The Group's first smartphone application of the "Internet of Things" is used by the industry and commerce bureaus of Shaanxi Province for its local food safety inspection.

CHAIRMAN'S STATEMENT

In response to the intense competition in the mobile handset industry, the Group acquired 15% (subsequently diluted to 14.66% as at 31 March 2011) of the equity interest in Yoho King Limited and formed a strategic alliance in May 2010. This investment had helped the Group with its expansion to other high-tech projects, such as netbooks, PC chips and other computer-related communication terminals. The Synergy from the acquisition of Yoho King Limited has begun to be seen. According to the valuation by an independent professional valuer, the book value of this investment had increased by 52.76% or approximately US$5,714,000, and this had been included in the financial statements of FY2011.

The Group will further expand its business mix through (i) its in-house development of smartphone under its brand name "VIM"; and (ii) entering into co-operation agreements with a number of industry solution providers in order to provide mobile smart solutions for different industries and gain a higher market share in the "Internet of Things" industry; and (iii) the development of recurring revenue-generating projects. The Group is very confident that its strategies will provide it with opportunities to open up a new source of income.

The Group anticipates uncertainties in the foreseeable future amid general recovery of the overall economic activities. The mobile handset industry changes rapidly. The Group will continue to implement its strategies prudently and prepare itself for any potential challenges ahead by leveraging on its research and development capability to enhance the core competitive edges of the Group through innovative technology.

On behalf of the Board of Directors, I would like to express my sincere gratitude to the shareholders, customers, suppliers and business partners for their support throughout the years. Last but not least, I would like to thank my Management team and employees for their dedication and hard work in the past year. It is the joint effort of and contributions from each and every one of you that had resulted in the achievements we have today.

Wang Shih Zen
Chairman and Chief Executive Officer

FINANCIAL REVIEW, OPERATIONAL REVIEW AND BUSINESS OUTLOOK

FINANCIAL REVIEW

Revenue

Revenue increased by approximately 6.34% from approximately US$139,454,000 in the financial year ended 31 March 2010 ("FY2010") to approximately US$148,293,000 in the financial year ended 31 March 2011 ("FY2011"). The increase was mainly due to the increase of approximately 58.00% in revenue from the solution and assembly segments of the Group. During the year, the Group had trimmed down the distribution and marketing segment, which is the least profitable segment of the Group.

Gross profit

Gross profit increased by approximately 18.11% from approximately US$11,639,000 in FY2010 to approximately US$13,746,000 in FY2011 and the gross profit margin increased from approximately 8.35% in FY2010 to approximately 9.27% in FY2011. Such increase in gross profit as well as gross profit margin was mainly due to the increase in contribution from the solution and assembly segments with comparatively high profit margins.

FINANCIAL REVIEW, OPERATIONAL REVIEW AND BUSINESS OUTLOOK

Total assets

The total assets amounted to approximately US$138.5 million as at 31 March 2011 comprised mainly of trade receivables, bank and cash balances, prepayments, deposits and other receivables, financial assets at fair value through profit or loss; and property, plant and equipment. The increase in the total assets amounted to approximately 26.61% was due to the continuous expansion of the Group, the one-off gain of approximately US$5,714,000 on the fair value of the Group's equity investment in Yoho King Limited and the proceeds received from the listing of TDRs in Taiwan in the current year.

Total liabilities

The total liabilities amounted to approximately US$34.9 million as at 31 March 2011 and comprised mainly of trade and bills payables, short-term bank loans and trust receipt loans. The increase in the total liabilities amounted to approximately 8.79% was due to the continuous expansion of the Group in the current year.

OPERATIONAL REVIEW

Material transactions

The Group had the following material transactions during the year under review and up to the date of the annual report:

Acquisition of Yoho King Limited

On 23 March 2010, the Group entered into a share purchase deed, conditionally to acquire 7,500 shares of Yoho King Limited ("Yoho King") which represented 15% of the equity interests in Yoho King and its subsidiaries (collectively known as "Yoho King Group") as at the date of the share purchase deed at the consideration of US$10,830,975 by cash.

The Directors consider that the acquisition represents a good opportunity for the Group to expand into the high-tech products, such as netbooks, computer chips and other IT communication devices and terminals through a formation of strategic alliance with Yoho King Group. Apart from the opportunity for possible expansion to another new business segment, the Directors also considered that there may be synergy effect in the future as the Group and Yoho King Group are both principally engaged in the electronics products business. As a result, both the Group and Yoho King Group could have mutual benefits arising from the formation of the strategic alliance.

The acquisition was approved by the independent shareholders of the Company in the special general meeting held on 18 May 2010.

FINANCIAL REVIEW, OPERATIONAL REVIEW AND BUSINESS OUTLOOK

After the completion of the acquisition, several investors joined Yoho King. As such, the percentage owned by the Group was diluted to approximately 14.66%. On 23 September 2010, Yoho King Group, via Kada Technology Holdings Limited, made an application to the Securities Commission of Malaysia for the initial public offering and listing of its shares on the Main Market of Bursa Malaysia Securities Berhad. Kada Technology Holdings Limited has yet to obtain the required approval from the Securities Commission of Malaysia for the initial public offering and listing of its shares on the Main Market of Bursa Malaysia Securities Berhad.

The equity investment in Yoho King Limited has been classified as financial assets at fair value through profit or loss and is stated at fair value of US$16,545,000 and a one-off gain of approximately US$5,714,000 on fair value has been recognized in the consolidated financial statements for the year ended 31 March 2011. The fair value has been arrived at on the basis of a valuation carried out by an independent professional valuer.

Co-operation agreements

The Group has entered into a co-operation agreement with Shenzhen Jinzunzhe Technology Limited ("SJTL") on 25 May 2010 to provide not less than 200,000 units of CDMA mobile handsets and another one with SJTL on 8 July 2010 to provide not less than 200,000 units of 3G netbooks as end products to one of the telecommunications operators in the PRC (the "Telecom Operator") through SJTL in the next two years. The Directors believe that it is a good opportunity to enhance the customer portfolio of the Group and build up a good business relationship with SJTL and indirectly, the Telecom Operator. Subject to the final results, the Board believes that the co-operations will contribute positively to the Group's revenue and net profit in the next two years.

Listing of TDRs

Since 3 December 2010, 80,000,000 units of TDRs, comprising 40 million new shares of the Company and 40 million existing shares of the Company, have been listed on the Taiwan Stock Exchange.

Significant subsidiaries of the Company

The significant subsidiaries of the Company are CCDH Technology Limited, Zeus Telecommunication Technology Holdings Ltd., Tongqing Communication Equipment (Shenzhen) Co., Ltd., Max Sunny Limited and Loyal Power International Investment Limited. Details of the subsidiaries of the Company are set out in note 19 to the financial statements.

Liquidity and capital resources

As at 31 March 2011, the Group had current assets of US$107,825,011 (2010: US$95,013,560) and current liabilities of US$34,873,694 (2010 restated: US$32,054,336) and total bank and cash balances other than restricted bank balances of US$42,979,227 (2010: US$38,105,871). The Group's current ratio, being a ratio of current assets to current liabilities, was approximately 3.09 (2010 restated: 2.96). The Group's gearing ratio, being a ratio of total debt to total assets, was approximately 9.82% (2010: 15.15%).

FINANCIAL REVIEW, OPERATIONAL REVIEW AND BUSINESS OUTLOOK

During the year ended 31 March 2011, the Company has successfully raised approximately US$12,910,000 by placing and public offer of 40,000,000 new shares upon listing of TDRs on the Taiwan Stock Exchange at subscription price of NT$10.20 (equivalent to approximately HK$2.58 or S$0.437) per share.

The Group will constantly review its financial resources and will consider various plans to enhance its financial capabilities.

Capital commitments

As at 31 March 2011, the Group did not have any material capital commitments. As at 31 March 2010, the capital commitment of the Group in respect of the acquisition of 15% equity interest in Yoho King Group and purchase of property, plant and equipment, which had been contracted but not provided for in the financial statements were in the total amount of US$6,498,585 and US$1,650,749, respectively.

Charge on assets

As at 31 March 2011, restricted bank deposits of approximately US$1,319,000 (2010: US$3,727,000) and structured deposits of approximately US$666,000 (2010: Nil) were placed with banks in Hong Kong and PRC as the pledge for general banking facilities and bank loans.

As at 31 March 2011, the Group's finance lease payables are secured by the lessor's title to the leased assets and corporate guarantees executed by certain subsidiaries of the Company and the Company.

Contingent liabilities

As at 31 March 2011, the Group did not have any material contingent liabilities (2010: Nil).

Employee information

As at 31 March 2011, the Group has 169 full time employees whose salary and benefit levels are maintained at competitive levels. Employees are rewarded on a performance related basis within the general policy and framework of the Group's salary scheme, and discretionary bonus schemes based on the performance of the Group, which are regularly reviewed. Other benefits are also provided including medical insurance and pension funds, and social and recreational activities are arranged around the world.

FINANCIAL REVIEW, OPERATIONAL REVIEW AND BUSINESS OUTLOOK

OUTLOOK

According to the statistics from International Data Corporation, the accumulated global shipments of mobile handsets in 2010 was approximately 1.39 billion units, representing an increase of 18.5% compared to 2009, which was very close to the growth rate of approximately 22.6% during the peak in 2006. It demonstrates that the mobile handset industry is gradually recovering from the economic slump in 2009. In addition to the economic recovery, the main reason for the rapid growth of the mobile handset industry was mainly attributable to the increased demand of smartphone with its innovative functions encouraging the traditional mobile handset subscribers to switch their existing mobile handsets to smartphones. The sales of smartphones in 2010 in the world was approximately 302.6 million units, which amounted to an increase of 74.4% compared to 2009 and accounted for approximately 21.8% of the total sales of mobile handsets for the year. The optimized 3G infrastructure will further drive the growth of the smartphone market. It is expected that smartphones in 2011 will remain the sales focus in the mobile handset market.

In China, the number of mobile handset subscribers reached approximately 890.27 million as at 31 March 2011. It is generally believed that China will continue to have the world's largest number of mobile handset market in the next few years. In fact, in 2009, US$23 billion was invested in China for the construction of 3G networks, the optimization of which will subsequently lead to an increase of subscribers and the demand for related services. The number of 3G subscribers in China for the year ended 31 March 2011 reached 61.9 million. The PRC Government expects that this figure to increase to 150 million at the end of 2011. According to a research jointly conducted by ResearchInChina and 1diaocha.com, there is a strong demand from subscribers for three functions, namely mobile Internet, e-book and mobile social contact, and smartphones with multi functions can meet the needs of the subscribers.

Apart from the consumer mobile handset market, the demand for smart terminals from other markets such as the governmental sectors and enterprises also gives rise to new opportunities. The concept of "Internet of Things", which relies on mobile handset network as its major means of mobile data transmission, provides various industries with new technologies and equipments for the development of a work programme of higher efficiency. As forecasted by Xinhua News Agency in its annual report of "Internet of Things" development in China for 2009 to 2010, the market scale of the "Internet of Things" industry in China is expected to climb up to RMB750 billion in 2015. Mobile terminals, including smartphones, will play an essential role in the industry, whilst the issue of how to effectively satisfy the needs of different industries with its own products will draw most of the attention among the peer industry.

The challenge for 2011 mobile handset industry in China is still promising. It is widely believed that the main trend for all mobile handset manufacturers in the near future is to become more innovative and price-competitive so as to meet the customers' needs and wants (both high-end and low-end) in the market. The fast growing smartphone market will provide opportunities in 2011, while business potentials from the markets of the governmental sectors and enterprises allow no negligence. Innovation and price competitiveness are the Group's strategies to focus on as it continuously strives to strengthen its research and development team in existing product intelligence, application of smart technologies, industry solutions and operating platform of mobile handset, in order to further build on its foundation.

DIRECTORS' AND MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Wang Shih Zen ("Mr. Wang"), aged 50, is one of the controlling shareholders, Chairman and chief executive of the Company. He joined the Group in 2005 and was appointed to the Board on 1 February 2007. He was last re-elected on 30 July 2009. Mr. Wang is responsible for the strategy planning of the Group and also leads both of the research and development team and the sales and marketing team.

After Mr. Wang joined the Group in 2005, the Group started to focus on research and development of mobile handset solution and application business and recorded an increment in revenue from the provision of mobile handset solution and application since the financial year ended 31 March 2006, which was attributable to the extensive experience in the telecommunication industry contributed by Mr. Wang. In view of Mr. Wang's business strategy, which lead to the expansion of the Group by exploring higher profit margin business and entering into the high-end market, and his extensive experience in telecommunication industry and management, Mr. Wang plays a key person to the Group's success and is responsible for the execution of the business strategies of the Group and the day-to-day management of the business of the Group.

Mr. Wang obtained a Bachelor of Engineering degree from the James Cook University in North Queensland in 1984 and subsequently a Master of Engineering degree from the University of New South Wales in 1987.

In 1998, Mr. Wang joined Neolink Communications Technology Limited which was engaged in the sale of trunking services, as its chief executive officer and assisted to restructure the private company for purposes of listing. Mr. Wang also led its research and development team since 1998. Mr. Wang subsequently joined Pine Technology Holdings Ltd., a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, as its executive vice president responsible for planning, developing and managing its internet appliance division from 2000 to 2002. Thereafter, Mr. Wang moved on to establish his own company, Moosik Ltd, a company engaged in the production and sale of electronic devices. Mr. Wang invested in the Group in 2005 and has been in charge of strategising and charting the Group's directions. In September 2009, Mr. Wang ceased to be the director and shareholder of Moosik Ltd. Mr. Wang has over 15 years of experience in the field of information technology. Prior to joining the Group, Mr. Wang has held various senior management positions in a number of telecommunication companies.

Wang Tao ("Ms. Wang"), aged 38, is one of the controlling shareholders, and is responsible for the sales and marketing of the Group in distribution of mobile handsets components. She joined the Group in 2002 and was appointed to the Board on 19 June 2007 and was last re-elected on 30 July 2008. Ms. Wang obtained a Bachelor of Engineering degree from the China University of Petroleum in 1993. In 1995, Ms. Wang entered into a joint venture with a business partner and established a company engaged in the trading of electronics components and mobile accessories. Ms. Wang founded the Group in September 2002.

DIRECTORS' AND MANAGEMENT PROFILE

Lu Shangmin ("Mr. Lu"), aged 48, is responsible for the financial management, and client solicitation, assessment and monitoring of the Group. He was appointed to the Board on 3 March 2009 and was last re-elected on 30 July 2009. Mr. Lu graduated from Anhui University of Finance and Economic (formerly known as Auhui Institute of Finance and Trade) with a bachelor degree of Economics in 1981. He was the financial controller of Shenzhen Yue Tai Hua Investments Limited from September 1997 to March 2007. Mr. Lu joined the Group in May 2007 as the financial controller of the Company before his appointment as an executive Director in March 2009.

NON-EXECUTIVE DIRECTOR

David Lim Teck Leong ("Mr. Lim"), aged 54, was appointed as an independent director of the Company on 28 October 2008 and was last re-elected on 30 July 2009. He has been redesignated as a non-executive Director of the Company since 3 February 2010. Mr. Lim is the Managing Partner of David Lim & Partners, Singapore. Mr. Lim is a Commissioner for Oaths and Notary Public and a fellow member of the Singapore Institute of Directors. He currently serves as an independent and non-executive director of Liang Huat Aluminium Limited and Samudera Shipping Line Ltd. The Board will consider Mr. Lim as independent according to the Listing Manual of the SGX-ST, but for the purposes of the dual primary listing in Hong Kong, Mr. Lim has agreed to this redesignation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Kam Loon ("Mr. Chan"), aged 50, was appointed as an independent director of the Company on 24 September 2007 and was last re-elected on 30 July 2008. Mr. Chan holds a Bachelor of Science (Economics) in Accounting and Finance degree from the London School of Economics and Political Science and is a qualified Chartered Accountant with the Institute of Chartered Accountant in England and Wales (ICAEW). He currently runs his own management and consulting firm, Philip Chan Consulting Pte Ltd and he also serves on the board of several other companies listed on the Singapore Exchange.

Guo Yanjun ("Mr. Guo"), aged 58, was appointed as an independent director of the Company on 24 September 2007 and was last re-elected on 30 July 2008. Mr. Guo graduated with a Diploma in Law from the China People's University in 1984. He is also a director of several investment companies which also provide investment consultancy services.

Lo Hang Fong ("Mr. Lo"), aged 47, was appointed as an independent director of the Company on 3 February 2010 and was re-elected on 30 July 2010. Mr. Lo joined the Group in November 2009 as an independent non-executive director of Max Sunny Limited, a subsidiary of the Company. He graduated from the University of Bristol with a bachelor of law degree in 1986. He is currently a partner of a law firm, Stevenson, Wong & Co. Mr. Lo has been admitted as a solicitor to the High Court of Hong Kong since 1989. He is also admitted as a solicitor to the Supreme Court of Singapore in 1995 and the Supreme Court of England and Wales in 1996. Mr. Lo is currently an independent non-executive director of Mainland Headwear Holdings Limited and Bonjour Holdings Limited, both of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

DIRECTORS' AND MANAGEMENT PROFILE

Mr. Tham Wan Loong, Jerome ("Mr. Tham"), aged 53, was appointed as an independent director of the Company on 3 May 2010 and was re-elected on 30 July 2010. Mr. Tham has over 25 years of experience in private banking and equity sales. He was a Senior Relationship Manager with OCBC Private Bank. Prior to joining OCBC Private Bank in March 2008, he held several senior positions in relationship management and business development in financial institutions such as UOB Bank Ltd, Credit Industriel et Commercial, Dexia BIL Asia Pte Ltd, DMG and Merrill Lynch (Singapore). His equity sales experience includes working for companies such as Japan Asia Holdings Ltd, DMG and Partners Securities Pte Ltd, BT Brokerage and Associates Pte Ltd and Daiwa Singapore Ltd. Mr. Tham graduated with a degree in Social Science (with Honours) in Economics from the National University of Singapore in 1983. Mr. Tham is currently the Executive Director and Interim CEO of China Gaoxian Fibre Fabric Holdings Limited, a company listed on the main board of SGX-ST.

SENIOR MANAGEMENT

Siu Yun Tang ("Mr. Siu"), aged 45, is the Group's chief financial officer and the Company's company secretary in Hong Kong. Mr. Siu is an associated member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Siu has over 14 years of experience in auditing accounting and financial management and he joined the Group in June 2011.

Chen Ying ("Ms. Chen"), aged 40, is the Group's chief operations officer and is in charge of administration, procurement and support operation. Ms. Chen joined Zeus Telecommunication Technology Holdings Ltd ("Zeus") as an administration manager in January 2005 and joined the Group in May 2006 when the Group acquired Zeus.

CORPORATE GOVERNANCE REPORT

The Board (the "Board") of Directors (the "Directors") and senior management of Z-Obee Holdings Limited (the "Company") are committed to maintaining a high standard of corporate governance by complying, where possible, with the principles and guidelines of the Code of Corporate Governance 2005 (the "Singapore Code") issued by the Council Corporate Disclosure and Governance, Singapore and the Code on Corporate Governance Practices (the "Hong Kong Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Hong Kong Listing Rules") on the HKSE. This report outlines the main corporate governance practices and processes that were in place throughout the financial year under review.

The Board confirms that the Company has generally adhered to the principles and guidelines of the Singapore Code and the Hong Kong Code (where they are applicable, relevant and practicable to the Group).

BOARD MATTERS

The Board's conduct of its affairs

As at the date of the annual report, the Board comprises:

Executive Directors:
Mr. Wang Shih Zen *(Chairman and Chief Executive Officer)*
Ms. Wang Tao
Mr. Lu Shangmin

Non-executive Director:
Mr. David Lim Teck Leong

Independent Non-executive Directors:
Mr. Chan Kam Loon
Mr. Guo Yanjun
Mr. Lo Hang Fong
Mr. Tham Wan Loong, Jerome *(appointed on 3 May 2010)*

The Board is responsible for the proper conduct of the Company's business and its primary role is to provide leadership, to set strategic aims and to ensure that the necessary and adequate resources are in place for the Company and its subsidiaries (collectively the "Group") to meet its objectives as well as to protect and maximise shareholders' wealth in the long term.

CORPORATE GOVERNANCE REPORT

The Board is supported by three sub-committees (collectively the "Committees"), namely the Nominating Committee (the "NC"), Remuneration Committee (the "RC") and Audit Committee (the "AC") to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. Each Committee has its own defined terms of reference and the effectiveness of each Committee is also constantly monitored. The Board accepts that while these Committees have the delegated power to make decisions, execute actions or make recommendations in specific areas, the ultimate responsibility for the decisions and actions reside with the Board.

The Board conducts regular meetings on a quarterly basis, primarily to review and approve the Group's financial results for that period. Additional Board meetings, in respect of the material acquisition and disposal of investments, major funding decisions, share issuance, nomination of directors, appointment of key management personnel, interested party transactions, connected transactions and other significant transactions which will constitute a discloseable, major and very substantial transaction, are convened when required. As a general practice, the agenda and relevant documents required for the Board and Board Committee meetings are disseminated to members before the respective meetings. When necessary, senior management members are invited to the Board or Board Committee meetings to provide updates and information on matters tabled for discussion.

Four Board, four AC, one NC and two RC meetings were held in the year ended 31 March 2011 ("FY2011"), respectively.

The attendances of the Directors at meetings of the Board and Board Committees in FY2011 are disclosed as follows:

	Board		AC		NC		RC	
Name	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended
Wang Shih Zen	4	4	N/A	N/A	1	1	2	2
Wang Tao	4	3	N/A	N/A	N/A	N/A	N/A	N/A
Lu Shangmin	4	4	N/A	N/A	N/A	N/A	N/A	N/A
David Lim Teck Leong	4	4	4	4	1	1	2	2
Chan Kam Loon	4	4	4	4	1	1	2	2
Guo Yanjun	4	4	4	4	1	1	2	2
Lo Hang Fong	4	3	4	3	1	1	2	2
Tham Wan Loong, Jerome	4	4	4	4	1	1	2	2

Telephonic attendance and video conferencing are permitted under the Company's Bye-Laws.

CORPORATE GOVERNANCE REPORT

When a physical Board or Board Committee meeting is not possible, timely communication with members of the Board or Board Committees can be addressed through electronic means and the circulation of written resolutions for approval by the respective members of the Board or Board Committees.

The Board is kept informed of the new updates regarding the requirements of the SGX-ST and other statutory and regulatory requirements from time to time.

Newly appointed Directors are provided with various operational, financial and corporate information of the Group and are encouraged to visit the main operation locations of the Group and to meet with senior management so as to gain more understanding and insight into the Group's business operations. In addition, for those who do not have the experience or are not familiar with the duties and obligations required of a director of a listed company, appropriate arrangements would be made to ensure that the said director(s) receive the necessary training and briefing. To keep abreast with developments in corporate, financial, legal and other compliance requirements, Directors are encouraged to attend relevant training courses, at the expense of the Company.

The Company will provide a formal letter of appointment to the newly appointed Non-Executive Directors, setting out the director's duties and obligations and terms of appointment whereas Executive Directors will be provided with service agreements setting out their terms of office and terms and conditions of appointment.

Board composition and guidance

None of the Directors on the Board is related and does not have any relationship (save for Mr. Wang Shih Zen and Ms. Wang Tao who are substantial shareholders of the Company) with the Company, its related companies or its officers which could interfere, or be reasonably perceived to interfere, with the exercise of their independent judgements. The current Independent Non-executive Directors account for more than one-third of the Board. The Board, through the delegation of its authority to the NC, will determine if a candidate appointed to the Board possesses the relevant background, integrity, experience, knowledge and skills necessary for the Company's business and effective decision making. The NC has the responsibility of reviewing the independence of directors on an annual basis. The NC has adopted both the Singapore and Hong Kong Codes' definition of "independent" director and guidelines as to relationships would deem a director not to be independent. Profiles of the Directors and other relevant information are set out on pages 12 to 14 of this Annual Report.

The NC with the concurrence of the Board, is of the view that the current composition of the Board is adequate, after taking into consideration the diversity of skills and experience among the Board members who possess the relevant knowledge in their respective professions, e.g. engineering, finance, legal, and business management, to ensure that the Board is able to exercise and make appropriate and independent decisions with regard to the Group's business and operations. The diversity of the Directors' experience allows for useful exchange of ideas and views.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. In deliberating Management proposals and/or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interests and other complexities.

Chairman and Chief Executive Officer

Currently, Mr. Wang Shih Zen, is the Chairman and the Chief Executive Officer ("CEO") of the Company. He is responsible for managing the Board, business strategy and direction, formulation of the Group's corporate plans and policies including executive decision-making and the day-to-day business operations of the Group. He also ensures that the Board is kept updated and informed of the Group's business.

Although there is a deviation from the recommendation of both the Singapore Code and Hong Kong Code, the Board believes that vesting the roles of both Chairman and CEO on the same person provides the Group with a strong and consistent leadership and allows for more effective planning execution of long-term business strategies. In addition, there is a strong element of independence of the Board as half of the current Board comprises Independent Non-executive Directors. All major decisions made by the Chairmen and CEO are reviewed by the Board. His performance and re-appointment to the Board are reviewed by the NC and his remuneration package by the RC. Both the NC and RC are chaired by Independent Non-executive Directors. The Board believes that there are adequate safeguards and checks in place to ensure that the process of decision making by the Board is independent and based on collective decision making without Mr. Wang being able to exercise considerable concentration of power or influence. As such, the Board does not consider segregating the role of Chairman and CEO at this moment. The NC will review the need to separate the roles from time to time and make its recommendation accordingly.

As Chairman of the Board, Mr. Wang is responsible for the effective working of the Board such as ensuring that Board meetings are held when necessary, assisting in ensuring compliance with the Company's guidelines on corporate governance, acting as a facilitator at Board meetings and maintaining regular dialogue with Management on all operational matters. The Company Secretaries assist the Chairman in scheduling the Board and Board Committee meeting respectively in consultation with the Chief Financial Officer.

Mr. Chan Kam Loon was appointed as the Lead Independent Director to co-ordinate and lead Independent Non-executive Directors to provide a non-executive perspective and to contribute a balanced viewpoint to the Board. He is also available to address shareholders' concerns on issues that cannot be appropriately dealt with by the Chairman/CEO or the Chief Financial Officer.

CORPORATE GOVERNANCE REPORT

Board Membership and Board Performance

The NC was set up in September 2007 and currently comprises six members. Its duties and responsibilities are guided by written terms of reference. The members of the NC comprise a majority of Independent Non- Executive Directors including its Chairman. The current composition of the NC is as follows:

Chairman:	Mr. Lo Hang Fong
Members:	Mr. Chan Kam Loon Mr. Guo Yanjun Mr. Tham Wan Loong, Jerome Mr. Wang Shih Zen Mr. David Lim Teck Leong

The principal functions of the NC are to:

1. review and recommend to the Board the structure, size and composition of the Board and the Board Committees;

2. review and recommend to the Board the appointment of new executive, non-executive and independent non-executive Directors;

3. evaluate the effectiveness of the Board as a whole, and the contributions of each Director;

4. review and recommend Directors retiring by rotation for re-election in the Annual General Meeting (the "AGM");

5. review and evaluate whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple Board representations; and

6. review the independence of each Director on an annual basis.

In accordance with the Company's Bye-Laws, each Director is required to retire at least once every three years by rotation and all Directors appointed by the Board will have to retire at the next AGM, following their appointments. A retiring Director shall be eligible for re-election. In deciding whether to recommend to the Board the re-election of a Director, the NC has to consider the contribution of the Director including attendance and participation at Board and Board Committee meetings and the time and effort accorded to the Company/Group's business and affairs.

Pursuant to the Hong Kong Code, the Independent Non-executive Directors should be appointed with a fixed term. However, there is no fixed term for the appointment of Independent Non-executive Directors of the Company. The Independent Non-executive Directors are re-appointed in accordance with the provision of the Company's Bye-Laws as specified above.

CORPORATE GOVERNANCE REPORT

The NC, having considered the attendance and participation of the following Directors at Board and Board Committees meetings, in particular, their contributions to the business and operations of the Company as well as Board processes, had recommended to the Board the re-nomination of the following Directors who will be retiring at the forthcoming AGM:

1. Ms. Wang Tao
2. Mr. Chan Kam Loon
3. Mr. Guo Yanjun

The Board had accepted the NC's recommendation and accordingly, the abovementioned Directors will be offering themselves for re-election.

Each member of the NC shall abstain from voting on any resolution and making recommendations and/or participating in respect of his/her re-nomination as Director.

The NC had also adopted a process for selection and appointment of new Directors. This provides the procedure for the identification of potential candidates, the evaluation of candidates skills, knowledge and experience, and subsequent recommendation to the Board. The NC has reviewed the independence of Board members with reference to the guidelines as set out in the Singapore Code and Hong Kong Code and has determined Messrs. Chan Kam Loon, Guo Yanjun, Lo Hang Fong and Tham Wan Loong, Jerome to be independent and free from any of their relationships as outlined in the Singapore Code and Hong Kong Code. Pursuant to its terms of reference, the NC is required to determine if a Director has been adequately carrying out his/her duties as a Director of the Company, particularly if he/she has multiple Board representations. In view of this, having considered the confirmations received from the Independent Non-executive Directors and Mr. David Lim Teck Leong, a Non-Executive Director, the NC concluded that such multiple Board representations do not hinder them from carrying out their duties as Directors of the Company.

The NC has adopted a formal system of evaluating the Board as a whole. The Board evaluation is conducted on an annual basis. Each member of the Board is required to complete a questionnaire relating to Board composition, information flow to the Board, Board procedures, Board accountability, matters concerning CEO/Senior Management and standards of conduct of Board members. The Board had taken the view that financial indicators as recommended by the Singapore Code to be included as part of the performance criteria for Board evaluation might not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to the Board.

During the year, an evaluation of the Board performance had been conducted. The evaluation exercise provided feedback from each Director, his views on the Board process and procedures as well as the effectiveness of the Board as a whole.

CORPORATE GOVERNANCE REPORT

The results of the Board Performance Evaluation were collated and presented to the NC for discussion together with comparatives from the previous year's results. The NC is generally satisfied with the results of the Board Performance Evaluation for FY2011, which indicated areas of strengths and those that could be improved further. No significant problems were identified. The NC had discussed the results with the Board members who agreed to work on those areas that could be improved further. The NC would continue to evaluate the process for such review, its effectiveness and development from time to time.

Access to information

The Directors have access to the Company's records and information and receive detailed financial and operational reports from the senior management of the Group. Prior to each Board meeting, the Board is provided with sufficient and relevant information regarding to the matters to be discussed in the Board meeting for decision making purposes. Should Directors, whether as a group or individually, need independence advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

The Directors are also given separate and independent access to the Company Secretaries. The Company Secretaries attend all Board and Committees meetings and assist the Board in ensuring that proper procedures at such meetings are followed. The main responsibility of the Company Secretaries is to ensure that the Company complies with the requirements of the applicable Companies Act, Hong Kong Companies Ordinance, the Listing Manual of the SGX-ST and Hong Kong Listing Rules. The appointment and removal of the Company Secretaries are subject to the Board's approval.

The Directors are regularly updated and kept informed of the new developments to the applicable rules and regulations in the industry where the Group operates as well as changes in the listing and financial reporting rules to ensure compliance.

REMUNERATION MATTERS

Procedures for developing remuneration policies, level and mix of remuneration and disclosure on remuneration

The RC, regulated by a set of written terms of reference, currently comprises six members, a majority of whom are Independent Non-executive Directors including its Chairman, as follows:

Chairman:	Mr. Guo Yanjun
Members:	Mr. Chan Kam Loon
	Mr. Lo Hang Fong
	Mr. Tham Wan Loong, Jerome
	Mr. David Lim Teck Leong
	Mr. Wang Shih Zen

CORPORATE GOVERNANCE REPORT

The principal functions of the RC are to:

1. review and to recommend to the Board, a framework of remuneration for the Directors and senior Management, in the areas of remuneration, including but not limited to fees, salaries, allowances, bonuses, options and all other benefits in-kind;

2. review and determine the specific remuneration packages for each Executive Directors and senior Management;

3. review and recommend to the Board the terms of renewal of Executive Director's service agreements;

4. ensure adequacy in the disclosure of Directors' remuneration; and

5. carry out such other duties as may be agreed by the RC and the Board.

A. Details of the Directors' remuneration paid or payable in FY2011 are set out below:

Name	Fees	Salaries	Total
Wang Shih Zen	–	100%	Band A
Wang Tao	–	100%	Band A
Lu Shangmin	–	100%	Band A
David Lim Teck Leong	100%	–	Band A
Chan Kam Loon	100%	–	Band A
Guo Yanjun	100%	–	Band A
Lo Hang Fong	100%	–	Band A

Band A: Below S$250,000

B. The remuneration of the top 2 executives, who are not Directors of the Company, fall within the remuneration band of S$250,000.

C. There was no employee who is an immediate family member of a Director or the CEO whose remuneration has exceeded S$150,000 for FY2011.

The RC, with the concurrence of the Board, is of the view that the current remuneration of the Non-Executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. Other than Directors' fees, which have to be approved by shareholders at every AGM, the Non-Executive Director and Independent Non-Executive Directors do not receive any other forms of remuneration from the Company.

CORPORATE GOVERNANCE REPORT

The service agreement of an Executive Director is for a period of three years and the contract can be terminated by giving the other party not less than three months notice or three months' salary in lieu of notice. Details of the Executive Directors' service agreements are set out on page 32 of the Report of the Directors. The RC will carry out an annual review of the Executive Directors and senior Management's remuneration packages to ensure that their remuneration commensurate with their performance, giving due regard to the financial health and business needs of the Group. For FY2011, the RC is satisfied with the Executive Directors and senior Management's remuneration packages for Board approval. The Board had approved the recommendation accordingly. External professional advice may be sought by the RC, when required.

In deriving and approving appropriate remuneration packages, the RC is mindful of factors such as employment conditions within the industry, job scopes and responsibilities of the individuals and the need to link reward to performance. External professional advice may be sought by the RC, when required. The original Employee Share Option Scheme was terminated before the listing of the Company's shares in Hong Kong and another new Employee Share Option Scheme (the "SOS") was put in place for incentive purposes and approved by the shareholders in a special general meeting held on 11 February 2010. Details of the SOS are set out in note 35 to the financial statements.

The RC had recommended to the Board an amount of up to S$208,000 as Directors' fees for the financial year ending 31 March 2012, payable quarterly in arrears. These recommendations have been endorsed by the Board and will be tabled at the forthcoming AGM.

No Director was involved in determining his/her own remuneration.

The RC is also responsible for administering the Employee Share Option Scheme (the "SOS"). Details of the SOS are set out in note 35 to the financial statements.

ACCOUNTABILITY AND AUDIT

Accountability

The Board provides shareholders with a detailed and balanced explanation of the Group's performance, position and prospect in the quarterly and annual results announcements and annual report of the Group. Currently, all the financial information presented in the results announcements and annual report had been prepared in accordance with the International Financial Reporting Standards reviewed by the AC and approved by the Board before release to the SGX-ST, HKSE and the public via SGXNET and the website of HKSE.

Pursuant to its listing in Hong Kong, the Company is required to provide an interim report with effect from its financial year commencing 1 April 2010, which will be prepared in accordance with International Accounting Standard 34 and released in the same manner as above.

CORPORATE GOVERNANCE REPORT

Audit committee

The AC was set up in September 2007 and currently comprises five members. Its duties and responsibilities are guided by the written terms of reference. A majority of the current members of the AC, including its Chairman are Independent Non-executive Directors are as follows:

Chairman:	Mr. Chan Kam Loon
Members:	Mr. Guo Yanjun Mr. Lo Hang Fong Mr. Tham Wan Loong, Jerome Mr. David Lim Teck Leong

The principal functions of the AC are to:

1. review the audit plans and results of the external auditor's findings and evaluate the internal controls on the Group's critical business processes and any matters which the external auditor wish to discuss (in the absence of Management, where necessary);

2. review the financial statements of the Company and the consolidated financial statements of the Group before submission to the Board of the Company and the external auditor's report on those financial statements;

3. review the assistance given by Management to the Group's external auditor;

4. evaluate the cost effectiveness, independence and objectivity of the external auditor and the nature and extent of the non-audit services provided by them;

5. make recommendation to the Board on the appointment, re-appointment and remuneration of the external auditor of the Company;

6. evaluate the adequacy of the internal financial controls, operational and compliance controls and risk management policies and systems;

7. review interested person transactions and connected transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders;

8. review potential conflicts of interest, if any;

CORPORATE GOVERNANCE REPORT

9. undertake such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

10. to generally undertake such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST and Hong Kong Listing Rules, or by such amendments as may be made thereto from time to time.

The Board is of the view that the members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise as the Board interprets such qualification to discharge their responsibilities.

The Group had adopted a 'Whistle Blowing' policy which provides well-defined and accessible channels in the Group through which staff may, in confidence, raise concerns about possible fraudulent activities, malpractices or improprieties in matters of financial reporting or other matters in a responsible and effective manner. Arrangements for independent investigations of such matters and appropriate follow up actions were also provided for in the 'Whistle Blowing' policy and programme. There were no reports of whistle blowing received in FY2011.

The AC has full access to and co-operation from the Management and full discretion to invite any director or executive officer to attend its meetings, and has been given resources to enable the AC to discharge its functions properly. The external auditor has unrestricted access to the AC.

For FY2011, the AC has:

(i) met with the internal and external auditors without the presence of Management to discuss their findings set out in their respective reports to the AC in relation to internal controls and annual audit results findings summary of the Group;

(ii) conducted a review of all non-audit services provided by the external auditor. The AC is of the opinion that such services would not affect the independence of the auditor; and

(iii) recommended the re-appointment of the Company's auditor, RSM Nelson Wheeler to the Board at the forthcoming AGM of the Company.

Both the internal and external auditors have confirmed that they had received full co-operation from Management and no restrictions were placed on the scope of the audit.

Total fees of approximately US$8,997 were paid to RSM Nelson Wheeler during the year for their non-audit services in relation to tax services rendered to the Group.

Pursuant the Rule 716 of the SGX-ST Listing Manual, the AC and the Board are satisfied that the appointment of Witfull CPAs, Shenzhen to audit the statutory financial statements of two of the PRC subsidiaries of the Group, Zeus Telecommunication Technology Holdings Ltd. and Tongqing Communication Equipment (Shenzhen) Co., Ltd would not compromise the standard and effectiveness of the audit of the Company.

CORPORATE GOVERNANCE REPORT

Internal controls and internal audit

The Group has outsourced its internal audit function to Ascenda Cachet CPA Limited (the "Internal Auditor"). The Internal Auditor reports directly to the AC Chairman.

The role of the Internal Auditor is to support the AC in ensuring that the Group maintains a sound system of internal controls by monitoring and assessing the effectiveness of key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigations as directed by the AC.

The AC will review the adequacy if the internal audit function is sufficiently resourced and is able to perform its function effectively and objectively.

COMMUNICATION WITH SHAREHOLDERS

The Company is mindful of the need to keep shareholders, investors and the public informed of all major developments that affect the Group pursuant to the Listing Manual of the SGX-ST and Hong Kong Listing Rules and to release such information in a timely manner. All necessary disclosures are released through the SGXNET and website of HKSE for market dissemination.

The Company's shareholders' meeting (including the AGM) is the main channel for direct communication between the shareholders and the Directors. As such, shareholders are encouraged to participate in shareholders' meetings to voice their views and seek clarification on issues relating to the business agenda as outlined in the notice. If any shareholder is unable to attend the shareholders' meetings, he or she or they (in case of a corporation) is/are allowed to appoint up to two proxies to vote on his/her/their behalf at the meeting through proxy forms, which are sent together with the annual report or circulars (as the case may be). The duly completed proxy form is required to be submitted forty-eight hours before the shareholders' meeting at the Company's registered office or share transfer agent's office. At shareholders' meeting, each distinct issue is proposed as a separate resolution. The Board (including the Chairman of the Board and respective Board Committees), management and relevant professional parties involved are normally available at the Company's shareholders' meeting to address any question or concern that shareholders may have.

All votes of the shareholders at the shreholders' meeting will be taken by poll. Poll results will be posted on the websites of SGX-ST and HKSE following the shareholders' meeting.

CORPORATE GOVERNANCE REPORT

Dealings in Securities

The Group had adopted a policy for dealings in securities of the Company by the Directors and officers. All Directors and officers of the Company and of the Group are not allowed to deal in the Company's shares while in possession of unpublished material price-sensitive information, and during the period commencing from 30 days and 60 days before the announcement of the Company's quarterly and full-year results respectively and ending one day after the release of the announcement of the respective results and price-sensitive information. All Directors and officers confirmed that they had complied with the required standards as set out in the Model Code for Securities Transaction by Directors of Listed Issuers and Code of Best Practices on Securities Transactions By the Company and its Officers issued by the HKSE and the provisions of the SGX-ST listing manual in FY2011.

In addition, the Directors, key officers and employees of the Group are discouraged from dealing in the Company's securities on short-term consideration.

Interested person transactions ("IPTs") and connected transactions ("CTs")

The Company had established a guideline to ensure that all transactions with interested persons and connected persons are properly identified by the senior Management of the Company and the Board, and subsequently reported to the AC at its quarterly meeting. Measures are taken to ensure that terms and conditions of interested person transactions and connected transactions are not more favorable than those granted to nonrelated persons under similar circumstances.

Save as disclosed in note 39 to the financial statements, there were no material IPTs and CTs and shareholders' mandate adopted during FY2011.

Material contracts

Save for the following:

(i) service agreements entered into between the Company and the Executive Directors;

(ii) legal services provided by Messrs David Lim & Partners, a law firm in Singapore of which one of the Company's Directors, Mr. David Lim Teck Leong, is a partner; and

(iii) as disclosed in note 39 to the financial statements;

there were no material contracts of the Group involving the interests of the executive officers, Directors or its controlling shareholders during FY2011.

CORPORATE GOVERNANCE REPORT

Risk management

The Company has adopted a Risk Management Policy during the year under review. Details of the financial risk management are set out in note 5 to the financial statements.

Use of proceeds from the initial public offering in Singapore

Uses	**Proceeds allocated** US$'000	**Amounts deployed as of 31 March 2011** US$'000	**Balance to be deployed** US$'000
Purchase of hardware for research and development of 3G and CDMA handset solutions	3,000	(3,000)	–
Acquisition of license and software for research and development of 3G handset solutions	1,500	(130)	1,370
Purchase of hardware and software to enhance product development capabilities	1,000	(1,000)	–
Working capital for Tongqing production plant	7,500	(7,500)	–
For general working capital purpose	4,654	(4,654)	–
Total	17,654	(16,284)	1,370

Use of proceeds from the placement in Singapore

The proceeds from the placement of 20,000,000 ordinary shares amounted to US$1,807,508 was fully used for general working capital purpose as of 31 March 2011.

Use of proceeds from the initial public offering in Hong Kong

Details of the use of proceeds from the initial public offering in Hong Kong are set out on page 29 of the Report of the Directors.

Use of proceeds from the issue of TDRs in Taiwan

The net proceeds from the issue of the 40 million new shares of the Company in relation to the TDRs amounted to approximately US$12.9 million has fully been used for the working capital purpose as of 31 March 2011.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 42.

The Directors did not recommend any dividend for the year ended 31 March 2011.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING IN HONG KONG

The proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange" or "HKSE") in February 2010, after deduction of related issuance expenses, amounted to approximately US$16,696,000. These proceeds were fully applied during the year ended 31 March 2011 in accordance with the proposed applications set out in the Company's listing prospectus dated 12 February 2010, as follows:

Uses	**Proceeds allocated** US$'000	**Amounts deployed as of 31 March 2011** US$'000	**Balance to be deployed** US$'000
Recruit additional professionals to join research and development team and improve research and development team's equipment	1,519	–	1,519
Invest in research on the application and solutions of 3G technologies and operating platform of mobile handset	6,762	(86)	6,676
Strengthen the brand awareness of "VIM" or in Chinese "偉恩" in the mobile handset market in the PRC	6,762	(643)	6,119
For working capital and other general corporate purpose	1,653	(1,653)	–
Total	16,696	(2,382)	14,314

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 103. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2011, the Company had no reserves available for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 89.01% of the total sales for the year and sales to the largest customer included therein amounted to approximately 34.53%. Purchases from the Group's five largest suppliers accounted for approximately 84.64% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 35.02%.

REPORT OF THE DIRECTORS

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:
Mr. Wang Shih Zen
Ms. Wang Tao
Mr. Lu Shangmin

Non-Executive Director:
Mr. David Lim Teck Leong

Independent Non-Executive Directors:
Mr. Chan Kam Loon
Mr. Guo Yanjun
Mr. Lo Hang Fong
Mr. Tham Wan Loong, Jerome *(appointed on 3 May 2010)*

In accordance with Bye-law 86 of the Company's Bye-laws, Ms Wang Tao, Mr Chan Kam Loon and Mr Guo Yanjun, appointed by the Board will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from each of its Independent Non-Executive Directors and considers them to be independent under Rule 3.13 of the Rules Governing the Listing of Securities on the HKSE (the "Hong Kong Listing Rules") and the Code of Corporate Governance 2005 issued by the Council Corporate Disclosure and Governance, Singapore.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 14 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE AGREEMENT

Both Mr. Wang Shih Zen and Ms. Wang Tao have renewed their service agreement with the Company for a further term of 3 years commencing 25 September 2010, unless terminated in accordance with the provisions of the service agreement by either party giving to the other not less than three months' prior notice in writing.

Mr. Lu Shangmin has a service agreement with the Company for a term of three years which commenced on 3 March 2009 and the terms of which are the same as the one mentioned above.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 39 to the financial statements, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 March 2011, the interests and short positions of the Directors in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

REPORT OF THE DIRECTORS

Long positions in ordinary shares of the Company:

Name of Director	Note	Number of shares held, capacity and nature of interest: Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital
Mr. Wang Shih Zen	(a)	11,406,500	153,310,250	164,716,750	25.91%
Ms. Wang Tao		79,094,000	–	79,094,000	12.44%

Note:

(a) Mr. Wang Shin Zen held 200,000 shares through HKSCC Nominees Ltd. Together with his direct holdings of 11,206,500 shares, Mr. Wang held 11,406,500 shares, representing 1.79% of the issued share capital of the Company. The 153,310,250 shares of the Company are held by Wise Premium Limited, a company beneficially owned by Mr. Wang Shih Zen.

In accordance with the Bye-Laws of the Company, each of the directors is required to have registered in his name at least one qualification share. All directors of the Company have complied with this requirement.

Save as disclosed above, as at 31 March 2011, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company, the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Please confirm there was no change in any of the abovementioned interests between the end of the financial year and 21 April 2011. Saved as disclosed above, none of the Directors has any direct or deemed direct interests in the share capital and debentures of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares and debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "SOS") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the SOS are disclosed in note 35 to the financial statements.

REPORT OF THE DIRECTORS

OTHER SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2011, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
Wise Premium Limited	(a)	Directly beneficially owned	153,310,250	24.12%
Kang Ling Hoi	(b)	Deemed interest	153,310,250	24.12%
Wang Tao		Directly beneficially owned	79,094,000	12.44%
Zhang Wei	(c)	Deemed interest	79,094,000	12.44%

Notes:

(a) The ordinary shares are held by Wise Premium Limited, which is legally and beneficially owned by Mr. Wang Shih Zen.

(b) Ms. Kang Ling Hoi is deemed to be interested in the shares held by Mr. Wang Shih Zen as spouse.

(c) Mr. Zhang Wei is deemed to be interested in the shares held by Ms. Wang Tao as spouse.

Save as disclosed above, as at 31 March 2011, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

INTERESTED PERSON TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in note 39 to the financial statements, there were no material interested person transactions (as defined under the Listing Manual (the "Listing Manual of the SGX-ST") of the Singapore Exchange Securities Trading Limited (the "SGX-ST")), connected transactions and continuing connected transactions (as defined under the Hong Kong Listing Rules) during the year under review.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors who are considered to have interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as Directors to represent the interests of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 10% and 25% of the Company's total issued share capital was held by the public as at the date of this report, being the latest practical date prior to the date of this report, according to the Listing Manual of the SGX-ST and Hong Kong Listing Rules respectively.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has applied the principles and guidelines of the Code of Corporate Governance 2005 issued by the Council Corporate Disclosure and Governance, Singapore and the Code on Corporate Governance Practices contained in Appendix 14 of the Hong Kong Listing Rules. Details are set out in the Corporate Governance Report on pages 15 to 28.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the financial statements, up to the date of this report, there were no significant events after the reporting period.

AUDITOR

RSM Nelson Wheeler retires and a resolution for the reappointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chairman

Hong Kong
27 June 2011

INDEPENDENT AUDITOR'S REPORT

RSM! Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF
Z-OBEE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Z-Obee Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 102, which comprise the consolidated and Company statements of financial position as at 31 March 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

INDEPENDENT AUDITOR'S REPORT

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong
Partner-in-charge
Maria Tsang

27 June 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

	Note	2011 US$	2010 US$
Revenue	6	**148,293,097**	139,454,026
Cost of goods sold		**(134,546,713)**	(127,815,252)
Gross profit		**13,746,384**	11,638,774
Other income	7	**1,336,874**	922,361
Selling and distribution costs		**(545,161)**	(45,089)
Administrative expenses		**(4,766,386)**	(4,704,555)
Profit from operations		**9,771,711**	7,811,491
Finance costs	9	**(612,122)**	(509,718)
Fair value gains on financial assets at fair value through profit or loss		**5,870,818**	–
Impairment loss on intangible assets		**(833,334)**	–
Impairment loss on available-for-sale financial asset		**(747,498)**	–
Profit before tax		**13,449,575**	7,301,773
Income tax expense	11	**(2,010,662)**	(2,100,210)
Profit for the year attributable to owners of the Company	12	**11,438,913**	5,201,563
Earnings per share			
Basic (US cents)	15	**1.88**	1.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011 US$	2010 US$
Profit for the year	**11,438,913**	5,201,563
Other comprehensive income:		
Reclassification adjustments arising from release of foreign currency translation reserve directly associated with:		
– Winding up of a subsidiary	**(103,457)**	–
– Disposal of disposal group classified as held for sale	**–**	64,366
– Disposal of a jointly controlled entity classified as held for sale	**–**	(340,000)
Exchange differences on translating foreign operations	**2,048,017**	–
Other comprehensive income for the year, net of tax	**1,944,560**	(275,634)
Total comprehensive income for the year attributable to owners of the Company	**13,383,473**	4,925,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Note	As at 31 March 2011 US$	As at 31 March 2010 US$ (Restated)	As at 1 April 2009 US$ (Restated)
Non-current assets				
Property, plant and equipment	16	**9,363,319**	8,253,504	7,845,441
Intangible assets	17	**226,748**	1,852,640	83,673
Goodwill	18	**1,539,331**	1,480,086	1,480,086
Financial assets at fair value through profit or loss	20	**18,038,554**	642,673	–
Available-for-sale financial asset	21	**1,540,762**	2,178,663	2,178,663
		30,708,714	14,407,566	11,587,863
Current assets				
Inventories	22	**11,062,818**	6,579,607	3,594,946
Trade receivables	23	**50,398,808**	32,463,514	19,086,865
Prepayments, deposits and other receivables	24	**1,784,517**	13,911,240	3,620,978
Derivative financial instruments	25	**280,669**	226,000	285,831
Assets of disposal group classified as held for sale		**–**	–	1,726,321
Jointly controlled entity classified as held for sale		**–**	–	3,005,224
Restricted bank balances	26	**1,318,972**	3,727,328	6,299,692
Bank and cash balances	26	**42,979,227**	38,105,871	28,186,543
		107,825,011	95,013,560	65,806,400
Current liabilities				
Trade and bills payables	27	**17,463,873**	11,582,526	3,305,326
Accruals and other payables	28	**1,877,760**	1,902,982	2,678,755
Bank loans	29	**3,962,639**	6,521,982	4,638,218
Other loans		**–**	435,733	–
Trust receipt loans	30	**7,772,450**	7,753,752	8,172,422
Finance lease payables	31	**1,867,002**	1,868,846	3,047,764
Current tax liabilities		**1,929,970**	1,988,515	346,120
Liabilities directly associated with disposal group classified as held for sale		**–**	–	1,268,600
		34,873,694	32,054,336	23,457,205
Net current assets		**72,951,317**	62,959,224	42,349,195
NET ASSETS		**103,660,031**	77,366,790	53,937,058

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Note	**As at 31 March 2011 US$**	As at 31 March 2010 US$ (Restated)	As at 1 April 2009 US$ (Restated)
Capital and reserves				
Share capital	33	**5,084,590**	4,764,590	3,980,590
Reserves	34(a)	**98,575,441**	72,602,200	49,956,468
TOTAL EQUITY		**103,660,031**	77,366,790	53,937,058

STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Note	2011 US$	2010 US$
Non-current assets			
Investment in a subsidiary	19	**2,570,694**	2,570,694
Current assets			
Due from subsidiaries	19	**57,307,259**	41,377,779
Prepayments, deposits and other receivables	24	**31,987**	22,211
Bank and cash balances	26	**1,849,132**	5,915,416
		59,188,378	47,315,406
Current liabilities			
Due to a subsidiary	19	**–**	124,685
Accruals and other payables	28	**229,403**	404,986
		229,403	529,671
Net current assets		**58,958,975**	46,785,735
NET ASSETS		**61,529,669**	49,356,429
Capital and reserves			
Share capital	33	**5,084,590**	4,764,590
Reserves	34(b)	**56,445,079**	44,591,839
TOTAL EQUITY		**61,529,669**	49,356,429

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Attributable to owners of the Company					
	Share capital US$	**Share premium** US$ (Note 34(c)(i))	**Foreign currency translation reserve** US$ (Note 34(c)(ii))	**Reserve funds** US$ (Note 34(c)(iii))	**Retained profits** US$	**Total equity** US$
As at 1 April 2009	3,980,590	28,254,965	1,828,097	1,576,162	18,297,244	53,937,058
Total comprehensive income for the year	–	–	(275,634)	–	5,201,563	4,925,929
Issue of shares through placement	160,000	1,647,508	–	–	–	1,807,508
Issue of shares through placing and public offer	624,000	16,072,295	–	–	–	16,696,295
Transfer of reserve funds directly associated with disposal of a jointly controlled entity classified as held for sale	–	–	–	(598,100)	598,100	–
Transfer to reserve funds	–	–	–	534,287	(534,287)	–
Changes in equity for the year	784,000	17,719,803	(275,634)	(63,813)	5,265,376	23,429,732
As at 31 March 2010 and 1 April 2010	4,764,590	45,974,768	1,552,463	1,512,349	23,562,620	77,366,790
Total comprehensive income for the year	–	–	1,944,560	–	11,438,913	13,383,473
Issue of shares in relation to the listing of the Taiwan Depositary Receipts on the Taiwan Stock Exchange Corporation	320,000	12,589,768	–	–	–	12,909,768
Transfer to reserve funds	–	–	–	372,909	(372,909)	–
Changes in equity for the year	320,000	12,589,768	1,944,560	372,909	11,066,004	26,293,241
As at 31 March 2011	5,084,590	58,564,536	3,497,023	1,885,258	34,628,624	103,660,031

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 US$	2010 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**13,449,575**	7,301,773
Adjustments for:		
Finance costs	**612,122**	509,718
Interest income	**(538,323)**	(346,164)
Impairment loss on prepayments, deposits and other receivables	**187,637**	–
Impairment loss on intangible assets	**833,334**	–
Impairment loss on available-for-sale financial asset	**747,498**	–
Impairment loss on inventories	**153,651**	–
Fair value gains on financial assets at fair value through profit or loss	**(5,870,818)**	–
Loss on winding up of a subsidiary	**4,177**	–
Fair value (gains)/losses on derivative financial instruments	**(54,669)**	59,831
Depreciation of property, plant and equipment	**1,440,252**	1,187,955
Amortisation of intangible assets	**893,484**	864,411
Loss on disposals of property, plant and equipment	**57,366**	27,379
Loss on disposal of disposal group classified as held for sale	**–**	64,366
Loss on disposal of a jointly controlled entity classified as held for sale	**–**	310,977
Operating profit before working capital changes	**11,915,286**	9,980,246
Increase in inventories	**(4,564,073)**	(2,984,661)
Increase in trade receivables	**(17,899,607)**	(13,376,649)
Decrease/(increase) in prepayments, deposits and other receivables	**7,264,257**	(7,772,699)
Increase in trade and bills payables	**5,831,012**	8,277,200
Decrease in accruals and other payables	**(179,201)**	(468,236)
Cash generated from/(used in) operations	**2,367,674**	(6,344,799)
Interest paid	**(612,122)**	(497,718)
Income tax paid	**(2,069,207)**	(457,815)
Net cash used in operating activities	**(313,655)**	(7,300,332)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Note	2011 US$	2010 US$
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**305,908**	346,164
Purchases of property, plant and equipment	36(a)	**(734,336)**	(1,623,397)
Deposits paid for purchases of property, plant and equipment	36(b)	**–**	(183,416)
Purchases of intangible assets		**(91,572)**	(133,378)
Purchases of financial assets at fair value through profit or loss		**(7,192,673)**	(642,673)
Deposits paid for purchases of financial assets at fair value through profit or loss	36(b)	**–**	(4,332,390)
Proceeds from disposals of property, plant and equipment		**6,143**	–
Proceeds from disposal of disposal group classified as held for sale		**–**	457,721
Proceeds from disposal of a jointly controlled entity classified as held for sale		**821,294**	647,659
Dividends received from a jointly controlled entity classified as held for sale		**–**	885,294
(Increase)/decrease in time deposits with original maturity over three months		**(12,287,954)**	20,499
Decrease in restricted bank balances		**2,537,136**	2,572,364
Net cash used in investing activities		**(16,636,054)**	(1,985,553)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loans raised		**2,424,108**	7,387,263
Other loans raised		**–**	435,733
Repayment of bank loans		**(5,199,882)**	(5,503,499)
Repayment of other loans		**(457,652)**	–
Repayment of finance lease payables		**(1,285,759)**	(1,178,918)
Increase/(decrease) in trust receipt loans		**18,698**	(418,670)
Net proceeds from issue of shares in relation to the listing of the Taiwan Depositary Receipts on the Taiwan Stock Exchange Corporation		**12,909,768**	–
Net proceeds from issue of shares through placement		**–**	1,807,508
Net proceeds from issue of shares through placing and public offering		**–**	16,696,295
Net cash generated from financing activities		**8,409,281**	19,225,712

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Note	2011 US$	2010 US$
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(8,540,428)**	9,939,827
Effect of foreign exchange rate changes		**336,735**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**22,419,496**	12,479,669
CASH AND CASH EQUIVALENTS AT END OF YEAR		**14,215,803**	22,419,496
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	26	**14,215,803**	22,419,496

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

1. GENERAL INFORMATION

The Company (Registration No. 39519) was incorporated in Bermuda on 30 January 2007 under the Companies Act 1981 of Bermuda as an exempted company with limited liability. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its principal place of business is located at Unit E, 26/F., Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

The Company's shares have been listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") since 21 November 2007 and 1 March 2010, respectively. Since 3 December 2010, 80,000,000 units of Taiwan Depositary Receipts ("TDRs"), comprising 40,000,000 new shares of the Company and 40,000,000 existing shares held by certain owners of the Company, have been listed on the Taiwan Stock Exchange Corporation.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 April 2010. IFRSs comprise International Financial Reporting Standards; International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except for the classification of callable loans.

In November 2010 the International Accounting Standards Board published an IFRIC Update and clarified that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of IAS 1 irrespective of the probability that the lender will invoke the clause without cause. The Interpretation is effective immediately and is a clarification of an existing standard, IAS 1 "Presentation of Financial Statements".

In order to comply with the requirements of the IFRIC Update, the Group required changing its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Company had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

The new accounting policy has been applied retrospectively by re-presenting the opening balances as at 1 April 2009, with consequential reclassification adjustments to comparatives as at 31 March 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of IFRIC Update — Classification of a callable loan on the statement of financial position:

	As at 31 March 2011 US$	As at 31 March 2010 US$	As at 1 April 2009 US$
Increase/(decrease) in			
Current liabilities			
Bank loans	**835,099**	1,538,561	—
Finance lease payables	**1,200,000**	636,521	1,868,795
Non-current liabilities			
Bank loans	**(835,099)**	(1,538,561)	—
Finance lease payables	**(1,200,000)**	(636,521)	(1,868,795)

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRSs and the applicable disclosures required by the Listing Manual of the SGX-ST, the Rules Governing the Listing of Securities (the "Hong Kong Listing Rules") on the HKSE and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and derivative financial instruments, which at carried at their fair values.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Group made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position the investment in a subsidiary is stated at cost less allowance for impairment losses. The result of the subsidiary is accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated income statement as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy 3(y) below. Impairment losses of goodwill are recognised in consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in the consolidated income statement.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in consolidated income statement, any exchange component of that gain or loss is recognised in the consolidated income statement.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land and building	5%
Plant and machinery	10%
Furniture, fixtures, equipment, motor vehicles and leasehold improvements	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

For acquisition and disposal during the year, depreciation is provided from the month of acquisition and the month before disposal. Fully depreciated property, plant and equipment are retained in the book of accounts until they are no longer in use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

(e) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each reporting period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(g) License and CDMA software solutions

License and CDMA software solutions are measured initially at purchase costs and are amortised on a straight-line basis over their estimated useful lives of three years less impairment losses.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the consolidated income statement.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in the consolidated income statement.

Impairment losses recognised in the consolidated income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the consolidated income statement.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in consolidated income statement where there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the consolidated income statement.

Impairment losses are reversed in subsequent periods and recognised in the consolidated income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(l) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial guarantee contract liabilities

The Company has issued several guarantees to several banks for banking facilities granted to its subsidiaries. These guarantees are financial guarantee contract liabilities as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their facilities.

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in the consolidated income statement on a straight-line basis over the terms of the guarantee contracts.

(p) Trade and other payables

Trade and other payables are stated initially at their fair values and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(r) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value.

Changes in the fair value of derivatives are recognised in the consolidated income statement as they arise.

The fair value of foreign exchange forward contracts and interest rate swap contracts are determined using prevailing market rates at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Dividends

Final dividends proposed by the directors are not accounted for in owners' equity as an appropriation of retained profits, until they have been approved by the owners in a general meeting. When these dividends have been approved by the owners and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because of the Bye-laws of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the distribution and marketing of mobile handset and mobile handset components and assembly of mobile handset and surface mounting technology of printed circuit board are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenue from provision of design and production solution services for mobile handset is recognised on the following basis:

(i) the customer has accepted the solution packages together with significant risks and rewards of ownership in relation to provision of certain mobile handset solutions other than stated in (ii) below; or

(ii) by reference to the stage of completion, as measured by reference to services performed to date as a percentage of total services to be performed in relation to design and prescribed services as agreed with customers to be rendered in different phases.

Interest income is recognised on a time-proportion basis using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the consolidated income statement represents contributions payable by the Group to the funds.

(iii) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of that entity.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in the consolidated income statement, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(y) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, available-for-sale financial asset, financial asset at fair value through profit or loss, derivative financial instruments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to its present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Fair value of equity interest in Yoho King Limited ("Yoho King") and its subsidiaries (collectively known as "Yoho King Group")

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's investment in Yoho King Group (details of which are set out in note 20 to the financial statements) by appointing an independent professional valuer to assess the fair value of equity interest of Yoho King Group held by the Group. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Where the outcome is different from the estimation, such differences will impact the carrying amount of the financial assets at fair value through profit or loss and the respective fair value gain or loss of the financial assets in the reporting period in which such estimation has been changed. The carrying amount of the Group's investment in Yoho King Group as at 31 March 2011 was US$16,545,000 (2010: Nil) and the fair value gain on the Group's investment in Yoho King Group recognised for the year ended 31 March 2011 was US$5,714,025 (2010: Nil).

(b) Impairment of available-for-sale financial asset

The Group determines whether the unlisted equity investment is impaired at least on an annual basis and based on the financial information available from the unlisted equity investment. In determining the recoverable amount of the investment, the Group has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. The carrying amount of the available-for-sale financial asset as at 31 March 2011 was US$1,540,762 (2010: US$2,178,663) after an impairment loss of US$747,498 was recognised in the consolidated income statement during the year.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use of the CGU requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 March 2011 was US$1,539,331 (2010: US$1,480,086).

(d) Impairment of investment in a subsidiary

Determining whether investment in a subsidiary is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Company to estimate the future cash flows expected from the CGUs and an appropriate discount rate in order to calculate the present value of the future cash flows. The Group has evaluated the recoverability of the investment based on such estimates.

(e) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(f) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

(g) Impairment of intangible assets

The Group determines whether the intangible assets are impaired at least on an annual basis and based on the financial information available to the management. The directors have exercised their judgement in determining the carrying amount of intangible assets that are irrecoverable through normal course of the Group's operations. The carrying amount of intangible assets at the end of the reporting period was US$226,748 after an impairment loss of US$833,334 was recognised in the consolidated income statement during the year.

(h) Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and/or the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the reporting period in which such estimate has been changed.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(i) Impairment of obsolete inventories

The Group makes impairment of obsolete inventories based on an assessment of the utilisation of the inventories. Impairment is applied to inventories where events or changes in circumstances indicate that the inventories may not be utilised. The identification of obsolete inventories requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have impact on the carrying value of inventories and impairment of obsolete inventories in the reporting period in which such estimate has been changed.

(j) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of respective subsidiaries. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the unlisted investment as detailed in note 20(c) to the financial statements, bank and cash balances, trade and other receivables and derivative financial instruments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has certain exposure to credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on unlisted investment as detailed in note 20(c) to the financial statements, bank balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

5. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's bank borrowings and other financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

The maturity analysis of the Group's financial liabilities based on contractual undiscounted cash flows is as follows:

	On demand US$	Within 1 year US$	Total US$
As at 31 March 2011			
Financial liabilities subject to a repayment on demand clause			
Bank loans	**1,538,530**	**–**	**1,538,530**
Trust receipt loans	**7,772,450**	**–**	**7,772,450**
Finance lease payables	**1,867,002**	**–**	**1,867,002**
Bills payables	**3,498,643**	**–**	**3,498,643**
Financial liabilities not subject to a repayment on demand clause			
Bank loans	**–**	**2,460,374**	**2,460,374**
Trade payables	**–**	**13,965,230**	**13,965,230**
Other payables	**–**	**471,754**	**471,754**

5. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk *(continued)*

	On demand US$	Within 1 year US$	Total US$
As at 31 March 2010 (Restated)			
Financial liabilities subject to a repayment on demand clause			
Bank loans	2,219,552	–	2,219,552
Trust receipt loans	7,753,752	–	7,753,752
Finance lease payables	1,868,846	–	1,868,846
Financial liabilities not subject to a repayment on demand clause			
Bank loans	–	4,330,712	4,330,712
Other loans	–	435,733	435,733
Trade payables	–	11,582,526	11,582,526
Other payables	–	831,785	831,785

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

5. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk *(continued)*

	Within 1 year US$	More than 1 year but less than 2 years US$	More than 2 years but less than 5 years US$	Total US$
As at 31 March 2011				
Bank loans	**757,220**	**445,281**	**432,201**	**1,634,702**
Trust receipt loans	**7,812,596**	**–**	**–**	**7,812,596**
Finance lease payables	**690,557**	**328,566**	**962,045**	**1,981,168**
Bills payables	**3,498,643**	**–**	**–**	**3,498,643**
As at 31 March 2010				
Bank loans	762,702	756,918	877,072	2,396,692
Trust receipt loans	7,786,024	–	–	7,786,024
Finance lease payables	1,292,261	611,448	43,100	1,946,809

(d) Interest rate risk

The Group's exposure to interest rate risk mainly arises from its bank balances, finance lease payables, trust receipt loans and bank loans. Bank balances of US$15,399,590 (2010: US$24,038,743); finance lease payables of US$1,867,002 (2010: US$1,767,519); trust receipt loans of US$7,772,450 (2010: US$7,753,752) and bank loans of US$3,962,639 (2010: US$6,521,982) bear interest at variable rates varied with the then prevailing market condition. The remaining balances bear interests at fixed interest rates and therefore are subject to fair value interest rate risk.

The Group does not have significant exposure to interest rate risk.

5. FINANCIAL RISK MANAGEMENT *(continued)*

(e) Categories of financial instruments at the end of the reporting period

	2011 US$	2010 US$
Financial assets:		
Financial assets at fair value through profit or loss	**18,319,223**	868,673
Loans and receivables (including cash and cash equivalents)	**95,970,853**	75,514,637
Available-for-sale financial asset	**1,540,762**	2,178,663
Financial liabilities:		
Financial liabilities at amortised cost	**29,670,716**	27,125,778

(f) Fair values

Except as disclosed in note 21 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 2 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy of financial assets at fair value through profit or loss as at 31 March:

	Fair value measurement using					
	2011			2010		
	Level 1 US$	**Level 2 US$**	**Total US$**	Level 1 US$	Level 2 US$	Total US$
Equity investments	**827,166**	**16,545,000**	**17,372,166**	–	–	–
Unlisted investments	**-**	**666,388**	**666,388**	–	642,673	642,673
Derivatives	**-**	**280,669**	**280,669**	–	226,000	226,000
	827,166	**17,492,057**	**18,319,223**	–	868,673	868,673

The total gains or losses recognised in the consolidated income statement including all those for assets held at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

6. REVENUE

	2011 US$	2010 US$
Distribution and marketing of mobile handset and mobile handset components	**77,524,039**	94,663,732
Provision of design and production solution services for mobile handset	**4,773,370**	3,658,744
Assembly of mobile handset and surface mounting technology of printed circuit board	**65,995,688**	41,131,550
	148,293,097	139,454,026

7. OTHER INCOME

	2011 US$	2010 US$
Interest income	**538,323**	346,164
Foreign exchange gains, net	**357,374**	154,736
Fair value gains on derivative financial instruments	**340,247**	412,598
Sundry income	**100,930**	8,863
	1,336,874	922,361

8. SEGMENT INFORMATION

The Group has three reportable segments as follows:

Distribution and Marketing – distribution and marketing of mobile handset and mobile handset components

Solution – provision of design and production solution services for mobile handset

Assembly – assembly of mobile handset and surface mounting technology of printed circuit board

The Group's reportable segments are strategic business units that offer different products and services.

8. SEGMENT INFORMATION *(continued)*

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements.

Segment profits and losses do not include the following items:
- Interest income and other income
- Fair value gains on financial assets at fair value through profit or loss
- Impairment loss on available-for-sale financial asset
- Corporate administrative expenses
- Finance costs
- Income tax expense

Segment assets do not include the following items:
- Property, plant and equipment for general administrative use
- Financial assets at fair value through profit or loss
- Available-for-sale financial asset
- Prepayments, deposits and other receivables for general administrative use
- Derivative financial instruments
- Restricted bank balances
- Bank and cash balances

Segment liabilities do not include the following items:
- Accruals and other payables for general administrative use
- Bank loans
- Other loans
- Trust receipt loans
- Finance lease payables
- Current tax liabilities

Segment non-current assets do not include the following items:
- Property, plant and equipment for general administrative use
- Financial assets at fair value through profit or loss
- Available-for-sale financial asset

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

8. SEGMENT INFORMATION *(continued)*

Information about reportable segment profits or losses, assets and liabilities:

	Distribution and Marketing US$	Solution US$	Assembly US$	Consolidated US$
Year ended 31 March 2011				
Revenue from external customers	**77,524,039**	**4,773,370**	**65,995,688**	**148,293,097**
Segment profits	**771,650**	**3,488,174**	**7,916,622**	**12,176,446**
Interest income				**538,323**
Other income (excluding interest income)				**798,551**
Fair value gains on financial assets at fair value through profit or loss				**5,870,818**
Impairment loss on available-for-sale financial asset				**(747,498)**
Corporate administrative expenses				**(4,574,943)**
Finance costs				**(612,122)**
Income tax expense				**(2,010,662)**
Profit for the year				**11,438,913**
Depreciation and amortisation	**833,333**	**125,496**	**1,132,922**	**2,091,751**
Loss on winding up of a subsidiary	**–**	**–**	**–**	**4,177**
Impairment loss on inventories	**–**	**–**	**153,651**	**153,651**
Impairment loss on intangible assets	**833,334**	**–**	**–**	**833,334**
Impairment loss on prepayments, deposits and other receivables	**–**	**–**	**–**	**187,637**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

8. SEGMENT INFORMATION *(continued)*

	Distribution and Marketing US$	Solution US$	Assembly US$	Consolidated US$
As at 31 March 2011				
Segment assets	**33,851,638**	**1,858,420**	**34,900,703**	**70,610,761**
Property, plant and equipment for general administrative use				**2,306,954**
Financial assets at fair value through profit or loss				**18,038,554**
Available-for-sale financial asset				**1,540,762**
Prepayments, deposits and other receivables for general administrative use				**1,457,826**
Derivative financial instruments				**280,669**
Restricted bank balances				**1,318,972**
Bank and cash balances				**42,979,227**
Total assets				**138,533,725**
Additions to non-current assets	**–**	**97,853**	**64,643**	**162,496**
Segment liabilities	**11,607,989**	**250,221**	**6,029,058**	**17,887,268**
Accruals and other payables for general administrative use				**1,454,365**
Bank loans				**3,962,639**
Trust receipt loans				**7,772,450**
Finance lease payables				**1,867,002**
Current tax liabilities				**1,929,970**
Total liabilities				**34,873,694**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

8. SEGMENT INFORMATION *(continued)*

	Distribution and Marketing US$	Solution US$	Assembly US$	Consolidated US$
Year ended 31 March 2010				
Revenue from external customers	94,663,732	3,658,744	41,131,550	139,454,026
Segment profits	3,425,034	2,706,129	5,309,529	11,440,692
Interest income				346,164
Other income (excluding interest income)				576,197
Corporate administrative expenses				(4,551,562)
Finance costs				(509,718)
Income tax expense				(2,100,210)
Profit for the year				5,201,563
Depreciation and amortisation	833,333	104,866	952,929	1,891,128
Loss on disposal of disposal group classified as held for sale	–	–	–	64,366
Loss on disposal of a jointly controlled entity classified as held for sale	–	–	–	310,977

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

8. SEGMENT INFORMATION *(continued)*

	Distribution and Marketing US$	Solution US$	Assembly US$	Consolidated US$
As at 31 March 2010				
Segment assets	43,200,194	2,404,709	12,019,362	57,624,265
Property, plant and equipment for general administrative use				410,154
Financial assets at fair value through profit or loss				642,673
Available-for-sale financial asset				2,178,663
Prepayments, deposits and other receivables for general administrative use				6,506,172
Derivative financial instruments				226,000
Restricted bank balances				3,727,328
Bank and cash balances				38,105,871
Total assets				109,421,126
Additions to non-current assets	–	2,640,322	1,599,103	4,239,425
Segment liabilities	4,657,107	–	7,390,733	12,047,840
Accruals and other payables for general administrative use				1,437,668
Bank loans				6,521,982
Other loans				435,733
Trust receipt loans				7,753,752
Finance lease payables				1,868,846
Current tax liabilities				1,988,515
Total liabilities				32,054,336

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

8. SEGMENT INFORMATION *(continued)*

Geographical information

	Revenue		Non-current assets	
	2011 US$	2010 US$	**2011 US$**	2010 US$
The PRC except Hong Kong	**93,588,134**	110,871,781	**27,248,140**	11,998,317
Hong Kong	**54,704,963**	28,582,245	**2,633,408**	2,409,249
Others	**–**	–	**827,166**	–
	148,293,097	139,454,026	**30,708,714**	14,407,566

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

For the year ended 31 March 2011, revenue from three major customers contributed to the Group's revenue of US$51,200,296, US$43,561,483 and US$23,121,583 respectively were included in both Distribution and Marketing Segment and Assembly Segment.

For the year ended 31 March 2010, revenue from four major customers contributed to the Group's revenue of US$24,206,056, US$24,045,879, US$15,240,288 and US$14,125,985 respectively were included in both Distribution and Marketing Segment and Assembly Segment.

9. FINANCE COSTS

	2011 US$	2010 US$
Interest on bank loans	**532,526**	396,340
Finance lease charges	**69,663**	106,390
Others	**9,933**	6,988
	612,122	509,718

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

10. SALARIES AND EMPLOYEE BENEFITS (INCLUDING DIRECTORS' REMUNERATION)

	Note	2011 US$	2010 US$
Wages and salaries		**3,478,643**	2,902,863
Pension costs of defined contribution plans	(a)	**273,509**	135,777
		3,752,152	3,038,640

Note:

(a) The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

(b) Directors' and employees' emoluments

The emoluments of each director were as follows:

For the year ended 31 March 2011

	Fees US$	Salaries and allowances US$	Retirement benefits scheme contributions US$	Total US$
Name of directors				
Wang Shih Zen (note i)	**1,000**	**79,011**	**1,542**	**81,553**
Wang Tao	**1,000**	**14,757**	**3,132**	**18,889**
Lu Shangmin	**1,000**	**76,321**	**2,727**	**80,048**
David Lim Teck Leong	**28,691**	**–**	**–**	**28,691**
Chan Kam Loon	**34,428**	**–**	**–**	**34,428**
Guo Yanjun	**28,947**	**–**	**–**	**28,947**
Lo Hang Fong	**29,599**	**–**	**–**	**29,599**
Tham Wan Loong, Jerome (note ii)	**28,215**	**–**	**–**	**28,215**
	152,880	**170,089**	**7,401**	**330,370**

10. SALARIES AND EMPLOYEE BENEFITS (INCLUDING DIRECTORS' REMUNERATION) *(continued)*

Note:

(b) Directors' and employees' emoluments *(continued)*

For the year ended 31 March 2010

	Fees US$	Salaries and allowances US$	Retirement benefits scheme contributions US$	Total US$
Name of directors				
Wang Shih Zen	1,000	30,848	1,542	33,390
Wang Tao	1,000	13,872	2,301	17,173
Lu Shangmin	1,000	70,734	2,108	73,842
David Lim Teck Leong	27,637	–	–	27,637
Chan Kam Loon	33,165	–	–	33,165
Guo Yanjun	27,637	–	–	27,637
Lo Hang Fong (note iii)	3,243	–	–	3,243
	94,682	115,454	5,951	216,087

Note:

i) Salaries and allowances of US$46,272 (equivalent to HK$360,000) payable to Mr. Wang Shih Zen was waived without any compensation during the years ended 31 March 2011 and 2010 respectively.

ii) Appointed as an independent non-executive director on 3 May 2010.

iii) Appointed as an independent non-executive director on 3 February 2010.

Details of number of directors in remuneration bands for the years ended 31 March were:

	2011	2010
Below S$250,000 (equivalent to below US$188,458 (2010: Below US$183,449))	**8**	7

10. SALARIES AND EMPLOYEE BENEFITS (INCLUDING DIRECTORS' REMUNERATION) *(continued)*

Note:

(b) Directors' and employees' emoluments *(continued)*

The five highest paid individuals in the Group during the year included 2 (2010: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2010: 3) individuals are set out below:

	2011 US$	2010 US$
Basic salaries and allowances	173,348	211,201
Discretionary bonuses	69,409	–
Retirement benefits scheme contributions	6,088	3,678
	248,845	214,879

The emoluments fell within the following bands:

	2011	2010
Below HK$1,000,000 (equivalent to below US$128,535)	2	3
HK$1,000,001 to HK$1,500,000 (equivalent to US$128,536 to US$192,802)	1	–

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group as compensation for loss of office.

11. INCOME TAX EXPENSE

	2011 US$	2010 US$
Current tax – Hong Kong Profits Tax		
Provision for the year	718,015	300,000
Under-provision in prior years	15,011	–
Current tax – PRC Enterprise Income Tax		
Provision for the year	1,259,621	1,425,403
Under-provision in prior years	18,015	374,807
	2,010,662	2,100,210

Hong Kong Profits Tax has been provided at a rate of 16.5% (2010: 16.5%) based on the estimated assessable profit for the year.

11. INCOME TAX EXPENSE *(continued)*

PRC Enterprise Income Tax is calculated at the applicable rates based on estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practice in respect thereof.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2011 **US$**	2010 US$
Profit before tax	**13,449,575**	7,301,773
Tax at the Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	**2,219,180**	1,204,793
Tax effect of income that is not taxable	**(1,099,087)**	(229,576)
Tax effect of expenses that are not deductible	**502,672**	451,190
Tax effect of temporary differences not recognised	**225,837**	79,544
Tax effect of tax losses not recognised	**–**	68,229
Under-provision in prior years	**33,026**	374,807
Effect of different tax rates of subsidiaries	**129,034**	151,223
Income tax expense	**2,010,662**	2,100,210

The new PRC Enterprise Income Tax law passed by the Tenth National People's Congress on 16 March 2007 introduced various changes which include the unification of the Enterprise Income Tax rate for domestic and foreign enterprises at 25%. The new tax law has been effective from 1 January 2008. On 26 December 2007, the State Council announced the detailed measures and regulations of the New Law ("Implementation Rules"). The Implementation Rules ratcheted the PRC Enterprise Income Tax rate from 15% to 25% over five years for grandfathering of incentives. The tax rate would be 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 respectively.

Under the new PRC Enterprise Income Tax law, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

11. INCOME TAX EXPENSE *(continued)*

According to the notice Caishui 2008 No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign invested enterprise to a foreign investor in 2008 or after are exempted from withholding tax. Accordingly, the retained profits as at 31 December 2007 in the Group's PRC subsidiaries will not be subject to 10% withholding tax on future distributions.

The Group is liable to withholding tax on dividends distributed from the Group's PRC subsidiaries in respect of their profits generated on or after 1 January 2008. No deferred tax liabilities have been recognised in respect of this as the Group considers that as of the date of these financial statements, no such liability will be arisen in the foreseeable future.

12. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2011 **US$**	2010 US$
Depreciation of property, plant and equipment [a]	**1,440,252**	1,187,955
Amortisation of intangible assets [b]	**893,484**	864,411
Impairment loss on inventories	**153,651**	—
Impairment loss on prepayments, deposits and other receivables	**187,637**	—
Auditor's remuneration	**156,259**	120,142
Loss on disposals of property, plant and equipment	**57,366**	27,379
Loss on winding up of a subsidiary	**4,177**	—
Directors' remuneration		
– As directors	**152,880**	94,682
– For management	**177,490**	121,405
	330,370	216,087
Foreign exchange gains, net	**(357,374)**	(154,736)
Operating lease charges in respect of land and buildings [c]	**795,177**	839,389
Cost of inventories sold	**128,183,014**	123,417,540
Fair value gains on derivative financial instruments	**(340,247)**	(412,598)
Key management personnel (other than directors) remuneration		
Salaries, bonuses and allowances	**172,967**	186,699
Retirement benefits scheme contributions	**14,764**	4,435
	187,731	191,134
Staff costs excluding directors' remuneration and key management personnel remuneration [d]		
Salaries, bonuses and allowances	**2,982,707**	2,506,028
Retirement benefits scheme contributions	**251,344**	125,391
	3,234,051	2,631,419

12. PROFIT FOR THE YEAR *(continued)*

Note:

(a) The amounts included in cost of goods sold during the year amounted to US$1,066,975 (2010: US$904,573).

(b) The amounts included in cost of goods sold during the year amounted to US$833,333 (2010: US$833,333).

(c) The amounts included in cost of goods sold during the year amounted to US$545,392 (2010: US$406,377).

(d) The amounts included in cost of goods sold during the year amounted to US$2,604,063 (2010: US$2,006,922).

13. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit for the year attributable to owners of the Company included a loss of US$736,528 (2010: US$978,296) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: Nil).

15. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of US$11,438,913 (2010: US$5,201,563) and the weighted average number of ordinary shares of 608,614,758 (2010: 514,428,457) shares in issue during the year.

As there were no dilutive potential ordinary shares during the year, no dilution earnings per share is presented.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and building US$	Plant and machinery US$	Furniture, fixtures, equipment and motor vehicles US$	Leasehold improvements US$	Total US$
Cost					
As at 1 April 2009	–	7,494,515	1,267,966	904,695	9,667,176
Additions	–	1,586,662	24,294	12,441	1,623,397
Disposals	–	–	–	(60,843)	(60,843)
As at 31 March 2010 and 1 April 2010	–	9,081,177	1,292,260	856,293	11,229,730
Exchange realignment	–	456,823	49,810	43,074	549,707
Additions	2,059,276	38,747	36,749	67,796	2,202,568
Disposals	–	–	(256,146)	–	(256,146)
As at 31 March 2011	2,059,276	9,576,747	1,122,673	967,163	13,725,859
Accumulated depreciation					
As at 1 April 2009	–	1,063,537	459,813	298,385	1,821,735
Charge for the year	–	778,781	235,081	174,093	1,187,955
Disposals	–	–	–	(33,464)	(33,464)
As at 31 March 2010 and 1 April 2010	–	1,842,318	694,894	439,014	2,976,226
Exchange realignment	–	89,147	28,386	21,166	138,699
Charge for the year	81,457	934,815	233,937	190,043	1,440,252
Disposals	–	–	(192,637)	–	(192,637)
As at 31 March 2011	81,457	2,866,280	764,580	650,223	4,362,540
Carrying amount					
As at 31 March 2011	1,977,819	6,710,467	358,093	316,940	9,363,319
As at 31 March 2010	–	7,238,859	597,366	417,279	8,253,504

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 March 2011, the carrying amount of property, plant and equipment held by the Group under finance leases was amounted to US$6,827,187 (2010: US$5,512,607).

The Group's land and building with a carrying amount of US$1,830,681 (2010: Nil) are situated in Hong Kong and held under medium leases.

As at 31 March 2011, the relevant registration procedures of the Group's building situated in the PRC with a carrying amount of US$147,138 had not been completed and the legal title of the above captioned property had not been transferred to the Group. Notwithstanding the fact that the Group does not process the relevant legal titles of the said building, the management considers that the Group obtained the ownership through contractual arrangement with the local government agency and determined to recognise the said building as land and building, on the grounds that they expect the transfer of legal titles in future should have no major difficulties.

17. INTANGIBLE ASSETS

Group

	License US$	**CDMA software solutions** US$	**Total** US$
Cost			
As at 1 April 2009	109,759	–	109,759
Additions	133,378	2,500,000	2,633,378
As at 31 March 2010 and 1 April 2010	243,137	2,500,000	2,743,137
Exchange realignment	12,230	–	12,230
Additions	91,572	–	91,572
As at 31 March 2011	346,939	2,500,000	2,846,939

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

17. INTANGIBLE ASSETS *(continued)*

	License	CDMA software solutions	Total
	US$	US$	US$
Accumulated amortisation and impairment loss			
As at 1 April 2009	26,086	–	26,086
Charge for the year	31,078	833,333	864,411
As at 31 March 2010 and 1 April 2010	57,164	833,333	890,497
Exchange realignment	2,876	–	2,876
Charge for the year	60,151	833,333	893,484
Impairment loss	–	833,334	833,334
As at 31 March 2011	120,191	2,500,000	2,620,191
Carrying amount			
As at 31 March 2011	226,748	–	226,748
As at 31 March 2010	185,973	1,666,667	1,852,640

The Group's license and CDMA software solutions are for the design and development of the Group's products. As at 31 March 2011, the average remaining amortisation period of license is 2 years (2010: 1 year).

During the year ended 31 March 2011, the management performed an impairment review on the intangible assets, based on value in use, and determined that the carrying amount of CDMA software solutions is irrecoverable thought normal course of the Group's operations. Accordingly, an impairment loss of US$833,334 (2010: Nil) was recognised in the consolidated income statement during the year.

18. GOODWILL

Group

	US$
Cost and carrying amount	
As at 1 April 2009, 31 March 2010 and 1 April 2010	1,480,086
Exchange realignment	59,245
At as 31 March 2011	1,539,331

Goodwill acquired in a business combination is fully allocated at acquisition to the Solution CGU, Zeus Telecommunication Technology Holdings Ltd., that is expected to be benefit from that business combination.

The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 3 years and discount rate of approximately 7.27% (2010: 8.35%) was used for the cash flow forecasts as at 31 March 2011.

19. INVESTMENT IN A SUBSIDIARY

	Company	
	2011	2010
	US$	US$
Unlisted investment, at cost	**2,570,694**	2,570,694
Due from subsidiaries	**57,307,259**	41,377,779
Due to a subsidiary	**–**	(124,685)

The amounts due from/(to) subsidiaries/a subsidiary represent advances and are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

19. INVESTMENT IN A SUBSIDIARY *(continued)*

Particulars of the subsidiaries at the end of the reporting periods are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid-up capital	Percentage of ownership interest/voting power/profit sharing 2011	2010	Principal activities
Directly held:					
Elastic Glory Investment Limited [(a)]	British Virgin Islands	2,570,694 ordinary shares of US$1 each	**100%**	100%	Investment holding
Indirectly held:					
Elite Link Technology Limited [(d)]	Hong Kong	20,000,001 ordinary shares of HK$1 each	**100%**	100%	Provision of management services to the Group
CCDH Technology Limited [(a)]	British Virgin Islands	50,000 ordinary shares of US$1 each	**100%**	100%	Investment holding
Finet Enterprises Limited [(a)]	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	Trademark and patents registration
深圳市杰特電信控股有限公司 [(b) (c) (f)] (Zeus Telecommunication Technology Holdings Ltd.)	PRC	Registered and paid-up capital of RMB20,000,000	**100%**	100%	Development, distribution and marketing of software and solution for mobile appliances, mobile handset hardware, mobile handset and mobile handset components
上海風凌通訊技術有限公司 [(b) (g) (h)] (PhoneLink Communication Technology Co., Ltd.)	PRC	Registered and paid-up capital of RMB10,000,000	**-**	100%	Development of software and solution for mobile appliances

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

19. INVESTMENT IN A SUBSIDIARY *(continued)*

Particulars of the subsidiaries at the end of the reporting periods are as follows: *(continued)*

Name	Place of incorporation/ registration and operation	Issued and paid-up capital	Percentage of ownership interest/voting power/profit sharing 2011	2010	Principal activities
Indirectly held:					
Max Sunny Limited [(d)]	Hong Kong	100,000 ordinary shares of HK$1 each	**100%**	100%	Distribution and marketing of mobile handset and mobile handset components
統慶通信設備(深圳)有限公司 [(b) (c) (f) (i)] (Tongqing Communication Equipment (Shenzhen) Co., Ltd.)	PRC	Paid-up capital of HK$75,000,000	**100%**	100%	Assembly of mobile handset and surface mounting technology of printed circuit board
Loyal Power International Investment Limited [(e)]	Hong Kong	1 ordinary share of HK$1 each	**100%**	100%	Property holding and distribution and marketing of mobile handset and mobile handset components

Note:

(a) Not required to be audited under the laws of country of incorporation.

(b) Statutory financial statements not audited by RSM Nelson Wheeler.

(c) Statutory financial statements for the year ended 31 December 2009 audited by Shenzhen Guobang Certified Public Accountants (深圳國邦會計師事務所). Statutory financial statements for the year ended 31 December 2010 audited by Witfull CPAs, Shenzhen (深圳永安會計師事務所有限公司).

(d) Statutory financial statements for the year ended 31 March 2010 audited by RSM Nelson Wheeler. Statutory financial statements for the year ended 31 March 2011 have not been issued.

(e) Statutory financial statements for the period from date of incorporation to 31 March 2011 have not been issued.

(f) These subsidiaries are registered as wholly-foreign-owned enterprise under the PRC Laws.

(g) The subsidiary is registered as wholly-domestic-owned enterprise under the PRC Laws.

19. INVESTMENT IN A SUBSIDIARY *(continued)*

Note:

(h) The subsidiary was dissolved on 9 October 2010 by way of voluntary winding up.

(i) The registered capital of the subsidiary was HK$90,000,000. As at 31 March 2011, the Group has fulfilled its investment obligation to the extent of HK$75,000,000.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	**Group** **2011** **US$**	2010 US$
Equity investments, at fair value			
Listed	(a)	**827,166**	–
Unlisted	(b)	**16,545,000**	–
		17,372,166	–
Unlisted investment, at fair value	(c)	**666,388**	642,673
		18,038,554	642,673

Note:

(a) The investment represents approximately 1% equity investment in a company listed on Taiwan Stock Exchange Corporation. The fair value of the listed investment is based on the quoted price in active market.

(b) The investment represents 14.66% equity investment in Yoho King Group held by the Group as at 31 March 2011. In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's equity interest in Yoho King Group, with the assistance of an independent professional valuer. In determining the fair value, the valuer has adopted discounted cash flow method as the primary calculation method and the major inputs and assumptions adopted are as follows:

Weighted average cost of capital	15.90%
Terminal growth rate	3.00%
Discount rate on lack of control	26.11%
Discount rate on lack of marketability	16.00%

The directors have exercised their judgement and were satisfied that the method of valuation reflected the market conditions as of the reporting date.

(c) The investment represents a structured deposit placed to a bank with a maturity of 3 years as secured deposits under general banking facilities and is classified as a financial asset at fair value through profit or loss. The fair value of the investment is based on the price quoted by the bank. The directors believe that the estimated fair value quoted by the bank is reasonable, and that it is the most appropriate value at the end of the reporting period.

21. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2011	2010
	US$	US$
Unlisted equity investment, at cost	**2,288,260**	2,178,663
Less: Impairment losses	**(747,498)**	–
	1,540,762	2,178,663

Unlisted equity investment is stated at cost less impairment losses as there is no quoted price in an active market. As such, it is not practicable to determine with sufficient reliability the fair value of the unlisted equity investment.

22. INVENTORIES

	Group	
	2011	2010
	US$	US$
Raw materials	**2,634,761**	1,450,219
Work in progress	**258,365**	–
Finished goods	**8,169,692**	5,129,388
	11,062,818	6,579,607

All inventories are carried at cost less impairment losses.

23. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days (2010: 30 to 90 days), depending on the creditworthiness of customers and the existing relationships with the Group.

An aging analysis of trade receivables, based on invoice dates is as follows:

	Group	
	2011	2010
	US$	US$
0 to 30 days	**21,496,457**	15,524,203
31 to 60 days	**13,156,820**	7,268,173
61 to 90 days	**12,697,455**	8,924,191
More than 90 days	**3,048,076**	746,947
	50,398,808	32,463,514

As at 31 March 2011, trade receivables of US$3,048,076 (2010: US$9,912,734) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An aging analysis of these trade receivables is as follows:

	Group	
	2011	2010
	US$	US$
Past due 0 to 90 days	**2,140,763**	9,185,075
Past due more than 90 days	**907,313**	727,659
	3,048,076	9,912,734

Trade receivables are denominated in the following currencies:

	Group	
	2011	2010
	US$	US$
United States dollar	**48,821,851**	31,754,087
Renminbi	**1,576,957**	709,427
	50,398,808	32,463,514

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	US$	US$	**US$**	US$
Prepayments	**469,279**	7,941,040	**31,987**	22,211
Deposits	**374,273**	4,897,520	**–**	–
Other receivables	**1,273,846**	1,217,924	**–**	–
	2,117,398	14,056,484	**31,987**	22,211
Less: Impairment losses	**(332,881)**	(145,244)	**–**	–
	1,784,517	13,911,240	**31,987**	22,211

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2011	2010
	US$	US$
Financial assets, at fair value		
Interest rate swap contracts	**–**	14,127
Foreign exchange forward contracts	**280,669**	211,873
	280,669	226,000

The Group has entered into various forward foreign exchange contracts to manage its foreign exchange risk exposures which did not meet the criteria for hedge accounting.

In addition, the Group entered into interest rate swap contracts to manage its exposure to interest rate movements on certain bank loans during the year ended 31 March 2010. The underlining currency of interest rate swap contracts were denominated in United States dollar and were entered for periods up to the maturity date of the respective bank loans, to swap floating rate bank loans to fixed interest rates. All interest rate swap contracts have been expired during the year ended 31 March 2011.

During the year ended 31 March 2011, fair value gains on non-hedging derivative financial instruments amounting to US$340,247 (2010: US$412,598) were recognised in the consolidated income statement. Non-hedging derivative financial instruments represent derivative financial instruments which do not fulfill the conditions of hedging relationship as defined in IAS 39 "Financial Instruments: Recognition and Measurement".

26. RESTRICTED BANK BALANCES AND BANK AND CASH BALANCES

	Group		Company	
	2011	2010	**2011**	2010
	US$	US$	**US$**	US$
Bank and cash balances	**14,215,803**	22,419,496	**1,849,132**	5,915,416
Time deposits with original maturity over three months	**28,763,424**	15,686,375	**–**	–
Restricted bank balances	**1,318,972**	3,727,328	**–**	–
	44,298,199	41,833,199	**1,849,132**	5,915,416

The Group's restricted bank balances represent deposits to secure the bank loans, trust receipt loans and general banking facilities.

Restricted bank balances and bank and cash balances are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	US$	US$	**US$**	US$
United States dollar	**735,145**	3,309,916	**–**	–
Hong Kong dollar	**6,674,382**	16,805,801	**1,848,401**	5,880,443
Renminbi	**34,562,248**	18,645,574	**–**	–
Singapore dollar	**2,326,424**	3,071,908	**731**	34,973
	44,298,199	41,833,199	**1,849,132**	5,915,416

Renminbi is not freely convertible to other currencies as such amounts were held by the subsidiaries located in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies only through banks that are authorised to conduct foreign exchange business.

26. RESTRICTED BANK BALANCES AND BANK AND CASH BALANCES *(continued)*

For the purpose of consolidated statement of cash flows, the cash and cash equivalents comprised the following:

	Group	
	2011	2010
	US$	US$
Bank and cash balances	**42,979,227**	38,105,871
Less: Time deposits with original maturity over three months	**(28,763,424)**	(15,686,375)
	14,215,803	22,419,496

27. TRADE AND BILLS PAYABLES

	Group	
	2011	2010
	US$	US$
Trade payables	**13,965,230**	11,582,526
Bills payables	**3,498,643**	–
	17,463,873	11,582,526

An aging analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	Group	
	2011	2010
	US$	US$
0 to 30 days	**9,248,036**	7,367,453
31 to 60 days	**6,576,855**	1,427,048
More than 60 days	**1,638,982**	2,788,025
	17,463,873	11,582,526

Trade payables generally have credit terms ranging from 15 to 90 days (2010: 15 to 30 days).

27. TRADE AND BILLS PAYABLES *(continued)*

Trade and bills payables are denominated in the following currencies:

	Group	
	2011	2010
	US$	US$
United States dollar	**16,621,620**	10,406,232
Renminbi	**842,253**	1,176,294
	17,463,873	11,582,526

28. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	US$	US$	**US$**	US$
Accruals	**1,406,006**	1,071,197	**229,403**	200,500
Other payables	**471,754**	831,785	**–**	204,486
	1,877,760	1,902,982	**229,403**	404,986

29. BANK LOANS

	Group	
	2011	2010
	US$	US$
		(Restated)
Portion of bank loans containing repayment on demand clause which are due for repayment:		
– Within one year	**3,127,540**	4,983,421
– After one year but within two years	**416,424**	703,146
– After two years but within five years	**418,675**	835,415
	3,962,639	6,521,982

29. BANK LOANS *(continued)*

None of the portion of bank loans due for repayment after one year which contains a repayment on demand clause and classified as a current liability is expected to be settled within a year.

All bank loans are arranged at floating rates and exposed the Group to cash flow interest rate risk.

The average effective borrowing rate at the end of each reporting period is as follows:

	Group	
	2011	2010
Bank loans	**6.12%**	3.14%

All bank loans as at 31 March 2011 were secured by bank deposits except for the followings:

– bank loans of US$998,684 (2010: US$1,525,465) were arranged under the Small and Medium Enterprises Loan Guarantee Scheme and the Special Loan Guarantee Scheme and were guaranteed by the Government of the Hong Kong Special Administrative Region and the Company;

– a bank loan of US$539,846 (2010: US$694,087) was arranged under the Small and Medium Enterprises Loan Guarantee Scheme was guaranteed by the Government of the Hong Kong Special Administrative Region, the Company and two subsidiaries of the Company; and

– a bank loan of US$2,288,260 was secured by corporate guarantee executed by a subsidiary of the Company (2010: US$1,742,931 was secured by corporate guarantee executed by a subsidiary of the Company and personal guarantee executed by an ex-director of a subsidiary of the Company).

Bank loans are denominated in the following currencies:

	Group	
	2011	2010
	US$	US$
United States dollar	**135,849**	2,559,499
Hong Kong dollar	**1,538,530**	2,219,552
Renminbi	**2,288,260**	1,742,931
	3,962,639	6,521,982

29. BANK LOANS *(continued)*

Certain of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 5(c) to the financial statements. As at 31 March 2011 none of the covenants relating to drawn down facilities had been breached (2010: Nil).

30. TRUST RECEIPT LOANS

Trust receipt loans are secured by bank deposits and are repayable within 90 days from their respective drawdown dates.

All trust receipt loans are arranged at floating rates and exposed the Group to cash flow interest rate risk.

The average effective borrowing rates at the end of each reporting period is as follows:

	Group	
	2011	2010
Trust receipt loans	**3.18%**	2.88%

Trust receipt loans are denominated in United States dollar.

31. FINANCE LEASE PAYABLES

	Group 2011 US$	2010 US$ (Restated)
Portion of minimum lease payments of finance lease payables containing repayment on demand clause which are due for repayment:		
– Within one year	**690,557**	1,292,261
– After one year but within five years	**328,566**	654,548
– Over five years	**962,045**	–
	1,981,168	1,946,809
Less: Future finance charges	**(114,166)**	(77,963)
	1,867,002	1,868,846
Present value of portion of minimum lease payments of finance lease payables containing repayment on demand clause which are due for repayment:		
– Within one year	**667,002**	1,232,325
– After one year but within five years	**290,557**	636,521
– Over five years	**909,443**	–
	1,867,002	1,868,846

None of the portion of finance lease payables due for repayment after one year which contains a repayment on demand clause and classified as a current liability is expected to be settled within a year.

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. As at 31 March 2011, the average remaining lease term is 13 years (2010: 2 years) and the average effective borrowing rate was approximately 3.9% (2010: 4.3%) respectively.

All leases contain repayment on demand clause and are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

31. FINANCE LEASE PAYABLES *(continued)*

The finance lease payables are denominated in the following currencies:

	Group	
	2011	2010
	US$	US$
United States dollar	**569,032**	1,767,519
Hong Kong dollar	**1,297,970**	101,327
	1,867,002	1,868,846

As at 31 March 2011, the Group's finance lease payables are secured by:

– finance lease payables of US$636,583 (2010: US$1,868,846) were secured by the lessor's title to the leased assets and corporate guarantees executed by a subsidiary of the Company; and

– finance lease payables of US$1,230,419 (2010: Nil) were secured by the lessor's title to the leased assets and unlimited guarantees executed by a subsidiary of the Company and the Company.

32. DEFERRED TAX

No provision for deferred tax has been made in the financial statements as the tax effect of temporary differences is immaterial to the Group.

33. SHARE CAPITAL

Group and Company

	Number of shares	Amount US$
Authorised:		
Ordinary shares of US$0.008 each		
At 1 April 2009, 31 March 2010, 1 April 2010 and 31 March 2011	1,250,000,000	10,000,000

33. SHARE CAPITAL *(continued)*

Group and Company *(continued)*

	Note	Number of shares	Amount
			US$
Issued and fully paid:			
Ordinary shares of US$0.008 each			
At 1 April 2009		497,573,662	3,980,590
Issue of shares through placement		20,000,000	160,000
Issue of shares through placing and public offer		78,000,000	624,000
At 31 March 2010 and 1 April 2010		595,573,662	4,764,590
Issue of shares in relation to the listing of the TDRs on the Taiwan Stock Exchange Corporation	(a)	40,000,000	320,000
At 31 March 2011		635,573,662	5,084,590

Note:

(a) On 3 December 2010, the Company issued 40,000,000 units of TDRs on the Taiwan Stock Exchange Corporation at a price of NT$10.20 (equivalent to approximately HK$2.58 or S$0.437) per share following the listing of the Company's share as TDRs on the Taiwan Stock Exchange Corporation.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the owners through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts plus unaccrued proposed dividends less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained earnings, other reserves and if any, non-controlling interests) less unaccrued proposed dividends and includes some forms of subordinated debts.

33. SHARE CAPITAL *(continued)*

Group and Company *(continued)*

During the year ended 31 March 2011, the Group's strategy was to maintain the debt-to-adjusted capital ratio at the lowest as possible, in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratio at the end of the reporting period is as follows:

	2011 US$	2010 US$
Total debt	**13,602,091**	16,580,313
Less: cash and cash equivalents	**(14,215,803)**	(22,419,496)
Net debt	**(613,712)**	(5,839,183)
Total equity and adjusted capital	**103,660,031**	77,366,790
Debt-to-adjusted capital ratio	**N/A**	N/A

According to the Rule 723 of the Listing Manual of the SGX-ST and the Hong Kong Listing Rules on the HKSE, at least 10% and 25% of the Company's shares should be held in the hands of the public respectively.

Apart from the above, the Group is not subject to any other externally imposed capital requirements.

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium US$	**Accumulated losses** US$	**Total** US$
At 1 April 2009	28,254,965	(404,633)	27,850,332
Loss for the year	–	(978,296)	(978,296)
Issue of shares through placement	1,647,508	–	1,647,508
Issue of shares through placing and public offer	16,072,295	–	16,072,295
At 31 March 2010 and 1 April 2010	45,974,768	(1,382,929)	44,591,839
Loss for the year	–	(736,528)	(736,528)
Issue of shares in relation to the listing of the TDRs on the Taiwan Stock Exchange Corporation	12,589,768	–	12,589,768
At 31 March 2011	58,564,536	(2,119,457)	56,445,079

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

34. RESERVES *(continued)*

(c) Nature and purposes of reserves

(i) Share premium

The application of the share premium is governed by section 40 of the Bermuda Companies Act 1981 of Bermuda.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(c)(iii) to the financial statements.

(iii) Reserve funds

Pursuant to the relevant PRC laws and regulations, Sino-foreign joint ventures registered in the PRC are required to transfer a certain percentage, as approved by the board of directors, of their profit after income tax to the reserve funds. These funds are restricted as to use.

35. SHARE-BASED PAYMENTS

Equity-settled share option scheme — Z-Obee Holdings Limited Employee Share Option Scheme 2010 ("SOS")

Pursuant to the special general meeting of the Company held on 11 February 2010, the Company adopted the SOS for the purpose of providing incentive to employees of the Group (including Group's executive directors and Group's non-executive directors) on the same date.

Pursuant to SOS, employees of the Group (including Group's executive directors and Group's non-executive directors) and who are not undischarged bankrupts and have not entered into a composition with their respective creditors on or prior to the relevant offer date, shall be eligible to participate in SOS at the absolute discretion of the remuneration committee.

SOS shall be valid and effective for a period of 10 years from 11 February 2010, after which period no further share options will be granted but in respect of all share options which remain exercisable at the end of such period, the provisions of SOS shall remain in full force and effect.

The grant of an share option shall be deemed to have been accepted when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of shares in respect of which the offer is accepted clearly stated therein together with a payment or remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within 21 days from the offer date.

35. SHARE-BASED PAYMENTS *(continued)*

Equity-settled share option scheme — Z-Obee Holdings Limited Employee Share Option Scheme 2010 ("SOS") *(continued)*

Subject to the provisions of the SOS, the Bermuda Companies Act, the Listing Manual of the SGX-ST and the Hong Kong Listing Rules on the HKSE, the remuneration committee may, when making the offer, impose any conditions, restrictions or limitations in relation thereto as it may at its absolute discretion think fit.

The total number of shares which may be allotted and issued upon exercise of all share options to be granted under this SOS and any other share option scheme of the Company must not exceed the aggregate of 59,557,366 shares, representing 10% (the "SOS mandate limit") of the ordinary shares in issue immediately following completion of the dual primary listing in the Main Board of HKSE unless the Company obtains a fresh approval from the owners of the Company in general meeting.

No share options have been granted or agreed to be granted by the Company the SOS since the adoption date of the SOS.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year ended 31 March 2011, additions of property, plant and equipment of US$1,283,915 were financed by finance leases.

(b) During the year ended 31 March 2011, additions of property, plant and equipment of US$184,316 and financial assets at fair value through profit or loss of US$4,332,390 were transferred from prepayments, deposits and other receivables.

37. CONTINGENT LIABILITIES

Financial guarantees issued

At the end of the reporting period, the Company has the following financial guarantees:

(a) guarantees to banks in respect of banking facilities granted to certain subsidiaries of the Company as at 31 March 2011 amounted to US$41,508,611; guarantees to banks in respect of banking facilities granted to certain subsidiaries of the Company as at 31 March 2010 amounted to US$18,508,702.

(b) unlimited guarantees to banks in respect of banking facilities granted to certain subsidiaries of the Company as at 31 March 2011; an unlimited guarantee to a bank in respect of banking facilities granted to a subsidiary of the Company as at 31 March 2010; and

(c) a corporate guarantee to a bank in respect of banking facilities granted to a subsidiary of the Company as at 31 March 2010 and 2011.

37. CONTINGENT LIABILITIES *(continued)*

Financial guarantees issued *(continued)*

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the above guarantees. The maximum liability of the Company at the end of the reporting period under the financial guarantees issued is as follows:

	2011 **US$**	2010 US$
Guarantee as mentioned in (a) above		
– amounts of finance leases and bank borrowings drawn	**6,443,291**	6,573,917
Guarantee as mentioned in (b) above		
– amounts of finance leases and bank borrowings drawn	**6,735,618**	5,949,726
Guarantee as mentioned in (c) above		
– amounts of bank borrowings drawn	**1,425,000**	–
	14,603,909	12,523,643

The fair value of the guarantees at date of inception is not material and is not recognised in the financial statements.

38. LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2011 **US$**	2010 US$
Within one year	**697,468**	724,338
In the second to fifth years inclusive	**106,887**	770,330
	804,355	1,494,668

Operating lease payments represent rentals payable by the Group for certain of its offices and factory premises. Leases are negotiated for an average term of five years (2010: five years) and rentals are fixed over the lease terms and do not include contingent rentals.

39. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with its related parties during the year:

	Note	**2011 US$**	2010 US$
Sale of goods to a related company	(i)	**540,873**	–
Purchase of goods from a related company	(i)	**1,077,436**	–
Consultancy fees paid to a related company	(ii)	**119,049**	120,406

Note:

(i) Amounts represented sales of goods to and purchase of goods from Yoho King Group during the year, in which the Group held 14.66% equity interest in Yoho King Group. As disclosed in the Company's circular dated 30 April 2010, the brother of the Company's director, Mr. Wang Shih Zen, held 24.44% equity interest in Yoho King Group.

(ii) Amounts represented legal services provided by Messrs David Lim & Partners, a law firm in Singapore of which one of the Company's directors, Mr. David Lim Teck Leong, is a partner.

(b) Key management personnel remuneration

Remuneration for key management personnel is disclosed in note 12 to the financial statements.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2011.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 March				
	2011 US$	2010 US$	2009 US$	2008 US$	2007 US$
RESULTS					
REVENUE	**148,293,097**	139,454,026	103,623,852	119,594,116	46,261,331
Cost of goods sold	**(134,546,713)**	(127,815,252)	(95,116,448)	(103,419,592)	(35,836,026)
Gross profit	**13,746,384**	11,638,774	8,507,404	16,174,524	10,425,305
Other income	**1,336,874**	922,361	1,256,790	576,463	38,578
Selling and distribution costs	**(545,161)**	(45,089)	(47,291)	(1,309)	(6,913)
Administrative expenses	**(4,766,386)**	(4,704,555)	(5,103,964)	(5,773,361)	(1,993,813)
PROFIT FROM OPERATIONS	**9,771,711**	7,811,491	4,612,939	10,976,317	8,463,157
Finance costs	**(612,122)**	(509,718)	(543,701)	(792,127)	(139,236)
Share of profit of a jointly-controlled entity	**–**	–	434,886	743,595	999,800
Fair value gains on financial assets at fair value through profit or loss	**5,870,818**	–	–	–	–
Impairment loss on intangible assets	**(833,334)**	–	–	–	–
Impairment loss on available-for-sale asset	**(747,498)**	–	–	–	–
PROFIT BEFORE TAX	**13,449,575**	7,301,773	4,504,124	10,927,785	9,323,721
Income tax expense	**(2,010,662)**	(2,100,210)	(593,608)	(810,000)	(446,076)
PROFIT FOR THE YEAR	**11,438,913**	5,201,563	3,910,516	10,117,785	8,877,645
Attributable to:					
Owners of the Company	**11,438,913**	5,201,563	3,959,401	10,180,710	8,948,047
Non-controlling interests	**–**	–	(48,885)	(62,925)	(70,402)
	11,438,913	5,201,563	3,910,516	10,117,785	8,877,645

	As at 31 March				
	2011 US$	2010 US$	2009 US$	2008 US$	2007 US$
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**138,533,725**	109,421,126	77,394,263	71,321,666	20,114,268
TOTAL LIABILITIES	**(34,873,694)**	(32,054,336)	(23,457,205)	(19,713,327)	(7,392,356)
NON-CONTROLLING INTERESTS	**–**	–	–	(93,247)	(139,037)
	103,660,031	77,366,790	53,937,058	51,515,092	12,582,875

STATEMENT BY DIRECTORS

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

In the opinion of the directors, the accompanying statements of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date; and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Wang Shih Zen

Lu Shangmin

Dated: 27 June 2011

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION AS AT 15 JUNE 2011

Authorised Share capital	:	US$10,000,000
Issued and fully paid capital	:	US$5,084,590
Number of shares	:	635,573,662
Class of shares	:	Ordinary share of US$0.008 each
Voting rights	:	On a show of hands: 1 vote for each member
	:	On a poll: 1 vote for each ordinary share

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 999	7	0.22	1,885	0.00
1,000 – 10,000	1,149	36.30	7,399,875	1.16
10,001 – 1,000,000	1,973	62.34	123,827,363	19.48
1,000,001 and above	36	1.14	504,344,539	79.36
Total	3,165	100.00	635,573,662	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Wise Premium Limited	153,310,250(1)	24.12	–	–
Wang Shih Zen	11,406,500(2)	1.79	153,310,250(1)	24.12
Wang Tao	79,094,000(3)	12.44	–	–

(1) Wise Premium Limited is an investment holding company incorporated in British Virgin Islands and is wholly-owned by Mr. Wang Shih Zen. Accordingly, Mr. Wang is deemed to be interested in Wise Premium Limited's 153,310,250 shares in the capital of the Company.

(2) Mr. Wang Shin Zen held 200,000 shares through HKSCC Nominees Ltd. Together with his direct holdings of 11,206,500 shares, Mr. Wang held 11,406,500 shares, representing 1.79% of the issued share capital of the Company.

(3) Ms. Wang Tao held 50,000,000 shares through Enlighten Securities Limited. Together with her direct holdings of 29,094,000 shares, Ms. Wang held 79,094,000 shares, representing 12.44% of the issued share capital of the Company.

SHAREHOLDERS' INFORMATION

TREASURY SHARES – RULE 1207(9)(F)

Number of treasury shares held	:	Nil
% of treasury shares held against total/no. of issued shares (excluding treasury shares)	:	–

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1	HKSCC NOMINEES LIMITED	163,394,750	25.71
2	WISE PREMIUM LIMITED	153,310,250	24.12
3	CITIBANK NOMINEES SINGAPORE PTE LTD	80,423,000	12.65
4	WANG TAO	29,094,000	4.58
5	WANG SHIH ZEN	11,206,500	1.76
6	DMG & PARINERS SECRUITIES PTE LTD	8,429,000	1.33
7	OCBC SECURITIES PRIVATE LIMITED	4,511,000	0.71
8	LIM CHEE CHONG (LIN ZHIZHONG)	3,500,000	0.55
9	HSBC (SINGAPORE) NOMINEES PTE LTD	3,497,000	0.55
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,358,000	0.53
11	NEO CHEE BENG (LIANG ZHIMING)	3,000,000	0.47
12	NG BAN HOCK	3,000,000	0.47
13	CIMB SECURITIES (SINGAPORE) PTE LTD	2,854,000	0.45
14	LAU CHEE HEONG (LIU ZHIXIONG)	2,817,000	0.44
15	RAFFLES NOMINEES (PTE) LTD	2,551,000	0.40
16	YANG SIOK HUM	2,500,000	0.39
17	DANIEL TAN POON KUAN	2,400,275	0.38
18	TAN SIAH HWEE	2,249,000	0.35
19	UOB KAY HIAN PTE LTD	2,151,000	0.34
20	TAY BAN YEW	2,000,000	0.31
	TOTAL	486,245,775	76.49

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 61.64% of the Company's shares are held by the public as at 15 June 2011. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST and the Rules Governing the Listing of Securities on the HKSE.

CORPORATE INFORMATION

Director	:	Executive: Wang Shih Zen, Chairman and Chief Executive Officer Wang Tao Lu Shangmin Non-executive: David Lim Teck Leong Independent Non-executive: Chan Kam Loon Guo Yanjun Lo Hang Fong Tham Wan Loong, Jerome (appointed on 3 May 2010)
Audit committee	:	Chan Kam Loon (Chairman) Guo Yanjun Lo Hang fong Tham Wan Loong, Jerome David Lim teck Leong
Nominating committee	:	Lo Hang fong (Chairman) Chan Kam Loon Guo Yanjun Tham Wan Loong, Jerome Wang Shih Zen David Lim teck Leong
Remuneration committee	:	Guo Yanjun (Chairman) Chan Kam Loon Lo Hang Fong Tham Wan Loong, Jerome David Lim Teck Leong Wang Shih Zen
Authorised representative	:	Wang Shih Zen Siu Yun Tang
Compliance advicer	:	Sinopac Securities (Asia) Limited 21st Floor One Peking 1 Peking Road Tsimshatsui Hong Kong

CORPORATE INFORMATION

Joint company secretaries	:	Busarakham Kohsikaporn, FCIS Shirley Lim Keng San, FCIS Siu Yun Tang
Registered office	:	Clarendon House, 2 Church Street, Hamilton Hm 11, Bermuda
Headquarters and principal place of business in China	:	Room 401, Building 14 West Park of Software Park HiTtech Park, Second Road Nanshan, Shenzhen, PRC Telephone No: 86-755 8633 6366 Facsimile No: 86-755 8633 6345 Email address: enquiry@z-obee.com
Principal bankers	:	Standard Chartered Bank (Hong Kong) Limited DBS Bank (Hong Kong) Limited Dah Sing Bank Nanyang Commercial Bank Limited Citibank Shanghai Pudong Development Bank Guangdong Development Bank
Auditor	:	RSM Nelson Wheeler Certified Public Accountants 29th floor, Caroline Centre, Lee Gardens Two, 28 Yun Ping Road, Hong Kong Partner-in-charge: Maria Tsang (With effect from year ended 31 March 2011)
Stock code	:	Singapore : D5N Hong Kong : 948
Corporate website	:	http://www.z-obee.com