Z-OBEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: Singapore: D5N Hong Kong: 948

Interim Report 2011

INDEPENDENT REVIEW REPORT

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

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 17 which comprises the condensed consolidated statement of financial position of the Company as at 30 September 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT REVIEW REPORT

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

11 November 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

	Note	**2011 US$ (Unaudited)**	2010 US$ (Unaudited)
Revenue	3(a)	**56,418,957**	63,478,230
Cost of goods sold		**(53,493,529)**	(56,928,982)
Gross profit		**2,925,428**	6,549,248
Other income		**2,581,165**	179,049
Selling and distribution costs		**(101,157)**	(68,383)
Administrative expenses		**(1,861,050)**	(2,789,180)
Profit from operations		**3,544,386**	3,870,734
Finance costs	4	**(293,462)**	(301,239)
Fair value (losses)/gains on financial assets at fair value through profit or loss		**(324,436)**	848,483
Impairment loss on non-current assets classified as held for sale	11	**(149,687)**	–
Profit before tax		**2,776,801**	4,417,978
Income tax expense	5	**(382,509)**	(909,310)
Profit for the period attributable to owners of the Company	6	**2,394,292**	3,508,668
Earnings per share			
Basic (US cents)	8	**0.38**	0.59

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	2011 US$ (Unaudited)	2010 US$ (Unaudited)
Profit for the period	**2,394,292**	3,508,668
Other comprehensive income: Exchange differences on translating foreign operations	**1,093,890**	466,755
Other comprehensive income for the period, net of tax	**1,093,890**	466,755
Total comprehensive income for the period attributable to owners of the Company	**3,488,182**	3,975,423

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Note	**30 September 2011 US$ (Unaudited)**	31 March 2011 US$ (Audited)
Non-current assets			
Property, plant and equipment	9	**5,694,677**	9,363,319
Intangible assets		**196,860**	226,748
Goodwill		**1,577,843**	1,539,331
Financial assets at fair value through profit or loss		**17,714,118**	18,038,554
Available-for-sale financial asset		**1,579,310**	1,540,762
		26,762,808	30,708,714
Current assets			
Inventories		**10,863,593**	11,062,818
Trade receivables	10	**38,823,647**	50,398,808
Prepayments, deposits and other receivables		**5,011,986**	1,784,517
Derivative financial instruments		**185,975**	280,669
Non-current assets classified as held for sale	11	**1,497,513**	–
Restricted bank balances		**1,184,557**	1,318,972
Time deposits with original maturity over three months		**49,654,428**	28,763,424
Bank and cash balances		**5,927,303**	14,215,803
		113,149,002	107,825,011
Current liabilities			
Trade and bills payables	12	**11,562,731**	17,463,873
Accruals and other payables		**1,496,646**	1,877,760
Bank loans		**3,595,015**	3,962,639
Trust receipt loans		**14,084,453**	7,772,450
Finance lease payables		**1,248,979**	1,867,002
Current tax liabilities		**775,773**	1,929,970
		32,763,597	34,873,694
Net current assets		**80,385,405**	72,951,317
NET ASSETS		**107,148,213**	103,660,031

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	30 September 2011 US$ (Unaudited)	31 March 2011 US$ (Audited)
Capital and reserves		
Share capital	**5,084,590**	5,084,590
Reserves	**102,063,623**	98,575,441
TOTAL EQUITY	**107,148,213**	103,660,031

Approved by the Board of Directors on 11 November 2011

Wang Shih Zen
Director

Lu Shangmin
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to owners of the Company (Unaudited)					
	Share capital US$	Share premium US$	Foreign currency translation reserve US$	Reserve funds US$	Retained profits US$	Total equity US$
As at 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 period	–	–	466,755	–	3,508,668	3,975,423
Transfer to reserve funds	–	–	–	161,048	(161,048)	–
Changes in equity for the period	–	–	466,755	161,048	3,347,620	3,975,423
As at 30 September 2010	4,764,590	45,974,768	2,019,218	1,673,397	26,910,240	81,342,213
As at 1 April 2011	**5,084,590**	**58,564,536**	**3,497,023**	**1,885,258**	**34,628,624**	**103,660,031**
Total comprehensive income for the period	**–**	**–**	**1,093,890**	**–**	**2,394,292**	**3,488,182**
Transfer to reserve funds	**–**	**–**	**–**	**42,367**	**(42,367)**	**–**
Changes in equity for the period	**–**	**–**	**1,093,890**	**42,367**	**2,351,925**	**3,488,182**
As at 30 September 2011	**5,084,590**	**58,564,536**	**4,590,913**	**1,927,625**	**36,980,549**	**107,148,213**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	2011 US$ (Unaudited)	2010 US$ (Unaudited)
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES	**5,845,108**	(2,403,072)
Purchases of property, plant and equipment	**(28,277)**	(574,982)
Proceeds from disposals of property, plant and equipment	**397**	6,143
Other net investing cash flows	**(19,462,663)**	(9,030,525)
NET CASH USED IN INVESTING ACTIVITIES	**(19,490,543)**	(9,599,364)
Net bank and other loans repaid	**(427,519)**	(2,418,573)
Repayment of finance lease payables	**(618,023)**	(630,512)
Increase in trust receipt loans	**6,312,003**	3,453,107
NET CASH GENERATED FROM FINANCING ACTIVITIES	**5,266,461**	404,022
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(8,378,974)**	(11,598,414)
Effect of foreign exchange rate changes	**90,474**	6,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**14,215,803**	22,419,496
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**5,927,303**	10,827,283
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**5,927,303**	10,827,283

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 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 provision of design and production solution services for mobile handset, assembly of mobile handset and surface mounting technology of printed circuit board and distribution and marketing of mobile handset and mobile handset components.

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. ACCOUNTING POLICIES AND BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE.

These condensed financial statements should be read in conjunction with the financial statements for the year ended 31 March 2011. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the financial statements for the year ended 31 March 2011.

In the current period, the Group has applied IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as below since the Group entered into an agreement to dispose of certain property, plant and equipment during the current period which are subsequently disposed.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

(continued)

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Adoption of new and revised International Financial Reporting Standards

In the current period, 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 2011. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; 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 period and prior periods.

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 September	
	2011	2010
	US$	US$
	(Unaudited)	(Unaudited)
Distribution and marketing of mobile handset and mobile handset components	**38,458,541**	33,342,975
Provision of design and production solution services for mobile handset	**236,978**	2,394,973
Assembly of mobile handset and surface mounting technology of printed circuit board	**17,723,438**	27,740,282
	56,418,957	63,478,230

(b) 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.

Segment profits and losses do not include the following items:

- Interest income and other income
- Fair value gains/(losses) on financial assets at fair value through profit or loss
- Corporate administrative expenses
- Finance costs
- Income tax expense

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

3. REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Segment information *(continued)*

	Distribution and Marketing	Solution	Assembly	Consolidated
	US$	US$	US$	US$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 September 2011				
Revenue from external customers	**38,458,541**	**236,978**	**17,723,438**	**56,418,957**
Segment profits	**1,484,552**	**7,135**	**1,084,010**	**2,575,697**
Interest income				**632,166**
Other income (excluding interest income)				**1,948,999**
Fair value losses on financial assets at fair value through profit or loss				**(324,436)**
Corporate administrative expenses				**(1,762,163)**
Finance costs				**(293,462)**
Income tax expense				**(382,509)**
Profit for the period				**2,394,292**
Depreciation and amortisation	**–**	**66,320**	**578,844**	**645,164**
Impairment loss on non-current assets classified as held for sale	**–**	**–**	**149,687**	**149,687**
Six months ended 30 September 2010				
Revenue from external customers	33,342,975	2,394,973	27,740,282	63,478,230
Segment profits	624,827	1,761,477	3,996,415	6,382,719
Interest income				179,049
Fair value gains on financial assets at fair value through profit or loss				848,483
Corporate administrative expenses				(2,691,034)
Finance costs				(301,239)
Income tax expense				(909,310)
Profit for the period				3,508,668
Depreciation and amortisation	416,666	69,748	513,777	1,000,191

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

3. REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Segment information *(continued)*

Geographical information

	Six months ended 30 September 2011 US$ (Unaudited)	2010 US$ (Unaudited)
Revenue		
The People's Republic of China (the "PRC") except Hong Kong	**33,996,350**	39,104,948
Hong Kong	**22,422,607**	24,373,282
	56,418,957	63,478,230

4. FINANCE COSTS

	Six months ended 30 September 2011 US$ (Unaudited)	2010 US$ (Unaudited)
Interest on bank loans	**276,377**	250,128
Finance lease charges	**17,085**	41,178
Others	**–**	9,933
	293,462	301,239

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2011	2010
	US$	US$
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	**290,630**	140,000
Current tax – PRC Enterprise Income Tax		
Provision for the period	**119,206**	769,310
Over-provision in prior periods	**(27,327)**	–
	382,509	909,310

Hong Kong Profits Tax has been provided at a rate of 16.5% (six months ended 30 September 2010: 16.5%) based on the estimated assessable profit for the period.

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2011	2010
	US$	US$
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**725,090**	651,800
Dividend income from financial assets at fair value through profit or loss	**(1,478,591)**	–
Fair value losses/(gains) on financial assets at fair value through profit or loss	**324,436**	(848,483)
Amortisation of intangible assets	**35,225**	443,082
Impairment loss on non-current assets classified as held for sale	**149,687**	–
Loss on disposals of property, plant and equipment	**1,186**	57,366

7. DIVIDENDS

The Board of Directors did not recommend any payment of interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of US$2,394,292 (six months ended 30 September 2010: US$3,508,668) and the weighted average number of ordinary shares of 635,573,662 (six months ended 30 September 2010: 595,573,662) in issue during the period.

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

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of US$28,277 (six months ended 30 September 2010: US$2,043,213).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

10. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 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:

	30 September 2011 US$ (Unaudited)	31 March 2011 US$ (Audited)
0 to 30 days	**8,808,046**	21,496,457
31 to 60 days	**12,801,748**	13,156,820
61 to 90 days	**7,301,555**	12,697,455
More than 90 days	**9,912,298**	3,048,076
	38,823,647	50,398,808

11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the current period, the Group resolved to dispose one of the Group's assembly operation of assembly surface mounting technology of printed circuit board. On 1 September 2011, the Group entered into an agreement to dispose of the property, plant and equipment associated with such operation. As at 30 September 2011, the Group maintained control over certain assets of that assembly operation and such assets, which are expected to be disposed of upon the completion of the disposal, have been classified as non-current assets classified as held for sale and are separately presented in the condensed consolidated statement of financial position. The disposal was subsequently completed on 6 October 2011.

The proceeds of disposal are expected to be less than the net carrying amount of the assets associated with that operation and accordingly, an impairment of US$149,687 has been recognised during the current period.

12. TRADE AND BILLS PAYABLES

	30 September 2011 US$ (Unaudited)	31 March 2011 US$ (Audited)
Trade payables	**10,389,731**	13,965,230
Bills payables	**1,173,000**	3,498,643
	11,562,731	17,463,873

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

12. TRADE AND BILLS PAYABLES *(continued)*

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

	30 September 2011 US$ (Unaudited)	31 March 2011 US$ (Audited)
0 to 30 days	**2,630,924**	9,248,036
31 to 60 days	**6,080,183**	6,576,855
More than 60 days	**2,851,624**	1,638,982
	11,562,731	17,463,873

Trade payables generally have credit terms ranging from 15 days to 90 days.

13. RELATED PARTY TRANSACTIONS

The Group had the following transactions with its related parties during the period:

		Six months ended 30 September	
	Note	**2011 US$ (Unaudited)**	2010 US$ (Unaudited)
Sales of goods to a related company	(i)	**455,706**	–
Consultancy fees paid to a related company	(ii)	**13,762**	65,739

Note:

(i) Amounts represented sales of goods to a subsidiary of Yoho King Limited ("Yoho King") during the period, in which the Group held approximately 14.75% equity interest in Yoho King and its subsidiaries (collectively referred to "Yoho King Group"). The brother of the Company's director, Mr. Wang Shih Zen, held approximately 24.58% 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 directors, Mr. David Lim Teck Leong, is a partner.

14. APPROVAL OF THE INTERIM REPORT

The interim report was approved and authorised for issue by the Board of Directors on 11 November 2011.

RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

BUSINESS REVIEW:

In 2011, the global mobile handset industry maintained a stable growth. According to the statistics from Gartner, Inc., during the first six months of the year, approximately 856.5 million mobile handsets were sold globally, representing an increase of approximately 17.75% compared to the same period in 2010. The mobile handset market of China also maintained steady growth. During the first five months, there was an increase of approximately 51.1 million to 910.1 million in the number of mobile handset users, of which more than 50% are 3G subscribers. Despite the steady year-on-year growth maintained in the statistics of sales of mobile handsets, the growth rate recorded a quarterly decrease in the same year. According to the analysis of Gartner, Inc., the growth rate of the mobile handset market was affected by factors such as the increase in inventories level of the distribution channels, weak demand in the emerging markets and the uncertainties in global economy.

Having benefited from the development of the intermediate smart phone market, the popularisation of the smart phones was accelerated. Smart phones recorded excellent sales performance, increasing by approximately 80% in average compared to the corresponding period in 2010, representing 24% of the overall sales of mobile handsets. The Android system has enjoyed the largest market share of the operating platform of smart phones, which showing great potential in the portal and intermediate smart phone markets. As advised in the analysis, an ecosystem of the operating platform of mobile handsets is being built in an effort to strengthen the loyalty of subscribers to the platform, while applications and services are the key factors in the success of the smart phones. In this regard, manufacturers should regard the smart phones as a continuation of computers.

The Group will continue to take cautious measures in its business operation and advance its development plan. It will keep abreast of the latest developments of the global economy and the mobile handset industry, while adjusting its business strategies as necessary from time to time.

FINANCIAL REVIEW:

The details of financial review of the condensed consolidated interim results of Z-Obee Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 September 2011 ("FY2012 6M") with comparative figures for the corresponding period in 2010 ("FY2011 6M") is as follows:

Condensed consolidated income statement

Revenue

Revenue decreased by approximately 11.12% from approximately US$63,478,000 in FY2011 6M to approximately US$56,419,000 in FY2012 6M. Such decrease was mainly due to the decrease in the Solution and Assembly segments during the current period.

Cost of goods sold

Cost of goods sold decreased by approximately 6.03% from approximately US$56,929,000 in FY2011 6M to approximately US$53,494,000 in FY2012 6M. Such decrease was in line with the decrease in revenue.

Gross profit

Gross profit decreased by approximately 55.33% from approximately US$6,549,000 in FY2011 6M to approximately US$2,925,000 in FY2012 6M and the gross profit margin decreased from approximately 10.32% in FY2011 6M to approximately 5.19% in FY2012 6M. Such decrease in gross profit as well as gross profit margin was mainly due to the decrease in contribution from the Solution and Assembly segments with comparatively high profit margins.

Other income

Other income increased by approximately 1341.60% from approximately US$179,000 in FY2011 6M to approximately US$2,581,000 in FY2012 6M. Such increase was mainly due to dividend income from financial assets at fair value through profit or loss during the current period.

Administrative expenses

Administrative expenses decreased by approximately 33.28% from approximately US$2,789,000 in FY2011 6M to approximately US$1,861,000 in FY2012 6M. Such decrease was mainly due to the decrease in the general operational costs of the Group during the current period.

Fair value changes on financial assets at fair value through profit or loss

Fair value losses approximately US$324,000 was recognised in FY2012 6M compared to fair value gains approximately US$848,000 in FY2011 6M. Such change was mainly due to the fair value loss on a listed equity investment.

Impairment loss on non-current assets classified as held for sale

This represented the difference between the net proceeds to be received upon the completion of disposal of non-current assets classified as held for sale and the net carrying amounts of the underlying assets.

Income tax expense

Income tax expense decreased by approximately 57.93% from approximately US$909,000 in FY2011 6M to approximately US$383,000 in FY2012 6M. The decrease was mainly due to the decrease in profits of the Group in the PRC during the current period.

Net profit for the period

As a result of the above, net profit for the period decreased by 31.76% to approximately US$2,394,000.

Condensed consolidated statement of financial position

Set out below are the major changes in the items of the condensed consolidated statements of financial position as at 30 September 2011 and 31 March 2011:

Property, plant and equipment	:	The decrease from approximately US$9,363,000 as at 31 March 2011 to approximately US$5,695,000 as at 30 September 2011 was mainly due to disposal of property, plant and equipment upon cessation of one of the Group's assembly operation during the current period.
Trade receivables	:	The decrease from approximately US$50,399,000 as at 31 March 2011 to approximately US$38,824,000 as at 30 September 2011 was in line with the decrease in revenue.
Prepayments, deposits and other receivables	:	The increase from approximately US$1,785,000 as at 31 March 2011 to approximately US$5,012,000 as at 30 September 2011 was mainly due to the increases in (i) dividend receivable from financial assets at fair value through profit or loss and (ii) a receivable arising from disposal of property, plant and machinery classified as non-current assets classified as held for sale.
Non-current assets classified as held for sale	:	This amount represented the carrying amounts of property, plant and equipment to be disposal as mentioned above.
Time deposits with original maturity over three months	:	The increase from approximately US$28,763,000 as at 31 March 2011 to approximately US$49,654,000 as at 30 September 2011 was mainly due to the increase in time deposits placed in banks to earn higher interest income.

Bank and cash balances	:	The decrease from approximately US$14,216,000 as at 31 March 2011 to approximately US$5,927,000 as at 30 September 2011 was mainly due to the reasons mentioned in the major movements in the condensed consolidated statement of cash flows for FY2012 6M set out below.
Trade and bills payables	:	The decrease from approximately US$17,464,000 as at 31 March 2011 to approximately US$11,563,000 as at 30 September 2011 was mainly due to the decrease in purchases during the current period.
Borrowings and debts	:	The increase from approximately US$13,602,000 as at 31 March 2011 to approximately US$18,928,000 as at 30 September 2011 was mainly due to the combined effects of (i) more trust receipt loans drawn-down for trade finance purpose and (ii) monthly repayment of the outstanding principal balances of the finance lease payables and bank loans during the current period.
Current tax liabilities	:	The decrease from approximately US$1,930,000 as at 31 March 2011 to approximately US$776,000 as at 30 September 2011 was mainly due to the reasons mentioned in income tax expense above.
Net assets	:	As a result of the above, the net assets increased from approximately US$103,660,000 as at 31 March 2011 to approximately US$107,148,000 as at 30 September 2011.

Condensed consolidated statement of cash flows

Set out below are the major movements in the condensed consolidated statement of cash flows for FY2012 6M:

Operating activities	:	There was a net cash inflow of approximately US$2,290,000 before reinvestment in working capital. The net cash inflow was further increased mainly due to the net effect of the decrease in inventories, trade receivables, trade and bills payables and accruals and other payables and the increase in prepayments, deposits and other receivables amounted to approximately US$5,409,000, plus the interest and income tax payments amounted to approximately US$1,854,000. The resultant cash inflow from operating activities amounted to US$5,845,000.
Investing activities	:	There was a net cash outflow of approximately US$19,490,000 which was mainly due to the increase in time deposits with original maturity over three months.
Financing activities	:	There was a net cash inflow of approximately US$5,266,000 which was mainly due to the increase in trust receipt loans during the current period.
Net movements	:	As a result of the above, there was a net decrease in cash and cash equivalents of approximately US$8,379,000 in the current period.

OPERATIONS REVIEW

The Group had the following material transactions during the period under review:

Acquisition of Yoho King

On 23 March 2010, the Group entered into a share purchase deed, conditionally to acquire 7,500 shares of Yoho King which represented approximately 15% of the existing equity interests in Yoho King Group as at the date of the share purchase deed at the consideration of US$10,830,975 by cash.

The board (the "Board") of directors (the "Directors") of the Company considered that the acquisition represented a good opportunity for the Group to expand into the business of research and development, distribution and sale of various 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 might be synergy effect in the future as the Group and Yoho King Group were 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 of the Company held on 18 May 2010.

After the completion of the acquisition in May 2010, 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.

After the submission of application for the listing on the Main Market of Bursa Malaysia Securities Berhad, the Group was informed by the management of Yoho King that Yoho King had redeemed and cancelled part of shares from a particular shareholder. Accordingly, the percentage owned by the Group was revised to approximately 14.75%.

The Board was informed by Yoho King that Yoho King decided to discontinue the listing application in Malaysia due to the prevailing market conditions. In this respect, Yoho King had withdrawn its application for the listing on the Main Market of Bursa Malaysia Securities Berhad on 6 July 2011. The Group was informed by the management of Kada Technology Holdings Limited that they were considering alternative listing proposals.

Co-operation agreements

The Group entered into a supply agreement on 15 June 2011 with Shenzhen Jing Ying Electronic Technology Limited 深圳市菁英電子科技有限公司 ("Jing Ying") to provide multimedia handheld devices to Jing Ying. These products would be used as handheld personal entertainment devices for passengers on aircrafts to access to different electronic information, such as music, movies, television programs, e-magazines and advertisement media. The Directors believed that the supply agreement would provide the Group a good opportunity to enhance its customer portfolio in the new business segment and subject to the final results it would have a positive impact to the Group's business and financial performance.

On 4 July 2011, the Group entered into a strategic cooperation agreement with China Potevio Company Limited 中國普天信息產業股份有限公司 ("China Potevio"). The Group and China Potevio would jointly develop a platform of energy saving business through promotion and implementation of comprehensive energy saving solution for the customers. The scope of services in the platform covers the whole range of energy saving services, such as energy audit, project design, equipment procurement, construction, equipment installation and testing, technical training, remote control set up and repair and energy saving verification. With strong support from the PRC government to promote energy saving industry, the Board believed that there was significant market potential for energy saving, environment protection and energy saving lighting business. The Group would have an opportunity to diversify its business into energy saving business and engage in research and development, manufacturing, promotion and sale of energy saving lighting products, and to broaden the Group's revenue base in the future.

INTERIM DIVIDEND

The Board of Directors did not recommend any payment of interim dividend for FY2012 6M.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the Group had current assets of US$113,149,002 (31 March 2011: US$107,825,011) and current liabilities of US$32,763,597 (31 March 2011: US$34,873,694) and total bank and cash balances (excluding restricted bank balances) of US$55,581,731 (31 March 2011: US$42,979,227). The Group's current ratio, being a ratio of current assets to current liabilities, was approximately 3.45 (31 March 2011: 3.09). The Group's gearing ratio, being a ratio of total debts to total assets, was approximately 13.53% (31 March 2011: 9.82%).

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

CAPITAL COMMITMENTS

As at 30 September 2011, the Group did not have any material capital commitments (31 March 2011: Nil).

CHARGE ON ASSETS

As at 30 September 2011, restricted bank deposits of approximately US$1,185,000 (31 March 2011: US$1,319,000) and structured deposits of approximately US$687,000 (31 March 2011: US$666,000) were placed with banks in Hong Kong (31 March 2011: Hong Kong and PRC) as the pledge for general banking facilities and bank loans.

As at 30 September 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 30 September 2011, the Group did not have any material contingent liabilities (31 March 2011: Nil).

EMPLOYEE INFORMATION

As at 30 September 2011, the Group has 140 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

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

As at 30 September 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 HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest			
Name of Director	Note	**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		37,364,000	–	37,364,000	5.88

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 Shin Zen held 11,406,500 shares, representing approximately 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 (the "Bye-Laws"), each of the Directors is required to have registered in his name at least one qualification share. All Directors have complied with this requirement.

Save as disclosed above, as at 30 September 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.

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 period 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 adopts a share option scheme (the "2010 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Pursuant to the 2010 Scheme, the employees of the Group (including the executive Directors and the 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 the 2010 Scheme at the absolute discretion of the Remuneration Committee (the "RC").

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

The grant of a 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.

Subject to the provisions of the 2010 Scheme, the Bermuda Companies Act, the Listing Manual of the SGX-ST and the Hong Kong Listing Rules on the HKSE , the RC may, when making the offer, impose any conditions, restrictions or limitations in relation thereto as it may at its absolute discretion think fit.

The original number of shares which may be allotted and issued upon exercise of all share options to be granted under the 2010 Scheme and any other share option scheme of the Company must not exceed the aggregate of 59,557,366 shares, representing 10% of the ordinary shares in issue immediately following the completion of the dual primary listing on the Main Board of HKSE.

On 18 August 2011, an ordinary resolution was proposed at the annual general meeting of the Company to approve the refreshment of the scheme mandate limit to grant options under the 2010 Scheme and any other share option scheme of the Company. The resolution was approved by the shareholders of the Company on 18 August 2011 and the total number of shares which may be allotted and issued upon exercise of all share options to be granted under the "refreshed" 2010 Scheme and any other share option scheme of the Company must not exceed the aggregate of 63,557,366 shares, representing 10% of the issued share capital of the Company as at the date of passing of the resolution 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 since the adoption date of the 2010 Scheme.

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

As at 30 September 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	Note	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage 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	37,364,000	5.88%
Zhang Wei	(c)	Deemed interest	37,364,000	5.88%

Note:

(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 30 September 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

Compliance with the Code on Corporate Governance Practices

The Board and senior management of 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.

Other than those minor deviations which are explained below, the Company has complied with the principles of both the Singapore Code and Hong Kong Code during the period under review.

Segregation of role of 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 Chairman and CEO are reviewed by the Board. His performance and re-appointment to the Board are reviewed by the Nominating Committee (the "NC") and his remuneration package is reviewed 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 Shih Zen 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 Shih Zen is responsible for the effective working of the Board such as ensuring that Board meeting 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 ("CFO").

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 CFO.

Specific term for the appointment of Non-executive Directors (including Independent Non-executive Directors)

Pursuant to the Hong Kong Code, the Non-executive Directors (including 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 and Non-executive Director. The Independent Non-executive Directors and Non-executive Director are re-appointed in accordance with the provision of the Bye-Laws.

The Directors are of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decision-making without the controlling shareholders being able to exercise considerable concentration of power or influence. The Bye-Laws also provide that each Director shall retire from office at least once every three years. A retiring Director shall be eligible for re-election.

Minimum number of Independent Directors resident in Singapore

Pursuant to the Rule 221 of the listing manual of SGX-ST (the "Listing Manual"), a foreign issuer must have at least two independent directors, resident in Singapore. The Company has two Independent Non-executive Directors resident in Singapore which has satisfied this requirement.

Audit Committee

The Audit Committee (the "AC") currently comprises four Independent Non-executive Directors and one Non-executive Director.

The AC has reviewed the interim report for the six months ended 30 September 2011, in conjunction with the Company's external auditor.

Remuneration Committee

The RC currently comprises four Independent Non-executive Directors, one Non-executive Director and the Chairman.

Securities Transactions by Directors

The Group had adopted a policy for dealings in securities of the Company by the Directors and officers. All directors and officers 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 provision of the SGX-ST Listing Manual during the period under review.

USE OF HONG KONG INITIAL PUBLIC OFFERING PROCEEDS

Usage	Proceeds allocated	Amounts deployed as at 30 September 2011	Balance to be deployed
	US$'000	US$'000	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	(145)	6,617
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	(2,441)	14,255

CORPORATE INFORMATION

Directors	:	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
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 Wang Shih Zen David Lim Teck Leong

Authorised representatives	:	Wang Shih Zen Siu Yun Tang
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 Hi-Tech 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

www.z-obee.com