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Z-Obee Holdings Limited

融達控股有限公司*

(incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 948)

(Singapore Stock Code: D5N)

website: http://www.z-obee.com

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The board (the "Board") of directors (the "Directors") of Z-Obee Holdings Limited (the "Company") presents the unaudited condensed consolidated interim results (the "Results Announcement") of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2012 ("FY2013 6M") with comparative figures for the corresponding period in 2011 ("FY2012 6M") as follows:

The unaudited condensed financial information has not been audited, but has been reviewed by the Company's audit committee ("AC") and the Company's Hong Kong auditor, RSM Nelson Wheeler.

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

	Note	Six months ended 30 September 2012 US$ (Unaudited)	2011 US$ (Unaudited)
Revenue	*3(a)*	**77,950,689**	56,418,957
Cost of goods sold		**(74,490,068)**	(53,493,529)
Gross profit		**3,460,621**	2,925,428
Other income		**708,802**	2,581,165
Selling and distribution costs		**(596)**	(101,157)
Administrative expenses		**(2,026,571)**	(1,861,050)
Profit from operations		**2,142,256**	3,544,386
Finance costs	*4*	**(821,223)**	(293,462)
Fair value gains/(losses) on financial assets at fair value through profit or loss		**6,372,462**	(324,436)
Impairment loss on goodwill	*10*	**(1,377,449)**	—
Impairment loss on prepayments, deposits and other receivables		**(156,055)**	—
Impairment loss on property, plant and equipment	*9*	**(970,535)**	—
Impairment loss on trade receivables		**(274,271)**	—
Impairment loss on non-current assets classified as held for sale		**—**	(149,687)
Profit before tax		**4,915,185**	2,776,801
Income tax expense	*5*	**(226,523)**	(382,509)
Profit for the period attributable to owners of the Company	*6*	**4,688,662**	2,394,292
		US cents	*US cents*
Earnings per share			
Basic	*8*	**0.74**	0.38
Diluted	*8*	**0.74**	0.38

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012	2011
	US$	*US$*
	(Unaudited)	(Unaudited)
Profit for the period	**4,688,662**	2,394,292
Other comprehensive income:		
Exchange differences on translating foreign operations	**—**	1,093,890
Other comprehensive income for the period, net of tax	**—**	1,093,890
Total comprehensive income for the period attributable to owners of the Company	**4,688,662**	3,488,182

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Note	30 September 2012 US$ (Unaudited)	31 March 2012 US$ (Audited)
Non-current assets			
Property, plant and equipment	*9*	**3,109,248**	4,360,077
Intangible assets		**132,833**	163,954
Goodwill	*10*	**—**	1,377,449
Financial assets at fair value through profit or loss	*11*	**24,025,950**	18,321,743
Deposits paid for acquisition of associates	*12*	**2,570,694**	—
		29,838,725	24,223,223
Current assets			
Inventories		**3,345,788**	4,372,686
Trade receivables	*13*	**59,996,525**	44,934,212
Prepayments, deposits and other receivables		**15,861,626**	19,762,813
Derivative financial instruments		**202,428**	424,205
Time deposits with original maturity over three months		**46,786,877**	43,207,446
Restricted bank balances		**8,757,133**	1,186,929
Bank and cash balances		**6,277,595**	10,471,864
		141,227,972	124,360,155
Current liabilities			
Trade and bills payables	*14*	**2,693,163**	5,605,963
Accruals and other payables		**2,197,576**	2,631,005
Bank loans		**11,056,162**	3,683,935
Trust receipt loans		**37,685,000**	24,152,509
Finance lease payables		**1,151,008**	1,199,993
Current tax liabilities		**747,492**	731,144
		55,530,401	38,004,549
Net current assets		**85,697,571**	86,355,606
NET ASSETS		**115,536,296**	110,578,829
Capital and reserves			
Share capital		**5,084,590**	5,084,590
Reserves		**110,451,706**	105,494,239
TOTAL EQUITY		**115,536,296**	110,578,829

NOTE:

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 a) provision of design and production solution services for mobile handset and computer tablets, b) assembly of mobile handset and computer tablets and surface mounting technology of printed circuit board, and c) distribution and marketing of mobile handset and its components and electronic 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, 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 (the "TWSE").

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 2012. 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 2012.

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 2012. 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.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 September	
	2012	2011
	US$	*US$*
	(Unaudited)	(Unaudited)
Distribution and marketing of mobile handset and its components and electronic components	**76,863,655**	38,458,541
Provision of design and production solution services for mobile handset and computer tablets	**875,364**	236,978
Assembly of mobile handset and computer tablets and surface mounting technology of printed circuit board	**211,670**	17,723,438
	77,950,689	56,418,957

(b) Segment information

The Group has three reportable segments as follows:

Distribution and Marketing	—	distribution and marketing of mobile handset and its components and electronic components
Solution	—	provision of design and production solution services for mobile handset and computer tablets
Assembly	—	assembly of mobile handset and computer tablets 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
- Impairment loss on property, plant and equipment for rental and general administrative use
- Corporate administrative expenses
- Finance costs
- Income tax expense

	Distribution and Marketing	Solution	Assembly	Consolidated
	US$	*US$*	*US$*	*US$*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 September 2012				
Revenue from external customers	**76,863,655**	**875,364**	**211,670**	**77,950,689**
Segment profits/(losses)	**2,303,032**	**(727,820)**	**(637,738)**	**937,474**
Interest income				**681,560**
Other income (excluding interest income)				**27,242**
Fair value gains on financial assets at fair value through profit or loss				**6,372,462**
Impairment loss on property, plant and equipment for rental and general administrative use				**(318,473)**
Corporate administrative expenses				**(1,963,857)**
Finance costs				**(821,223)**
Income tax expense				**(226,523)**
Profit for the period				**4,688,662**
Depreciation and amortisation	**—**	**43,165**	**2,687**	**308,226**
Impairment loss on goodwill	**—**	**1,377,449**	**—**	**1,377,449**
Impairment loss on prepayments, deposits and other receivables	**156,055**	**—**	**—**	**156,055**
Impairment loss on property, plant and equipment	**—**	**—**	**652,062**	**970,535**
Impairment loss on trade receivables	**274,271**	**—**	**—**	**274,271**
Equity-settled share-based payments	**—**	**—**	**—**	**268,805**
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	760,315
Impairment loss on non-current assets classified as held for sale	—	—	149,687	149,687

Geographical information

	Six months ended 30 September	
	2012	2011
	US$	*US$*
	(Unaudited)	(Unaudited)
Revenue		
The People's Republic of China (the "PRC") except Hong Kong	**66,627,981**	33,996,350
Hong Kong	**11,322,708**	22,422,607
	77,950,689	56,418,957

4. FINANCE COSTS

	Six months ended 30 September	
	2012	2011
	US$	*US$*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**813,271**	276,377
Finance lease charges	**7,952**	17,085
	821,223	293,462

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2012	2011
	US$	*US$*
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	**257,070**	290,630
Current tax — PRC Enterprise Income Tax		
Provision for the period	**—**	119,206
Over-provision in prior periods	**(30,547)**	(27,327)
	226,523	382,509

Hong Kong Profits Tax has been provided at a rate of 16.5% (six months ended 30 September 2011: 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.

According to the current applicable laws of the Macau Special Administrative Region (the "Macau"), Macau Complementary Tax is calculated at a progressive rate from 9% to 12% on the estimated assessable profits for the year with first two hundred thousand patacas assessable profits being free from tax. However, VIM Technology Macao Commercial Offshore Limited, a subsidiary of the Company incorporated in 2011 and operated during the period, was in compliance with the Decree-Law No. 58/99/M of the Macau and thus, the profits generated by the subsidiary was exempted from the Macau Complementary Tax. Further, in the opinion of the Directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates.

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.

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2012	2011
	US$	*US$*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**34,286**	35,225
Depreciation of property, plant and equipment	**273,940**	725,090
Dividend income from financial assets at fair value through profit or loss	**—**	(1,478,591)
Equity-settled share-based payments	**268,805**	—
Fair value losses/(gains) on derivative financial instruments	**23,076**	(72,759)
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(6,372,462)**	324,436
(Gain)/loss on disposals of property, plant and equipment	**(3,767)**	1,186
Impairment loss on goodwill	**1,377,449**	—
Impairment loss on non-current assets classified as held for sale	**—**	149,687
Impairment loss on prepayments, deposits and other receivables	**156,055**	—
Impairment loss on property, plant and equipment	**970,535**	—
Impairment loss on trade receivables	**274,271**	—

7. DIVIDENDS

The Board of Directors did not recommend any payment of interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

8. EARNINGS PER SHARE

Basic

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$4,688,662 (six months ended 30 September 2011: US$2,394,292) and the weighted average number of ordinary shares of 635,573,662 (six months ended 30 September 2011: 635,573,662) in issue during the period.

Diluted

During the six months ended 30 September 2012, the calculation of diluted 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$4,688,662 (six months ended 30 September 2011: US$2,394,292) and the weighted average number of ordinary shares of 635,573,662 (six months ended 30 September 2011: 635,573,662), being the weighted average number of ordinary shares of 635,573,662 (six months ended 30 September 2011: 635,573,662) in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the period.

The Company did not have any dilutive potential ordinary sharing during the six months ended 30 September 2011 and 2012.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of US$3,490 (six months ended 30 September 2011: US$28,277).

During the period, the Directors reviewed the recoverable amounts of property, plant and equipment and an impairment loss of US$970,535 (six months ended 30 September 2011: Nil) was recognised during the six months ended 30 September 2012.

10. GOODWILL

The Directors assess the recoverable amount of goodwill in accordance with the Group's accounting policy. In anticipation of the decreasing market demand of mobile handset solution service in the PRC and the under-performance of the Solution Cash Generating Unit during the period, the Group determined that the carrying amount of goodwill arising from the acquisition of Zeus Telecommunication Technology Holdings Ltd. was irrecoverable as at 30 September 2012 and a full impairment loss of US$1,377,449 was recognised during the period.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 March 2012, the balance included a 14.75% unlisted equity investment in Yoho King Limited ("Yoho King") and its subsidiaries (collectively known as the "Yoho King Group"). In the absence of quoted market prices in active market, the Directors estimated the fair value of the investment based on discounted cash flow method prepared by an independent professional valuer and such was determined at US$17,150,000.

Since 5 July 2012, Yoho King Group, via Kada Technology Holdings Limited ("Kada" and collectively known as "Kada Group"), has successfully listed its shares on the Alternative Investment Market of The London Stock Exchange (the "Kada IPO") whilst the equity interest in Kada Group was diluted from 14.75% to 14.56% upon the completion of the Kada IPO.

As at 30 September 2012, the fair value of the investment was determined based on its quoted price in active market and such was determined at US$23,632,863. The fair value measurement of the equity security was transferred from level 3 to level 1 during the period.

12. DEPOSITS PAID FOR ACQUISITION OF ASSOCIATES

During the period, the Group entered into contractual agreements with a third party individual to acquire 40% equity interest of Noosa International Limited ("Noosa") and its subsidiaries (collectively known as "Noosa Group") at a consideration of US$10,942,879 (equivalent to HK$85,135,600). As at 30 September 2012, the Group placed refundable deposits of US$2,570,694 (equivalent to HK$20,000,000) and the remaining balance would be settled upon the completion of the proposed acquisition. Pursuant to the contractual agreements, the completion of such proposed acquisition is subject to the fulfillment of certain conditions precedent set out in the contractual agreements on or before 30 November 2012. In the circumstances that the proposed acquisition was not completed due to the non-fulfillment of the conditions precedent, the contractual agreements would be automatically cancelled and the third party individual should immediately refund the refundable deposits to the Group.

Details of the proposed acquisition are set out in the Company's circular dated 19 October 2012.

13. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days (31 March 2012: 30 to 120 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 2012	31 March 2012
	US$	*US$*
	(Unaudited)	(Audited)
0 to 30 days	**18,561,665**	28,552,957
31 to 60 days	**9,674,115**	6,526,977
61 to 90 days	**12,887,890**	5,620,432
91 to 120 days	**9,023,125**	3,688,000
More than 120 days	**9,849,730**	545,846
	59,996,525	44,934,212

The Group's trade receivables as at 30 September 2012 included trade receivable from Kada Group of US$400,000 (31 March 2012: US$751,799), in which the Group held 14.56% (31 March 2012: 14.75%) equity interest in Kada Group. As disclosed in the Company's circular dated 30 April 2010, Kada Group is considered as a related company to the Group on the grounds that a brother of Mr. Wang Shih Zen, one of the Directors, held 24.26% (31 March 2012: 24.58%) equity interest in Kada Group.

14. TRADE AND BILLS PAYABLES

	30 September 2012	31 March 2012
	US$	*US$*
	(Unaudited)	(Audited)
Trade payables	**901,903**	1,351,747
Bills payables	**1,791,260**	4,254,216
	2,693,163	5,605,963

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

	30 September 2012	31 March 2012
	US$	*US$*
	(Unaudited)	(Audited)
0 to 30 days	**70,017**	2,259,960
31 to 60 days	**—**	2,261,401
61 to 90 days	**1,791,263**	36,136
More than 90 days	**831,883**	1,048,466
	2,693,163	5,605,963

Trade payables generally have credit terms ranging from 30 to 90 days (31 March 2012: 15 to 90 days).

15. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the Results Announcement, the Group had the following material transactions with its related parties during the period:

		Six months ended 30 September	
		2012	2011
	Note	***US$***	*US$*
		(Unaudited)	(Unaudited)
Directors' remuneration			
— As directors		**166,002**	78,590
— For management		**117,275**	61,333
		283,277	139,923
Sales of goods to a related company	*(a)*	**6,109,674**	455,706
Purchase of goods from a related company	*(a)*	**3,499,930**	—
Consultancy fees paid to a related company	*(b)*	**7,552**	13,762

Note:

(a) Amounts represented sales of goods to and purchase of goods from Kada Group during the period.

(b) 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.

RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

BUSINESS REVIEW:

In 2012, the global mobile handset industry exhibited a decline from 2011 for the same period. According to the statistics from Gartner, Inc. ("Gartner"), during the first six months of the year, approximately 838.1 million mobile handsets were sold globally, representing a decrease of approximately 2.15% compared to the same period in 2011. Gartner's analyst stated that due to the challenging economic environment and users postponing upgrades to take advantage of high-profile device launches later in the year, demand slowed down across markets while sales declined more than expected.

The mobile handset market of China maintained steady growth. During the first eight months, there was an increase of approximately 86 million to 1.07 billion in the number of mobile handset users, of which 3G subscribers increased around 64 million. The PRC manufacturers were also promoting 3G which drove the smart-phone market upward. Statistics shown that sales of smart-phone continued to drive the mobile handset market growth. Smart-phone sales accounted for around 36.7% of mobile handset sales in the second quarter of 2012, while it grew around 43.7% year-on-year. This implies that the demand of feature phones continued to decline, significantly weakening the overall mobile handset market. Android OS accounted for more than half of all smart-phone sales in 2012 according to Gartner's research. As a result, smart-phone market becomes highly commoditized and differentiation is becoming a challenge especially in the mid to low-end segment with price increasingly becoming the sole differentiator, leading to increased competition and low profitability.

As the mobile handset market is declining, energy saving LED lighting projects a potential market prospect. While energy saving becomes the focus of many local PRC provincial governments. PRC government will purchase around RMB8 billion of LED street lamps during the period of "The Twelfth Five-Year Guideline". It is estimated that the policy will drive an additional industrial revenue of RMB3 billion. Leading market research company, Strategies Unlimited, forecasted that global LED replacement lamp market will grow 68.2% from US$2.2 billion in 2011 to US$3.7 billion in 2016.

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, the mobile handset industry and other potential industries, while adjusting its business strategies as necessary from time to time.

FINANCIAL REVIEW:

The details of financial review of the unaudited condensed consolidated interim results of the Group for FY2013 6M with comparative figures for FY2012 6M is as follows:

Condensed consolidated income statement

Revenue

Revenue increased by approximately 38.16% from approximately US$56,419,000 in FY2012 6M to approximately US$77,951,000 in FY2013 6M. Such increase was mainly due to the increase in the Distribution and Marketing segment during the current period under review.

Cost of goods sold

Cost of goods sold increased by approximately 39.25% from approximately US$53,494,000 in FY2012 6M to approximately US$74,490,000 in FY2013 6M. Such increase was in line with the increase in revenue.

Gross profit

Gross profit increased by approximately 18.29% from approximately US$2,925,000 in FY2012 6M to approximately US$3,461,000 in FY2013 6M. In contrast, the gross profit margin decreased from approximately 5.19% in FY2012 6M to approximately 4.44% in FY2013 6M. The decrease in gross profit margin was mainly due to the decrease in contribution from the Assembly segment.

Other income

Other income decreased by approximately 72.54% from approximately US$2,581,000 in FY2012 6M to approximately US$709,000 in FY2013 6M. Such decrease was mainly due to non-recurring dividend income from financial assets at fair value through profit or loss recognised in FY2012 6M.

Administrative expenses

Administrative expenses increased by approximately 8.89% from approximately US$1,861,000 in FY2012 6M to approximately US$2,027,000 in FY2013 6M. The increase was mainly due to recognition of equity-settled share-based payments during the current period.

Finance costs

Finance costs increased by approximately 179.84% from approximately US$293,000 in FY2012 6M to approximately US$821,000 in FY2013 6M. The increase was mainly due to the increase in bank loans and trust receipt loans for general working capital purposes.

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

Fair value gains of approximately US$6,372,000 was recognised in FY2013 6M compared to fair value losses approximately US$324,000 in FY2012 6M. Such change was mainly due to the changes in fair value of the equity interest in Kada Group during the current period.

Impairment loss on goodwill and property, plant and equipment

As a result of a re-assessment of the Group's asset portfolio, impairment loss of approximately US$1,377,000 and approximately US$971,000 was made respectively on the Group's goodwill and property, plant and equipment during the current period.

Impairment loss on trade receivables and prepayments, deposits and other receivables

Impairment of trade receivables of approximately US$274,000 and impairment of prepayments, deposits and other receivables of approximately US$156,000 represented the impairment on long outstanding receivables in which the recoverability of these balances were doubtful.

Income tax expense

Income tax expense decreased by approximately 40.78% from approximately US$383,000 in FY2012 6M to approximately US$227,000 in FY2013 6M. The decrease was mainly due to the decrease in profit from operations during the current period.

Net profit for the period

As a result of the above, net profit for the period increased by 95.83% to approximately US$4,689,000.

Condensed consolidated statement of financial position

Set out below are the major changes in the items of the unaudited condensed consolidated statement of financial position as at 30 September 2012 and the audited consolidated statement of financial position as at 31 March 2012:

Property, plant and equipment	:	The decrease from approximately US$4,360,000 as at 31 March 2012 to approximately US$3,109,000 as at 30 September 2012 was mainly due to depreciation and impairment loss recognised during the current period.
Goodwill	:	Goodwill has been fully impaired during the current period and therefore nil balance was noted.
Financial assets at fair value through profit or loss	:	The increase from approximately US$18,322,000 as at 31 March 2012 to approximately US$24,026,000 as at 30 September 2012 was mainly due to the recognition of fair value gains on the equity interest in Kada Group.
Deposits paid for acquisition of associates	:	The balance represents deposits paid for proposed acquisition of 40% equity interest of Noosa Group.
Inventories	:	The decrease from approximately US$4,373,000 as at 31 March 2012 to approximately US$3,346,000 as at 30 September 2012 was mainly due to the sale of inventories and the result of a more prudent inventory management policy adopted.
Trade receivables	:	The increase from approximately US$44,934,000 as at 31 March 2012 to approximately US$59,997,000 as at 30 September 2012 was in line with the increase in revenue.
Prepayments, deposits and other receivables	:	The decrease from approximately US$19,763,000 as at 31 March 2012 to approximately US$15,862,000 as at 30 September 2012 was mainly due to the decrease in prepayments for the purchase of inventories for the Distribution and Marketing segment.
Restricted bank balances	:	The increase from approximately US$1,187,000 as at 31 March 2012 to approximately US$8,757,000 as at 30 September 2012 was mainly due to new banking facilities granted by the banks which are secured by restricted bank balances during the current period.

Bank and cash balances	:	The decrease from approximately US$10,472,000 as at 31 March 2012 to approximately US$6,278,000 as at 30 September 2012 was mainly due to the combined effects of (i) the cash used in operating activities; (ii) the increase in restricted bank balances; (iii) the increase in bank loans and (iv) the increase in trust receipt loans during the current period.
Trade and bills payables	:	The decrease from approximately US$5,606,000 as at 31 March 2012 to approximately US$2,693,000 as at 30 September 2012 was mainly due to more purchases financed by trust receipt loans during the current period.
Borrowings and debts	:	The increase from approximately US$29,036,000 as at 31 March 2012 to approximately US$49,892,000 as at 30 September 2012 was mainly due to the increase in trust receipt loans and bank loans during the current period to finance the Group's operations.
Net assets	:	As a result of the above, the net assets increased from approximately US$110,579,000 as at 31 March 2012 to approximately US$115,536,000 as at 30 September 2012.

OPERATIONS REVIEW

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

Listing of Yoho King Limited

Following the completion of the acquisition of 15% (subsequently diluted to 14.75% as disclosed on page 24 of the Company's Interim Report 2011) of the equity interest in Yoho King Limited ("Yoho King", together with its subsidiaries, "Yoho King Group") in May 2010, the Board was informed by the directors of Yoho King on 4 July 2012 that Yoho King Group, via Kada Technology Holdings Limited ("Kada") has undergone an initial public offering on the Alternative Investment Market of The London Stock Exchange ("Kada IPO") and its issued shares commenced trading on 5 July 2012 (London time). Upon the completion of Kada IPO, the shareholding of the Group in Kada was approximately 14.56%. Based on the initial offer price of Kada at Kada IPO, the carrying amount of the shareholding of the Group in Kada was approximately US$23,484,000, which represented a gain at fair value of approximately US$6,334,000 upon the completion of Kada IPO.

The equity investment in Kada has been classified as financial assets at fair value through profit or loss and the fair value of the investment was determined based on its quoted price in active market as at 30 September 2012. Accordingly the equity investment in Kada was stated at fair value of approximately US$23,633,000 and fair value gains totaling of approximately US$6,483,000 has been recognised during the six months ended 30 September 2012.

Acquisition of Noosa International Limited

On 10 August 2012, the Group entered into an acquisition agreement, conditionally to acquire 40% of the entire issued share capital of Noosa International Limited ("Noosa") and its subsidiaries (collectively known as "Noosa Group") at a cash consideration of RMB70,360,000 (equivalent to HK$85,135,600) ("Proposed Acquisition"). Pursuant to the acquisition agreement, Noosa Group would enter into structural agreements with the shareholders of Shenzhen Jing Ying Electronic Technology Limited 深圳市菁英電子科技有限公司 ("Shenzhen Jingying") and Noosa would effectively control over and have the right to enjoy the economic benefits in and/or assets of Shenzhen Jingying.

The Board considered that the Proposed Acquisition represented a good opportunity for the Group not only to broaden its revenue base but also to expand into the advertising business in the PRC. The new business also requires knowhow of the production and design for handheld media players. The Board also considered that the aircraft passengers in the PRC and their corresponding expenses have increased substantially in the past decade and the aviation media has become one of the important advertising channels to capture huge consumption power in the PRC and to effectively promote products and services without boundaries. The Board noted that the personal handheld media player has become a new trend of aviation media, especially when personal touch panels have been widely used in daily lives and the fixed entertainment systems were commonly installed at the back of the aircraft seats of flights in the PRC. The Board considered that the Proposed Acquisition will provide synergy to the Group as the Group is able to provide the knowledge of electronic products business thereby assisting Noosa Group to develop its electronic advertising media and in-flight electronic shopping through personal handheld media player, to the designated airlines in the PRC.

Pursuant to Rule 1007 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), as one of the relative figures computed pursuant to Rule 1006 as a negative figure, the Company has consulted the SGX-ST and the SGX-ST has confirmed to the Company that the Proposed Acquisition is subject to approval by shareholders in general meeting. In this respect, the Company will be holding a Special General Meeting on 16 November 2012. Details of the Proposed Acquisition are set out in the Company's circular dated 19 October 2012.

Co-operation agreements

During the period under review, the Group has commenced its energy saving business. The Group had further 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") on 4 July 2011 to develop a platform of energy saving business through the promotion and implementation of comprehensive energy saving solution for the customers. An announcement was made on 25 September 2012 in relation to the Group's entrance into supply contracts with seven contractors to supply project lighting system for the office building of China Development Bank in Fuxingmen, Xicheng District, Beijing for an aggregate sum of approximately RMB25,967,000 ("Supply Agreements").

The Board believed that the Supply Agreements would provide the Group with a good opportunity to gain a foothold in the lighting market and enhance the customer portfolio of the Group which is in line with its strategy to take an active approach in developing high value-added scientific and technological projects and explore more diversified sources of income.

INTERIM DIVIDEND

The Board of Directors did not recommend any payment of interim dividend for FY2013 6M.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2012, the Group had current assets of approximately US$141,228,000 (31 March 2012: US$124,360,000) and current liabilities of approximately US$55,530,000 (31 March 2012: US$38,005,000) and total bank and cash balances (excluding restricted bank balances) of approximately US$53,064,000 (31 March 2012: US$53,679,000). The Group's current ratio, being a ratio of current assets to current liabilities, was approximately 2.54 (31 March 2012: 3.27). The Group's gearing ratio, being a ratio of total debts to total assets, was approximately 29.17% (31 March 2012: 19.54%).

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

CAPITAL COMMITMENTS

As at 30 September 2012, the Group had capital commitments of approximately US$8,372,000 in respect of acquisition of 40% equity interest of Noosa Group (31 March 2012: Nil). Details are set out in note 12 of the Results Announcement.

CHARGE ON ASSETS

As at 30 September 2012, restricted bank balances of approximately US$8,757,000 (31 March 2012: restricted bank balances of approximately US$1,187,000 and structured deposits of approximately US$668,000) were placed with banks in Hong Kong and the PRC (31 March 2012: Hong Kong) as pledge for general banking facilities and bank loans.

As at 30 September 2012 and 31 March 2012, 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 2012, the Group did not have any material contingent liabilities (31 March 2012: Nil).

EMPLOYEE INFORMATION

As at 30 September 2012, the Group has 52 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

Compliance with the Corporate Governance Code

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 Corporate Governance Code (the "Hong Kong Code") contained in Appendix 14 of 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 Remuneration Committee (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 the Chairman of the Board, Mr. Wang Shih Zen 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.

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 AC currently comprises four Independent Non-executive Directors and one Non-executive Director.

The AC has reviewed the unaudited condensed financial information for the six months ended 30 September 2012, in conjunction with the Company's Hong Kong auditor, RSM Nelson Wheeler.

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 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 ("HKIPO") PROCEEDS

Usage	Proceeds allocated *US$'000*	Amounts deployed as of 30 September 2012 *US$'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	(159)	6,603
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	(2,455)	14,241

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited condensed financial information of the Group for FY2013 6M has been reviewed by the Company's Hong Kong auditor, RSM Nelson Wheeler, in accordance with the International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of Entity". The auditor's independent review report will be included in the interim report ("Interim Report") to be dispatched to shareholders of the Company at the earliest practicable opportunity. The unaudited condensed consolidated financial information has also been reviewed and approved by the AC of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This Results Announcement is available for viewing on the websites of HKSE, SGX-ST, TWSE and the Company at http://www.z-obee.com. The Interim Report will be despatched to shareholders of the Company and will also be available on the websites of HKSE, SGX-ST, TWSE and the Company at the earliest practicable opportunity.

On behalf of the Board
Z-Obee Holdings Limited
Wang Shih Zen
Chairman and Chief Executive Officer

Hong Kong, 8 November 2012

As at the date of this Announcement, the Executive Directors are Mr. Wang Shih Zen, Ms. Wang Tao and Mr. Lu Shangmin, the Non-executive Director is Mr. David Lim Teck Leong and the Independent Non-executive Directors are Mr. Chan Kam Loon, Mr. Guo Yanjun, Mr. Lo Hang Fong and Mr. Tham Wan Loong, Jerome.