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

SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

This announcement is made pursuant to the disclosure obligation under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This announcement is originally prepared in English. In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.

These attached quarterly unaudited financial statements are prepared in accordance with relevant regulations of the Singapore Exchange Securities Trading Limited. The financial information set out in these attached quarterly unaudited financial statements (not a complete full set) has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and has not been audited or reviewed by auditors. Shareholders of the Company and the public investors should exercise caution when trading in the shares of the Company.

By order 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.

* *For identification purpose only*

Z-OBEE HOLDINGS LIMITED

(Incorporated in Bermuda)
(Company Registration Number : 39519)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2012

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group Income Statement for the three months period ended 30 September 2012 ("FY2013 Q2") and six months period ended 30 September 2012 ("FY2013 6M") with comparative figures for the three months period ended 30 September 2011 ("FY2012 Q2") and six months period ended 30 September 2011 ("FY2012 6M"). These figures have not been audited.

	Group			Group		
	FY2013 Q2	FY2012 Q2	Increase/ (Decrease)	FY2013 6M	FY2012 6M	Increase/ (Decrease)
	US$	US$	%	US$	US$	%
Revenue	44,258,063	29,501,038	50.02	77,950,689	56,418,957	38.16
Cost of goods sold	(42,260,180)	(27,502,616)	53.66	(74,490,068)	(53,493,529)	39.25
Gross profit	1,997,883	1,998,422	(0.03)	3,460,621	2,925,428	18.29
Other income	230,404	2,293,853	(89.96)	708,802	2,581,165	(72.54)
Selling and distribution costs	(152)	(52,775)	(99.71)	(596)	(101,157)	(99.41)
Administrative expenses	(1,076,661)	(1,135,710)	(5.20)	(2,026,571)	(1,861,050)	8.89
Profit from operations	1,151,474	3,103,790	(62.90)	2,142,256	3,544,386	(39.56)
Finance costs	(517,667)	(146,996)	252.16	(821,223)	(293,462)	179.84
Fair value gains/(losses) on financial assets at fair value through profit or loss	6,390,771	(303,008)	(2209.11)	6,372,462	(324,436)	(2064.17)
Impairment loss on goodwill	(1,377,449)	—	NM	(1,377,449)	—	NM
Impairment loss on prepayments, deposits and other receivables	(156,055)	—	NM	(156,055)	—	NM
Impairment loss on property, plant and equipment	(970,535)	—	NM	(970,535)	—	NM
Impairment loss on trade receivables	(274,271)	—	NM	(274,271)	—	NM
Impairment loss on non-current assets classified as held for sale	—	(149,687)	NM	—	(149,687)	NM
Profit before tax	4,246,268	2,504,099	69.57	4,915,185	2,776,801	77.01
Income tax expense	(72,822)	(316,817)	(77.01)	(226,523)	(382,509)	(40.78)
Profit for the period attributable to owners of the Company	4,173,446	2,187,282	90.81	4,688,662	2,394,292	95.83

NM: Not Meaningful

Note:

Profit before tax is stated after charging/(crediting) the following:

	Group		Group	
	FY2013 Q2	FY2012 Q2	FY2013 6M	FY2012 6M
	US$	US$	US$	US$
Amortisation of intangible assets	17,063	17,879	34,286	35,225
Depreciation of property, plant and equipment	160,810	464,580	273,940	725,090
Dividend income from financial assets at fair value through profit or loss	—	(1,478,591)	—	(1,478,591)
Equity-settled share-based payments	135,137	—	268,805	—
Fair value losses/(gains) on derivative financial instruments	4,767	(94,187)	23,076	(72,759)
Fair value (gains)/losses on financial assets at fair value through profit or loss	(6,390,771)	303,008	(6,372,462)	324,436
(Gain)/loss on disposals of property, plant and equipment	(3,767)	1,186	(3,767)	1,186
Impairment loss on goodwill	1,377,449	—	1,377,449	—
Impairment loss on non-current assets classified as held for sale	—	149,687	—	149,687
Impairment loss on prepayments, deposits and other receivables	156,055	—	156,055	—
Impairment loss on property, plant and equipment	970,535	—	970,535	—
Impairment loss on trade receivables	274,271	—	274,271	—

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group, as at		Company, as at	
	30-Sept-12	31-Mar-12	30-Sept-12	31-Mar-12
	US$	US$	US$	US$
Non-current assets				
Property, plant and equipment	3,109,248	4,360,077	—	—
Intangible assets	132,833	163,954	—	—
Goodwill	—	1,377,449	—	—
Investment in a subsidiary	—	—	2,820,266	2,650,483
Financial assets at fair value through profit or loss	24,025,950	18,321,743	—	—
Deposits paid for acquisition of associates	2,570,694	—	—	—
	29,838,725	24,223,223	2,820,266	2,650,483
Current assets				
Inventories	3,345,788	4,372,686	—	—
Trade receivables	59,996,525	44,934,212	—	—
Prepayments, deposits and other receivables	15,861,626	19,762,813	23,593	48,827
Derivative financial instruments	202,428	424,205	—	—
Due from subsidiaries	—	—	57,990,498	58,398,972
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	5,589	7,542
	141,227,972	124,360,155	58,019,680	58,455,341

	Group, as at		Company, as at	
	30-Sept-12	31-Mar-12	30-Sept-12	31-Mar-12
	US$	US$	US$	US$
Current liabilities				
Trade and bills payables	2,693,163	5,605,963	–	–
Accruals and other payables	2,197,576	2,631,005	473,329	323,449
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	473,329	323,449
Net current assets	85,697,571	86,355,606	57,546,351	58,131,892
Net assets	115,536,296	110,578,829	60,366,617	60,782,375
Capital and reserves				
Share capital	5,084,590	5,084,590	5,084,590	5,084,590
Reserves	110,451,706	105,494,239	55,282,027	55,697,785
Total equity	115,536,296	110,578,829	60,366,617	60,782,375

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 Sept 2012		As at 31 Mar 2012	
Secured	**Unsecured**	**Secured**	**Unsecured**
US$	US$	US$	US$
49,892,170	–	26,187,660	2,848,777

Amount repayable after one year

As at 30 Sept 2012		As at 31 Mar 2012	
Secured	**Unsecured**	**Secured**	**Unsecured**
US$	US$	US$	US$
–	–	–	–

Details of any collateral

As at 30 September 2012, restricted bank balance 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 People's Republic of China (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 leased assets and corporate guarantees executed by certain subsidiaries of the Company and the Company.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	FY2013 Q2	FY2012 Q2	FY2013 6M	FY2012 6M
	US$	US$	US$	US$
Cash flows from operating activities				
Profit before tax	4,246,268	2,504,099	4,915,185	2,776,801
Adjustments for : -				
Finance costs	517,667	146,996	821,223	293,462
Interest income	(317,364)	(490,678)	(681,560)	(632,166)
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	970,535	—	970,535	—
Impairment loss on trade receivables	274,271	—	274,271	—
Impairment loss on disposal of non-current assets classified as held for sale	—	149,687	—	149,687
Dividend income from financial assets at fair value through profit or loss	—	(1,478,591)	—	(1,478,591)
Fair value losses on derivative financial instruments	174,578	35,786	221,777	94,694
Fair value (gains)/losses on financial assets at fair value through profit or loss	(6,390,771)	303,008	(6,372,462)	324,436
Depreciation of property, plant and equipment	160,810	464,580	273,940	725,090
Amortisation of intangible assets	17,063	17,879	34,286	35,225
(Gain)/loss on disposals of property, plant and equipment	(3,767)	1,186	(3,767)	1,186
Equity-settled share-based payments	135,137	—	268,805	—
Operating profit before working capital changes	1,317,931	1,653,952	2,255,737	2,289,824
Decrease/(increase) in inventories	2,109,597	(686,384)	1,026,898	257,034
(Increase)/decrease in trade receivables	(3,545,078)	(1,488,658)	(15,336,584)	11,615,838
Decrease/(increase) in prepayments, deposits and other receivables	1,527,504	507,320	3,662,460	(140,216)
Decrease in trade and bills payables	(6,002,143)	(1,612,739)	(2,912,800)	(5,926,431)
Decrease in accruals and other payables	(480,597)	(263,030)	(433,429)	(397,355)
Cash (used in)/generated from operations	(5,072,786)	(1,889,539)	(11,737,718)	7,698,694
Interest paid	(517,667)	(146,996)	(821,223)	(293,462)
Income tax paid	—	(82,553)	(210,175)	(1,560,124)
Net cash (used in)/generated from operating activities	(5,590,453)	(2,119,088)	(12,769,116)	5,845,108

	Group		Group	
	FY2013 Q2	FY2012 Q2	FY2013 6M	FY2012 6M
	US$	US$	US$	US$
Cash flows from investing activities				
Interest received	68,617	319,833	764,232	381,321
Purchases of property, plant and equipment	(799)	(1,016)	(3,490)	(28,277)
Purchases of intangible assets	—	—	(3,165)	—
Proceeds from disposals of property, plant and equipment	13,611	397	13,611	397
Proceeds from release of structured deposits	668,255	—	668,255	—
Deposits paid for acquisition of associates	(2,570,694)	—	(2,570,694)	—
Decrease/(increase) in time deposits with original maturity over three months	6,825,531	(1,826,957)	(3,579,431)	(19,980,484)
(Increase)/decrease in restricted bank balances	(7,169,445)	705	(7,570,204)	136,500
Net cash used in investing activities	(2,164,924)	(1,507,038)	(12,280,886)	(19,490,543)
Cash flows from financing activities				
Net bank loans raised/(repaid)	881,084	(118,009)	7,372,227	(427,519)
Repayment of finance lease payables	(24,493)	(322,201)	(48,985)	(618,023)
Increase in trust receipt loans	6,227,500	2,969,253	13,532,491	6,312,003
Net cash generated from financing activities	7,084,091	2,529,043	20,855,733	5,266,461
Net decrease in cash and cash equivalents	(671,286)	(1,097,083)	(4,194,269)	(8,378,974)
Effect of foreign exchange rate changes	—	90,474	—	90,474
Cash and cash equivalents at beginning of period	6,948,881	6,933,912	10,471,864	14,215,803
Cash and cash equivalents at end of period	6,277,595	5,927,303	6,277,595	5,927,303
Analysis of cash and cash equivalents				
Bank and cash balances	6,277,595	5,927,303	6,277,595	5,927,303

1(d) A statement of comprehensive income (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	FY2013 Q2	FY2012 Q2	FY2013 6M	FY2012 6M
	US$	US$	US$	US$
Profit for the period	4,173,446	2,187,282	4,688,662	2,394,292
Other comprehensive income:				
Exchange differences on translating foreign operations	—	1,093,890	—	1,093,890
Total comprehensive income for the period attributable to owners of the Company	4,173,446	3,281,172	4,688,662	3,488,182

1(e)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Share premium	Share-based payments reserve	Foreign currency translation reserve	Reserve funds	Retained profits/ (accumulated losses)	Total equity
	US$	US$	US$	US$	US$	US$	US$
Group							
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	–	–	–	–	–	207,010	207,010
As at 30 June 2011 and 1 July 2011	5,084,590	58,564,536	–	3,497,023	1,885,258	34,835,634	103,867,041
Total comprehensive income for the period	–	–	–	1,093,890	–	2,187,282	3,281,172
Transfer to reserve funds	–	–	–	–	42,367	(42,367)	–
As at 30 September 2011	5,084,590	58,564,536	–	4,590,913	1,927,625	36,980,549	107,148,213
As at 1 April 2012	5,084,590	58,564,536	107,662	5,171,421	1,927,625	39,722,995	110,578,829
Total comprehensive income for the period	–	–	–	–	–	515,216	515,216
Equity-settled share-based payments	–	–	133,668	–	–	–	133,668
Transfer to reserve funds	–	–	–	–	6,230	(6,230)	–
As at 30 June 2012 and 1 July 2012	5,084,590	58,564,536	241,330	5,171,421	1,933,855	40,231,981	111,227,713
Total comprehensive income for the period	–	–	–	–	–	4,173,446	4,173,446
Equity-settled share-based payments	–	–	135,137	–	–	–	135,137
As at 30 September 2012	5,084,590	58,564,536	376,467	5,171,421	1,933,855	44,405,427	115,536,296
Company							
As at 1 April 2011	5,084,590	58,564,536	–	–	–	(2,119,457)	61,529,669
Total comprehensive income for the period	–	–	–	–	–	(123,456)	(123,456)
As at 30 June 2011 and 1 July 2011	5,084,590	58,564,536	–	–	–	(2,242,913)	61,406,213
Total comprehensive income for the period	–	–	–	–	–	(198,390)	(198,390)
As at 30 September 2011	5,084,590	58,564,536	–	–	–	(2,441,303)	61,207,823
As at 1 April 2012	5,084,590	58,564,536	107,662	–	–	(2,974,413)	60,782,375
Total comprehensive income for the period	–	–	–	–	–	(218,129)	(218,129)
Equity-settled share-based payments	–	–	133,668	–	–	–	133,668
As at 30 June 2012 and 1 July 2012	5,084,590	58,564,536	241,330	–	–	(3,192,542)	60,697,914
Total comprehensive income for the period	–	–	–	–	–	(466,434)	(466,434)
Equity-settled share-based payments	–	–	135,137	–	–	–	135,137
As at 30 September 2012	5,084,590	58,564,536	376,467	–	–	(3,658,976)	60,366,617

1(e)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.
State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital during FY2013 6M and there were no outstanding convertibles and treasury shares as at 30 September 2011 and 2012.

1(e)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceeding year.

The Company has 635,573,662 ordinary shares at par value of US$0.008 each which were issued and fully paid as at 30 September 2012 and 31 March 2012.

1(e)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company has not sold, transferred, disposed, cancelled and/or used any treasury shares as at the end of the period ended 30 September 2012.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures for the three months ended 30 September 2012 under the disclosure requirements of Listing Manual of the Singapore Exchange Securities Trading Limited have not been audited or reviewed by the Group's joint auditors, RSM Nelson Wheeler and RSM Chio Lim LLP.

The figures in respect of the interim results announcement of the Group for the six months ended 30 September 2012 have been agreed by the Group's Hong Kong auditor, RSM Nelson Wheeler. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements and consequently no assurance has been expressed by RSM Nelson Wheeler on the interim results announcement.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except for those stated in paragraph 5 below, there are no changes in accounting policies and methods of computation.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

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.

The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	FY2013 Q2	FY2012 Q2	FY2013 6M	FY2012 6M
Earnings per ordinary share of the group, after deducting any provision for preference dividends (in US cents):				
(a) Based on weighted average number of ordinary shares on issue; and	0.66	0.35	0.74	0.38
(b) On a fully diluted basis	0.66	0.35	0.74	0.38

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group, as at		Company, as at	
	30-Sept-12	31-Mar-12	30-Sept-12	31-Mar-12
Net asset value per ordinary share based on issued share capital at the end of (in US cents):	18.18	17.40	9.50	9.56

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Consolidated income statement

Set out below are the major movements in the consolidated income statement for FY2013 Q2 and FY2013 6M.

<u>Revenue</u>

Revenue increased by approximately 50.02% from approximately US$29,501,000 in FY2012 Q2 to approximately US$44,258,000 in FY2013 Q2 and 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.

<u>Cost of goods sold</u>

Cost of goods sold increased by approximately 53.66% from approximately US$27,503,000 in FY2012 Q2 to approximately US$42,260,000 in FY2013 Q2 and 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.

<u>Gross profit</u>

Gross profit of approximately US$1,998,000 in FY2013 Q2 was similar with gross profit in FY2012 Q2. However, the gross profit margin decreased from approximately 6.77% in FY2012 Q2 to approximately 4.51% in FY2013 Q2. Such decrease was mainly due to the decrease in contribution from the Assembly segment.

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.

<u>Other income</u>

Other income decreased by approximately 89.96% from approximately US$2,294,000 in FY2012 Q2 to approximately US$230,000 in FY2013 Q2 and 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 last year.

<u>Administrative expenses</u>

Administrative expenses decreased by approximately 5.20% from approximately US$1,136,000 in FY2012 Q2 to approximately US$1,077,000 in FY2013 Q2. The decrease was mainly due to decrease in the general operational costs of the Group during the current period.

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.

<u>Finance costs</u>
Finance costs increased by approximately 252.16% from approximately US$147,000 in FY2012 Q2 to approximately US$518,000 in FY2013 Q2 and 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.

<u>Fair value changes on financial assets at fair value through profit or loss</u>
Fair value gains of approximately US$6,391,000 was recognised in FY2013 Q2 compared to fair value losses approximately US$303,000 in FY2012 Q2. Fair value gains 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 Technology Holdings Limited ("Kada") and its subsidiaries (collectively known as "Kada Group") during the current period.

<u>Impairment loss on goodwill and property, plant and equipment</u>
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.

<u>Impairment loss on trade receivables and prepayments, deposits and other receivables</u>
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.

<u>Income tax expense</u>
Income tax expense decreased by approximately 77.01% from approximately US$317,000 in FY2012 Q2 to approximately US$73,000 in FY2013 Q2 and 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.

<u>Net profit for the period</u>
As a result of the above, net profit for the period increased by 90.81% to approximately US$4,173,000 for FY2013 Q2 and increased by 95.83% to approximately US$4,689,000 for FY2013 6M.

Consolidated statement of financial position
Set out below are the major changes in the items of the consolidated statements of financial position as at 30 September 2012 and 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 International Limited and its subsidiaries. Details of the acquisition are set out under page 13 of this announcement.
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 reasons mentioned in the major movements in the consolidated statement of cash flows for FY2013 6M set out below.
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.

Consolidated statement of cash flows
Set out below are the major movements in the consolidated statement of cash flows for FY2013 6M:

Operating activities	:	There was a net cash inflow of approximately US$2,256,000 before reinvestment in working capital. The net cash outflow was mainly due to the net effect of increase in trade receivables, and decrease in inventories, prepayments, deposits and other receivables, trade and bills payables and accruals and other payables amounted to approximately US$13,994,000, plus the interest and income tax payments amounted to approximately US$1,031,000. The resultant cash outflow from operating activities amounted to US$12,769,000.
Investing activities	:	There was a net cash outflow of approximately US$12,281,000 which was mainly due to deposits paid for acquisition of associates and increase in time deposits with original maturity over three months and restricted bank balances.
Financing activities	:	There was a net cash inflow of approximately US$20,856,000 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$4,194,000 during the current period.

<u>Operations Review</u>

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 know 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 entered 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.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast, or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

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.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions such as changes in economic and industry conditions, global and regional political environment, regulatory requirements and consumer behaviour etc. You are cautioned not to place undue reliance on these forward looking statements, which are based on the view of the management on certain major events that happened currently.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for FY2013 6M.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Nil	Nil	Not applicable

The Group does not have a general mandate from its shareholders for IPTs.

14. Use of IPO Proceeds

Items as disclosed in the Company's Prospectus dated 9 Nov 2007	Proceeds allocated	Amounts deployed as of 30 September 2012	Balance to be deployed
	US$'000	US$'000	US$'000
Purchase of hardware for research and development of 3G and CDMA handset solutions	3,000	(3,000)	–
Acquisition of license and software for research and development of 3G handset solutions	1,500	(130)	1,370
Purchase of hardware and software to enhance product development capabilities	1,000	(1,000)	–
Working capital for Tongqing production plant	7,500	(7,500)	–
For general working capital purpose	4,654	(4,654)	–
Total	17,654	(16,284)	1,370

Items as disclosed in the Company's Prospectus dated 12 Feb 2010	Proceeds allocated	Amounts deployed as of 30 September 2012	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	(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

BY ORDER OF THE BOARD

Wang Shih Zen
Chairman and CEO

8 November 2012

Statement Pursuant to Rule 705(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of Z-Obee Holdings Limited for the second quarter ended 30 September 2012, to be false or misleading in any material aspect.

For and on behalf of the Board of Directors of
Z-Obee Holdings Limited

Wang Shih Zen Director	Lu Shangmin Director

Date: 8 November 2012