

ICube Technology Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code:139



Interim Report 2012/2013

Corporate Information

EXECUTIVE DIRECTORS

Wong Howard (*Chairman & Chief Executive Officer*)

Wong Yat Fai

INDEPENDENT NON-EXECUTIVE DIRECTORS

Tung Tat Chiu, Michael

Li Chi Ming

Wan Ngar Yin, David

AUDIT COMMITTEE

Tung Tat Chiu, Michael (*Chairman*)

Li Chi Ming

Wan Ngar Yin, David

REMUNERATION COMMITTEE

Li Chi Ming (*Chairman*)

Tung Tat Chiu, Michael

Wan Ngar Yin, David

NOMINATION COMMITTEE

Wong Howard (*Chairman*)

Wong Yat Fai

Tung Tat Chiu, Michael

Li Chi Ming

Wan Ngar Yin, David

COMPANY SECRETARY

Szeto Pui Tong, Patrick

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1603-05

Harcourt House

39 Gloucester Road

Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group

(Bermuda) Limited

26 Burnaby Street

Hamilton HM 11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Wanchai

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COMPANY'S WEBSITE

www.icubetech.com.hk

STOCK CODE

139



The Board of Directors (the “Board”) of ICube Technology Holdings Limited (the “Company” or “ICube”) announces the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2012 (the “Period”) together with comparative figures for the corresponding previous period as follows:-

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
REVENUE	2		
Electronic products		9,347	10,018
Treasury investments		(3,265)	9,688
		6,082	19,706
Cost of electronic products sold		(9,235)	(10,269)
Brokerage and commission expenses		(82)	(12)
		(9,317)	(10,281)
		(3,235)	9,425
Other income and gains	3	817	102
Selling and distribution costs		(129)	(184)
Administrative expenses		(17,661)	(15,904)
Research costs		(5,065)	(2,295)
Other operating expenses		(945)	(145)
Fair value losses, net:			
Equity investments at fair value through profit or loss		(17,245)	(118,632)
Derivative component of convertible bonds		12,430	–
Finance costs	5	(10,963)	(10,457)

	Notes	For the six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Loss before tax	4	(41,996)	(138,090)
Income tax expense	6	–	–
LOSS FOR THE PERIOD		(41,996)	(138,090)
Attributable to:			
Owners of the parent		(37,188)	(135,600)
Non-controlling interests		(4,808)	(2,490)
		(41,996)	(138,090)
DIVIDEND	7	–	–
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		HK(1.10) cents	HK(4.80) cents
Diluted		N/A	N/A



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(41,996)	(138,090)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Available-for-sale equity investments:		
Change in fair value	1,736	(2,829)
Income tax effect	(287)	467
	1,449	(2,362)
Exchange differences on translation of foreign operations	2	47
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	1,451	(2,315)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(40,545)	(140,405)
Attributable to:		
Owners of the parent	(35,739)	(137,982)
Non-controlling interests	(4,806)	(2,423)
	(40,545)	(140,405)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		1,851	2,053
Available-for-sale equity investments	9	17,040	15,304
Total non-current assets		18,891	17,357
CURRENT ASSETS			
Note receivables		–	15,383
Equity investments at fair value through profit or loss	10	98,528	106,874
Inventories	11	1,573	1,174
Bill and trade receivables	12	1,669	3,350
Prepayments, deposits and other receivables		1,982	3,476
Restricted cash		2,469	–
Cash and cash equivalents		35,365	49,989
Total current assets		141,586	180,246
CURRENT LIABILITIES			
Trade payables	13	270	368
Tax payable		12	12
Other payables and accruals		10,558	8,859
Finance lease payables		157	140
Derivative component of convertible bonds	14	7,300	19,730
Total current liabilities		18,297	29,109



	Notes	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
NET CURRENT ASSETS		123,289	151,137
TOTAL ASSETS LESS CURRENT LIABILITIES		142,180	168,494
NON-CURRENT LIABILITIES			
Finance lease payables		–	85
Convertible bonds	14	172,804	161,848
Deferred tax liabilities		602	315
Total non-current liabilities		173,406	162,248
NET ASSETS/(LIABILITIES)		(31,226)	6,246
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	33,896	33,896
Reserves		(44,144)	(10,560)
Non-controlling interests		(10,248)	23,336
		(20,978)	(17,090)
Total equity/(deficiency in assets)		(31,226)	6,246

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Attributable to owners of the parent											
	Issued capital	Share premium account	Share option reserve	Capital reserve	Equity component of convertible bonds	Contributed surplus	Available-for-sale equity investment revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling Interests	Total equity/ (deficiency in assets)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	33,896	745,229'	30,911'	556'	47,257'	551,174'	1,597'	(590)'	(1,386,694)*	23,336	(17,090)	6,246
Loss for the period	-	-	-	-	-	-	-	-	(37,188)	(37,188)	(4,808)	(41,996)
Other comprehensive income/(loss) for the period:												
Changes in fair value of available-for-sale equity investment, net of tax	-	-	-	-	-	-	1,449	-	-	1,449	-	1,449
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	2	2
Total comprehensive loss for the period	-	-	-	-	-	-	1,449	-	(37,188)	(35,739)	(4,806)	(40,545)
Equity-settled share option arrangements	-	-	2,155	-	-	-	-	-	-	2,155	-	2,155
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	918	918
At 30 September 2012	33,896	745,229*	33,066*	556*	47,257*	551,174*	3,046*	(590)*	(1,423,882)*	(10,248)	(20,978)	(31,226)



For the six months ended 30 September 2011

	Attributable to owners of the parent											
	Issued capital	Share premium account	Share option reserve	Capital reserve	Equity component of convertible bonds	Contributed surplus	Available-for-sale equity investment revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling Interests	Total equity/ (deficiency in assets)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011	28,247	701,055*	25,970*	556*	47,257*	551,174*	4,526*	(588)*	(1,230,093)*	128,104	(7,237)	120,867
Loss for the period	-	-	-	-	-	-	-	-	(135,600)	(135,600)	(2,490)	(138,090)
Other comprehensive income/(loss) for the period:												
Changes in fair value of available-for-sales equity investment, net of tax	-	-	-	-	-	-	(2,362)	-	-	(2,362)	-	(2,362)
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	(20)	-	(20)	67	47
Total comprehensive loss for the period	-	-	-	-	-	-	(2,362)	(20)	(135,600)	(137,982)	(2,423)	(140,405)
Equity-settled share option arrangements	-	-	2,126	-	-	-	-	-	-	2,126	-	2,126
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	906	906
At 30 September 2011	28,247	701,055*	28,096*	556*	47,257*	551,174*	2,164*	(608)*	(1,365,693)*	(7,752)	(8,754)	(16,506)

* These reserve accounts comprise the negative consolidated reserves of HK\$44,144,000 (31 March 2012: negative consolidated reserves of HK\$10,560,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(15,408)	(30,333)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(95)	318
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	850	(63)
DECREASE IN CASH AND CASH EQUIVALENTS	(14,653)	(30,078)
Cash and cash equivalents at beginning of period	49,989	50,707
Effect of foreign exchange rate changes, net	29	132
CASH AND CASH EQUIVALENTS AT END OF PERIOD	35,365	20,761
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	35,365	13,425
Non-pledged time deposits with original maturity of less than three months when acquired	–	–
Time deposits with original maturity of less than three months when acquired, pledged as security for bank facilities	–	7,336
	35,365	20,761



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These interim condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee (the "Audit Committee").

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended 31 March 2012 except for the adoption of the new standards and interpretations as noted below.

HKFRS 1 Amendment	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited interim condensed consolidated financial statements.



The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

As at 30 September 2012, the Group had deficiency in assets of HK\$31.2 million which include the 2010 Convertible Bonds (as defined in Note 14) with principal amount of HK\$200 million. These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis as the directors of the Company are of opinion that the Group is able to continue as going concern and to meet its obligations as and when they fall due, having regards to the following:-

1. The 2010 Convertible Bond which the Group has not been required to pay until the maturity date on 1 December 2013; and
2. The Group had cash and cash equivalents and short term equity investments of HK\$133.9 million and had no bank overdrafts, short or long term interest-bearing bank borrowings.

The directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, it is appropriate that these unaudited interim condensed consolidated financial statements should be prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern.



2. Segment information

For the management purpose, the Group is currently organized in three operating divisions – electronic products, treasury investment and corporate & others. An analysis of the Group's revenue and results by business segment for the Period and the corresponding previous period is as follows:-

	Electronic products		Treasury investment		Corporate & others		Consolidated	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Segment revenue:								
Revenue from external customers	9,347	10,018	-	-	-	-	9,347	10,018
Gains/(losses) from treasury investment	-	-	(3,265)	9,688	-	-	(3,265)	9,688
Total	9,347	10,018	(3,265)	9,688	-	-	6,082	19,706
Segment results	(2,004)	(1,839)	(20,653)	(109,016)	(20,848)	(16,763)	(43,505)	(127,618)
Interest income and unallocated gains							64	7
Fair value gain on derivative component of convertible bonds							12,430	-
Unallocated expenses							(22)	(22)
Unallocated finance costs							(10,963)	(10,457)
Loss before tax							(41,996)	(138,090)
Income tax expense							-	-
Loss for the period							(41,996)	(138,090)

3. Other income and gains

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Bank interest income	5	7
Others	812	95
	817	102

4. Loss before tax

The Group's loss before tax is arrived at after charging:-

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Cost of inventories sold	9,235	10,269
Depreciation	302	199



5. Finance costs

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on bank overdrafts wholly repayable within five years	1	99
Interest on finance leases	6	11
Imputed interest on convertible bonds	10,956	10,347
	10,963	10,457

6. Income tax expense

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Period (2011: Nil).

No provision for Mainland China corporate income tax has been made as no assessable profits has been generated by the subsidiaries operating in the Mainland China during the Period (2011: Nil).

7. Dividend

The Board has resolved not to pay any interim dividend for the Period (2011: Nil).

8. Loss per share attributable to ordinary equity holders of the parent

The calculation of basic loss per share amounts is based on the loss attributable to ordinary equity holders of the parent for the Period of HK\$37,188,000 (2011: HK\$135,600,000) and the weighted average number of 3,389,563,047 (2011: 2,824,643,047) ordinary shares.

Diluted loss per share amounts for the periods ended 30 September 2012 and 2011 have not been disclosed, as the share options and the convertible bonds outstanding during the periods ended 30 September 2012 and 2011 had an anti-dilutive effect on the basic loss per share for these periods.

9. Available-for-sale equity investments

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Listed equity investments, at fair value:		
Hong Kong	518	495
Elsewhere	16,522	14,809
	17,040	15,304

10. Equity investments at fair value through profit or loss

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Listed equity investments in Hong Kong, at fair value	98,528	106,874

11. Inventories

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Raw materials	184	107
Work in progress	108	450
Finished goods	1,281	617
	1,573	1,174



12. Bill and trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of one month, extending up to two months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing.

Ageing analysis:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Within 1 month	986	3,350
1 to 2 months	152	–
2 to 3 months	–	–
Over 3 months	531	–
	1,669	3,350

13. Trade payables

Ageing analysis:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Within 1 month	228	248
1 to 2 months	5	–
2 to 3 months	4	–
Over 3 months	33	120
	270	368

14. Convertible bonds

On 1 December 2010, the Company issued a three-year zero-coupon convertible bonds with the face value of HK\$200,000,000 to unrelated third parties (the “2010 Convertible Bonds”). The 2010 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company at anytime following the date of issue of the 2010 Convertible Bonds up to the maturity date on 1 December 2013, at a price of HK\$0.125 per share, subject to adjustments.

The Company may redeem, in whole or in part, the outstanding 2010 Convertible Bonds at a 100% of the principal amount by giving the bondholders not less than seven business days’ prior notice. If redeemed in part, the redemption shall be made in amounts of not less than multiples of HK\$500,000. On the maturity date, any 2010 Convertible Bonds not converted or redeemed during the tenure will be redeemed by the Company at 100% of the principal amount. There was no conversion or redemption of the 2010 Convertible Bonds during the Period.

On initial recognition, the fair value of the derivative component of the 2010 Convertible Bonds was estimated at the issuance date using a binomial model. The residual amount was assigned as the liability component. The change in value of the derivative component during the Period was recognized in the condensed consolidated income statement.

The movements in the derivative and liability components of 2010 Convertible Bonds were as follows:

	HK\$'000
Liability component at 31 March 2011 and 1 April 2011	142,595
Interest expenses	10,347
Liability component at 30 September 2011	152,942
Liability component at 31 March 2012 and 1 April 2012	161,848
Interest expenses	10,956
Liability component at 30 September 2012	172,804
Derivative component at 31 March 2011 and 30 September 2011	45,540
Derivative component at 31 March 2012 and 1 April 2012	19,730
Fair value gain recognized	(12,430)
Derivative component at 30 September 2012	7,300



15. Share capital

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Authorised		
– 60,000,000,000 ordinary shares of HK\$0.01 each	600,000	600,000
Issued and fully paid		
– 3,389,563,047 ordinary shares of HK\$0.01 each	33,896	33,896

16. Related party transactions

In addition to the transactions and balances detailed elsewhere in this unaudited interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the Period.

Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Salaries, allowances and benefits in kind	1,620	1,620
Equity-settled share option expense	485	488
Pension scheme contribution	81	81
	2,186	2,189

17. Approval of the unaudited interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 28 November 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's revenue for the Period was HK\$6.1 million, representing a decrease of HK\$13.6 million as compared to the revenue of HK\$19.7 million for the corresponding period of last year. The decrease in revenue was mainly due to the realized loss on disposal of note receivable of HK\$5.4 million. The loss for the Period was HK\$42.0 million, compared to the loss of HK\$138.1 million for the corresponding period of last year. Loss per share attributable to ordinary equity holders of the parent for the Period was HK1.1 cents (2011: Loss per share of HK4.8 cents). The Group's loss for the Period was primarily attributable to the unrealized loss on equity investments of HK\$17.2 million in the treasury investment segment.

The Group continued to place strong research and development efforts on its Multi-threaded Virtual Pipeline (MVP) based System-on-chip (SoC) product, ICube's IC1. Containing two MVP cores, that integrate the central processing unit (CPU) and graphics processing unit (GPU) into one unified parallel computing multiprocessing core, ICube's IC1 is the first Unified Processor Unit (UPU) in the world that integrates CPU and GPU into one parallel computing core. It is also a SoC solution that provides high computing power while maintaining a substantial price/performance advantage in the industry for mobile computing and mobile communication devices.

During the Period, the Group intensified its efforts on the escalation and modification of MVP based SoC products and to introduce its UPU technology into a wide range of end applications in the market. In order to leverage the advantage of its proprietary intellectual property, the Group started providing its UPU technology to assist strategic partners and customers in their new product innovation and development. Benefiting from the government's incentive for encouraging the development of new and high-end technology in Mainland China, the Group has received funding from the reputable government organization to launch its UPU technology on its self-developed SoC. This is a testament to our continued efforts in research and development of the MVP based SoC products.



Crippled by debt crisis in Europe and weak U.S. economic condition, the market demand for electronic products remained sluggish. Major customers in the export market continued to slow down future sales orders. During the Period, the growth of electronic products trading business was slow and the competition was keen. The sales revenue from the electronic products segment slightly decreased to HK\$9.3 million, compared to HK\$10.0 million of the corresponding period of last year. The operating loss for this segment was HK\$2.0 million (2011: loss of HK\$1.8 million).

The Group continued to utilize its available funds in treasury investment. During the Period, the local stock market became stabilized as a result of stimulative packages and fiscal measures taken by the government. The treasury investment segment recorded a realized gain on equity investments of HK\$1.7 million, an unrealized loss on equity investments of HK\$17.2 million and a realized loss on disposal of note receivables of HK\$5.4 million for the Period.

Prospects

In 2011, Mainland China claimed over 70% of the worldwide production of mobile phones, 90% of the worldwide production of personal computers and nearly 50% of the worldwide production of color TVs. Worldwide smartphone shipments are expected to reach 660 million units in 2012 and will increase to 1.16 billion units in 2016. Mainland China is expected to account for 26.5% and 23.0% of the worldwide smartphone shipments in 2012 and 2016 respectively. Recognizing this favorable trend, the Group looks forward to contributing to and growing with market opportunities that are supported by Mainland China's vast electronics production by providing its IC1 and its Harmony Unified Processor Technology to the mobile computing and communication devices segment.

Looking ahead, while global economic uncertainties and the sovereign debt crisis in Europe will persist, the Group will continue to be on the alert and to pursue a prudent investment strategy in developing its existing and new businesses.



Financial Review

The Group's revenue for the Period was HK\$6.1 million, representing a decrease of HK\$13.6 million as compared to the revenue of HK\$19.7 million for the corresponding period of last year. The Group's revenue mainly comprised the sales revenue of electronic products trading of HK\$9.3 million, realized loss on disposal of note receivables of HK\$5.4 million and realized gain on equity investments of HK\$1.7 million from the treasury investment segment.

The loss for the Period was HK\$42.0 million. As at 30 September 2012, the Group's consolidated deficiency in assets was HK\$31.2 million (31 March 2012: net asset value of HK\$6.2 million).

Liquidity and Financial Resources

During the Period, the Group generally financed its operations with internally generated cash flow, cash reserve and banking facilities. The Group's bank and short term deposits as at 30 September 2012 amounted to HK\$35.4 million (31 March 2012: HK\$50.0 million).

As at 30 September 2012, the Group had no bank overdrafts, short or long term interest-bearing bank borrowings (31 March 2012: Nil).

As at 30 September 2012, the Group's current ratio was 7.7 times (31 March 2012: 6.2 times) based on current assets of HK\$141.6 million (31 March 2012: HK\$180.2 million) and current liabilities of HK\$18.3 million (31 March 2012: HK\$29.1 million).

As at 30 September 2012, the Group did not have any significant commitments (31 March 2012: Nil). The Group also had no other contingent liabilities.



Capital Structure

As at 30 September 2012, the Group's gearing ratio, being convertible bonds payable to net worth and convertible bonds payable, was 121.0% (31 March 2012: 96.7%).

The Group's bank deposits are mainly denominated in Hong Kong dollars. Most of the Group's sales and purchases are made in United States dollars and Hong Kong dollars. Therefore, the exchange risks the Group is exposed to are minimal.

Significant Investments

As at 30 September 2012, the Group maintained a portfolio of equity investments (including available-for-sale equity investments and equity investments at fair value through profit or loss) with total carrying amount of HK\$115.6 million. The related dividend income for the Period was HK\$0.4 million.

Details of Charges on Assets

As at 30 September 2012, the Company had no charges on assets (31 March 2012: Nil).

Material Acquisitions and Disposals

During the Period, the Company had no material acquisitions or disposals of subsidiaries or associates.

Employment, Training and Development

As at 30 September 2012, the Group had a total of 97 employees of which 30 were based in Hong Kong and 67 were based in Mainland China. The Group is committed to staff training and development and structured training programs for all employees.

Remuneration packages are maintained at a competitive level and reviewed on a periodic basis. Bonuses and share options are awarded to employees according to individual performance and industry practice.



DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2012, the interests of the directors of the Company in the shares and underlying shares of the Company (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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

(1) Long position in ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares interested	Percentage* of the Company's issued share capital
Mr. Wong Howard	Interest held by a controlled corporation	680,000,000	20.06%
		(Note)	
	Beneficial owner	21,299,000	0.63%
		701,299,000	20.69%
Mr. Wong Yat Fai	Beneficial owner	21,299,000	0.63%

Note: These shares were held by Allied Way International Limited ("Allied Way"). Allied Way is a company incorporated in Hong Kong, the entire issued capital of which is owned as to 50% by Mr. Wong Howard and 50% by his spouse, Ms. Cheung Mei Yee, Rebacca ("Ms. Rebacca Cheung"). Mr. Wong Howard and his spouse were deemed to be interested in these 680,000,000 shares of the Company held by Allied Way under Part XV of the SFO.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2012.



(2) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Capacity	Number of underlying shares in respect of the share options granted	Percentage* of the underlying shares over the Company's issued share capital
Mr. Wong Howard	Beneficial owner	28,000,000	0.83%
Mr. Wong Yat Fai	Beneficial owner	10,000,000	0.30%

Details of the above share options granted by the Company are set out under the below section headed "Share Option Scheme".

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2012.

In addition to the above, as at 30 September 2012, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying the previous requirement of a minimum of two shareholders.

Save as disclosed above, as at 30 September 2012, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of 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 Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company currently operates a share option scheme (the "Scheme") adopted on 27 August 2003 for the purpose of providing incentives and rewards to eligible participants (including but not limited to the directors and employees of the Group) who contribute to the success of the Group's operations.



A summary of the movements of the share options granted under the Scheme during the Period is set out as follows:

Name or category of participant	Number of share options outstanding at 1 April 2012	Number of share options lapsed during the Period	Number of share options granted/ exercised/ cancelled during the Period	Number of share options outstanding at 30 September 2012	Date of grant of share options	Exercise period of share options ⁽¹⁾	Exercise price of share options ⁽²⁾ (HK\$ per share)
Director							
Mr. Wong Howard	9,400,000	(9,400,000)	-	-	18/8/2009	1/1/2010-30/6/2012	0.1362
	9,400,000	(9,400,000)	-	-	18/8/2009	1/7/2010-30/6/2012	0.1362
	9,400,000	(9,400,000)	-	-	18/8/2009	1/1/2011-30/6/2012	0.1362
	7,000,000	-	-	7,000,000	18/7/2011	1/1/2012-31/12/2016	0.124
	7,000,000	-	-	7,000,000	18/7/2011	1/1/2013-31/12/2016	0.124
	7,000,000	-	-	7,000,000	18/7/2011	1/1/2014-31/12/2016	0.124
	7,000,000	-	-	7,000,000	18/7/2011	1/1/2015-31/12/2016	0.124
	56,200,000	(28,200,000)	-	28,000,000			
Mr. Wong Yat Fai	9,400,000	(9,400,000)	-	-	18/8/2009	1/1/2010-30/6/2012	0.1362
	9,400,000	(9,400,000)	-	-	18/8/2009	1/7/2010-30/6/2012	0.1362
	9,400,000	(9,400,000)	-	-	18/8/2009	1/1/2011-30/6/2012	0.1362
	2,500,000	-	-	2,500,000	18/7/2011	1/1/2012-31/12/2016	0.124
	2,500,000	-	-	2,500,000	18/7/2011	1/1/2013-31/12/2016	0.124
	2,500,000	-	-	2,500,000	18/7/2011	1/1/2014-31/12/2016	0.124
	2,500,000	-	-	2,500,000	18/7/2011	1/1/2015-31/12/2016	0.124
	38,200,000	(28,200,000)	-	10,000,000			
Other employees							
In aggregate	32,640,000	(32,640,000)	-	-	18/8/2009	1/1/2010-30/6/2012	0.1362
	32,470,000	(32,470,000)	-	-	18/8/2009	1/7/2010-30/6/2012	0.1362
	32,520,000	(32,520,000)	-	-	18/8/2009	1/1/2011-30/6/2012	0.1362
	31,450,000	-	-	31,450,000	18/7/2011	1/1/2012-31/12/2016	0.124
	31,450,000	-	-	31,450,000	18/7/2011	1/1/2013-31/12/2016	0.124
	31,380,000	-	-	31,380,000	18/7/2011	1/1/2014-31/12/2016	0.124
	31,340,000	-	-	31,340,000	18/7/2011	1/1/2015-31/12/2016	0.124
	1,500,000	-	-	1,500,000	8/9/2011	1/1/2012-31/12/2016	0.124
	1,500,000	-	-	1,500,000	8/9/2011	1/1/2013-31/12/2016	0.124
	1,500,000	-	-	1,500,000	8/9/2011	1/1/2014-31/12/2016	0.124
	1,500,000	-	-	1,500,000	8/9/2011	1/1/2015-31/12/2016	0.124
		229,250,000	(97,630,000)	-	131,620,000		
Total	323,650,000	(154,030,000)	-	169,620,000			



Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the equity-settled share options granted during the year ended 31 March 2012 was estimated by Ascent Partners Transaction Service Limited, an independent firm of professionally qualified valuers, using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the equity-settled share options granted was HK\$11,322,000 of which the Group recognized a share option expense of HK\$2,155,000 during the period ended 30 September 2012. The following table lists the inputs to the model used:

Share options granted	18 July 2011	8 September 2011
Dividend yield (%)	N/A	N/A
Expected volatility (%)	96.71	95.336
Risk-free interest rate (%)	1.306	0.784
Share price at grant date (HK\$ per share)	0.12	0.108

The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

During the Period, 154,030,000 share options were lapsed in accordance with the terms of the Scheme.

As at 30 September 2012, the Company had 169,620,000 (31 March 2012: 323,650,000) share options outstanding under the Scheme.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2012, the following parties had interests of 5% or more in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as the Company is aware:

(1) Long position in ordinary shares of the Company

Name of substantial shareholder	Capacity	Note	Number of ordinary shares interested	Percentage* of the Company's issued share capital
Allied Way	Beneficial owner	(1)	680,000,000	20.06%
Ms. Rebacca Cheung	Interest held by a controlled corporation	(1)	680,000,000	20.06%
	Interest of spouse	(2)	21,299,000	0.63%
			701,299,000	20.69%
HEC Capital Limited ("HEC")	Interest held by controlled corporations	(3)	24,750,000	0.73%



Notes:

- (1) These shares were held by Allied Way. Allied Way is a company incorporated in Hong Kong, the entire issued capital of which is owned as to 50% by Mr. Wong Howard and 50% by his spouse, Ms. Rebacca Cheung. Mr. Wong Howard and his spouse were deemed to be interested in these 680,000,000 shares of the Company held by Allied Way under Part XV of the SFO.

The interest of Allied Way is also disclosed as the interest of Mr. Wong Howard in the above section headed "Directors' interests in shares and underlying shares of the Company".

- (2) Ms. Rebacca Cheung was deemed to be interested in 21,299,000 shares of the Company through the interest of her spouse, Mr. Wong Howard, pursuant to Part XV of the SFO.
- (3) These 24,750,000 shares were held by Murtsa Capital Management Limited which is wholly controlled by Hennabun Development Limited. Hennabun Development Limited is wholly controlled by HEC. Accordingly, HEC was deemed to be interested in these shares through its controlled corporations under Part XV of the SFO. HEC had interests in both issued shares and underlying shares of the Company.

- * The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2012.



(2) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Name of substantial shareholder	Capacity	Number of underlying shares in respect of the share options granted	Percentage* of the underlying shares over the Company's issued share capital
Ms. Rebacca Cheung	Interest of spouse	28,000,000 (Note)	0.83%

Note: Ms. Rebacca Cheung was deemed to be interested in 28,000,000 share options of the Company through the interest of her spouse, Mr. Wong Howard, pursuant to Part XV of the SFO. Details of the above share options granted by the Company are set out under the above section headed "Share Option Scheme".

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2012.



(3) Long position in underlying shares of the Company – unlisted convertible bonds

Name of substantial shareholder	Capacity	Number of underlying shares in respect of the unlisted convertible bonds	Percentage* of the underlying shares over the Company's issued share capital
HEC	Interest held by controlled corporations	252,000,000 (Note)	7.43%

Note: These 252,000,000 underlying shares were held by Murtsa Capital Management Limited which is wholly controlled by Hennabun Development Limited. Hennabun Development Limited is wholly controlled by HEC. Accordingly, HEC was deemed to be interested in these underlying shares through its controlled corporations under Part XV of the SFO. HEC had interests in both issued shares and underlying shares of the Company.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2012.

Save as disclosed above, as at 30 September 2012, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests in shares and underlying shares of the Company" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.



CORPORATE GOVERNANCE

The Board is committed to maintaining good corporate governance, consistently enhancing transparency and effective accountability in order to maximize shareholders' benefit. Detailed disclosure of the Company's corporate governance practices was stated in its last published Annual Report for the year ended 31 March 2012.

The Company has complied with the code provisions set out in Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules throughout the Period except there is no separation of the roles of Chairman and Chief Executive Officer as specified in the code provision A.2.1 of the CG Code. Mr. Wong Howard currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. As such, it is beneficial to the business prospects of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Audit Committee meets at least twice a year to monitor and review the integrity and effectiveness of the Company's financial report. The Audit Committee has reviewed the Company's unaudited interim condensed consolidated financial statements for the Period and discussed auditing, financial and internal control, and financial reporting matters of the Company. The Audit Committee comprises three members, namely, Mr. Tung Tat Chiu, Michael (Chairman of the Audit Committee), Mr. Li Chi Ming and Mr. Wan Ngar Yin, David, all of whom are independent non-executive directors of the Company.



COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted its code of conduct regarding directors' dealings in the securities of the Company (the "Own Code") on terms no exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, the directors have confirmed that they have complied with the requirements set out in the Model Code and Own Code during the Period.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or an employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the Period.

On behalf of the Board
ICube Technology Holdings Limited
Wong Howard
Chairman

Hong Kong, 28 November 2012

