Z-Obee Holdings Limited

(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 2010

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 the International Financial Reporting Standards 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, 5 November 2010

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. Lim Teck Leong David and the independent non-executive Directors are Mr. Chan Kam Loon, Mr. Guo Yanjun, Mr. Lo Hang Fong and Mr. Tham Wan Loong Jerome.

Z-OBEE HOLDINGS LIMITED

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

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

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 2010 ("FY2011 Q2") and six months period ended 30 September 2010 ("FY2011 6M") with comparative figures for the three months period ended 30 September 2009 ("FY2010 Q2") and six months period ended 30 September 2009 ("FY2010 6M"). These figures have not been audited.

	Group			Group		
	US$		%	US$		%
	FY2011 Q2	FY2010 Q2	Increase/ (Decrease)	FY2011 6M	FY2010 6M	Increase/ (Decrease)
Revenue	32,569,133	38,011,400	(14.32)	63,478,230	54,780,243	15.88
Cost of goods sold	(29,261,810)	(34,641,507)	(15.53)	(56,928,982)	(49,873,560)	14.15
Gross profit	3,307,323	3,369,893	(1.86)	6,549,248	4,906,683	33.48
Other income	376,676	78,301	381.06	1,027,532	244,639	320.02
Selling and distribution costs	(58,001)	(10,164)	470.65	(68,383)	(12,239)	458.73
Administrative expenses	(1,227,768)	(1,665,687)	(26.29)	(2,789,180)	(2,606,322)	7.02
Profit from operations	2,398,230	1,772,343	35.31	4,719,217	2,532,761	86.33
Finance costs	(157,792)	(116,734)	35.17	(301,239)	(183,899)	63.81
Profit before tax	2,240,438	1,655,609	35.32	4,417,978	2,348,862	88.09
Income tax expense	(756,637)	(256,198)	195.33	(909,310)	(347,500)	161.67
Profit for the period attributable to the owners of the Company	1,483,801	1,399,411	6.03	3,508,668	2,001,362	75.31

Note:

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

	Group		Group	
	US$		US$	
	FY2011 Q2	FY2010 Q2	FY2011 6M	FY2010 6M
Depreciation of property, plant and equipment	367,646	291,678	651,800	576,728
Amortisation of intangible assets	222,069	213,942	443,082	427,796
Fair value gains on financial assets at fair value through profit or loss	(249,223)	-	(848,483)	-
Loss on disposals of property, plant and equipment	57,366	27,379	57,366	27,379
Loss on disposal of disposal group classified as held for sale	-	-	-	64,366

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-10	31-Mar-10	30-Sept-10	31-Mar-10
	US$	US$	US$	US$
Non-current assets				
Property, plant and equipment	9,723,148	8,253,504	-	-
Intangible assets	1,446,943	1,852,640	-	-
Goodwill	1,503,086	1,480,086	-	-
Investment in a subsidiary	-	-	2,570,694	2,570,694
Financial assets at fair value through profit or loss	13,016,218	642,673	-	-
Available-for-sale financial asset	2,212,357	2,178,663	-	-
	27,901,752	14,407,566	2,570,694	2,570,694
Current assets				
Inventories	18,461,763	6,579,607	-	-
Trade receivables	40,353,385	32,463,514	-	-
Prepayments, deposits and other receivables	3,807,864	13,911,240	20,781	22,211
Derivative financial instruments	50,000	226,000	-	-
Due from subsidiaries	-	-	45,346,728	41,377,779
Restricted bank balances	4,284,503	3,727,328	-	-
Time deposits with original maturity over three months	18,215,071	15,686,375	-	-
Bank and cash balances	10,827,283	22,419,496	1,117,906	5,915,416
	95,999,869	95,013,560	46,485,415	47,315,406
Current liabilities				
Trade and bills payables	20,289,360	11,582,526	-	-
Accruals and other payables	2,378,756	1,902,982	727,303	404,986
Bank loans	3,422,411	4,983,421	-	-
Other loans	-	435,733	-	-
Trust receipt loans	11,206,859	7,753,752	-	-
Finance lease payables	1,115,269	1,232,325	-	-
Current tax liabilities	1,549,765	1,988,515	-	-
Due to a subsidiary	-	-	83,645	124,685

	39,962,420	29,879,254	810,948	529,671
Net current assets	56,037,449	65,134,306	45,674,467	46,785,735
Total assets less current liabilities	83,939,201	79,541,872	48,245,161	49,356,429
Non-current liabilities				
Bank loans	1,190,008	1,538,561	-	-
Finance lease payables	1,406,980	636,521	-	-
	2,596,988	2,175,082	-	-
Net assets	81,342,213	77,366,790	48,245,161	49,356,429
Capital and reserves				
Share capital	4,764,590	4,764,590	4,764,590	4,764,590
Reserves	76,577,623	72,602,200	43,480,571	44,591,839
Total equity	81,342,213	77,366,790	48,245,161	49,356,429

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 2010		As at 31 Mar 2010	
Secured	**Unsecured**	**Secured**	**Unsecured**
US$	US$	US$	US$
15,744,539	-	12,226,568	2,178,663

Amount repayable after one year

As at 30 Sept 2010		As at 31 Mar 2010	
Secured	**Unsecured**	**Secured**	**Unsecured**
US$	US$	US$	US$
2,596,988	-	2,175,082	-

Details of any collateral

As at 30 September 2010, certain bank deposits of approximately US$4,285,000 were placed with banks in Hong Kong and PRC as pledge for general banking facilities and bank loans.

As at 30 September 2010, the Group's finance lease payables are secured by the lessor's title to the leased assets and corporate guarantees executed by three 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	
	FY2011 Q2	**FY2010 Q2**	**FY2011 6M**	**FY2010 6M**
	US$	**US$**	**US$**	**US$**
Cash flows from operating activities				
Profit before tax	2,240,438	1,655,609	4,417,978	2,348,862
Adjustments for : -				

Finance costs	157,792	116,734	301,239	183,899
Interest income	(127,453)	(2,334)	(179,049)	(168,672)
Fair value losses on derivative financial instruments	56,000	-	176,000	153,831
Fair value gains on financial assets at fair value through profit or loss	(249,223)	-	(848,483)	-
Depreciation of property, plant and equipment	367,646	291,678	651,800	576,728
Amortisation of intangible assets	222,069	213,942	443,082	427,796
Loss on disposals of property, plant and equipment	57,366	27,379	57,366	27,379
Loss on disposal of disposal group classified as held for sale	-	-	-	64,366
Operating profit before working capital changes	2,724,635	2,303,008	5,019,933	3,614,189
Increase in inventories	(12,725,873)	(2,695,315)	(11,859,778)	(3,275,410)
Decrease/(increase) in trade receivables	(6,452,041)	4,790,258	(7,878,900)	(1,801,120)
Decrease/(increase) in prepayments, deposits and other receivables	7,456,472	3,826,456	4,896,013	(6,439,875)
Decrease in an amount due from a jointly controlled entity	-	145,244	-	-
Increase in trade and bills payables	11,742,465	143,631	8,691,359	3,671,982
Increase/(decrease) in accruals and other payables	(851,003)	187,320	395,499	(448,536)
Net cash generated from/(used in) operations	1,894,655	8,700,602	(735,874)	(4,678,770)
Interest paid	(157,792)	(116,734)	(291,239)	(211,899)
Income tax paid/(refund)	220,644	(68,409)	(1,375,959)	(162,620)
Net cash generated from/(used in) operating activities	1,957,507	8,515,459	(2,403,072)	(5,053,289)
Cash flows from investing activities				
Interest received	127,453	2,334	179,049	168,672
Purchases of property, plant and equipment	(139,193)	(98,630)	(574,982)	(119,679)
Purchases of intangible assets	(20,719)	(1,452)	(34,509)	(2,440)
Purchases of financial assets at fair value through profit or loss	-	(642,673)	(7,192,672)	(642,673)
Proceeds from disposals of property, plant and equipment	6,143	-	6,143	-
Proceeds from disposal of a jointly controlled entity classified as held for sale	-	-	821,294	-
Decrease/(increase) in time deposits	(2,286,103)	(7,116,967)	(2,286,103)	1,182,452
Decrease/(increase) in restricted bank balances	815,458	2,599,145	(517,584)	2,969,340
Net cash generated from/(used in) investing activities	(1,496,961)	(5,258,243)	(9,599,364)	3,555,672
Cash flows from financing activities				
Net bank and other loans raised/(repaid)	(3,581,143)	1,027,475	(2,418,573)	478,475
Repayment of finance lease payables	(322,368)	(292,902)	(630,512)	(582,540)
Increase in trust receipt loans	3,684,085	2,460,608	3,453,107	557,716
Net cash generated from/(used in)				

financing activities	(219,426)	3,195,181	404,022	453,651
Net increase/(decrease) in cash and cash equivalents	241,120	6,452,397	(11,598,414)	(1,043,966)
Effect of foreign exchange rate changes	6,201	-	6,201	-
Cash and cash equivalents at beginning of period	10,579,962	4,983,306	22,419,496	12,479,669
Cash and cash equivalents at end of period	10,827,283	11,435,703	10,827,283	11,435,703
Analysis of cash and cash equivalents				
Cash and bank balances	10,827,283	11,435,703	10,827,283	11,435,703

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**	
	FY2011 Q2	**FY2010 Q2**	**FY2011 6M**	**FY2010 6M**
	US$	**US$**	**US$**	**US$**
Profit for the period	1,483,801	1,399,411	3,508,668	2,001,362
Other comprehensive income:				
Exchange differences on translating foreign operations	466,755	-	466,755	-
Reclassification adjustment arising from release of foreign currency translation reserve directly associated with disposal of disposal group classified as held for sale	-	-	-	64,366
Total comprehensive income for the period attributable to owners of the Company	1,950,556	1,399,411	3,975,423	2,065,728

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	Foreign currency translation reserve	Retained profits/(accumulated losses)	Reserve funds	Total equity
	US$	US$	US$	US$	US$	US$
Group						
At 1 April 2009	3,980,590	28,254,965	1,828,097	18,297,244	1,576,162	53,937,058
Total comprehensive income for the period	-	-	64,366	601,951	-	666,317
At 30 June 2009 and 1 July 2009	3,980,590	28,254,965	1,892,463	18,899,195	1,576,162	54,603,375
Total comprehensive income for the period	-	-	-	1,399,411	-	1,399,411

At 30 September 2009	3,980,590	28,254,965	1,892,463	20,298,606	1,576,162	56,002,786
At 1 April 2010	4,764,590	45,974,768	1,552,463	23,562,620	1,512,349	77,366,790
Total comprehensive income for the period	-	-	-	2,024,867	-	2,024,867
At 30 June 2010 and 1 July 2010	4,764,590	45,974,768	1,552,463	25,587,487	1,512,349	79,391,657
Total comprehensive income for the period	-	-	466,755	1,483,801	-	1,950,556
Transfer to reserve funds	-	-	-	(161,048)	161,048	-
At 30 September 2010	4,764,590	45,974,768	2,019,218	26,910,240	1,673,397	81,342,213
Company						
At 1 April 2009	3,980,590	28,254,965	-	(404,633)	-	31,830,922
Total comprehensive income for the period	-	-	-	(46,880)	-	(46,880)
At 30 June 2009 and 1 July 2009	3,980,590	28,254,965	-	(451,513)	-	31,784,042
Total comprehensive income for the period	-	-	-	(581,672)	-	(581,672)
At 30 September 2009	3,980,590	28,254,965	-	(1,033,185)	-	31,202,370
At 1 April 2010	4,764,590	45,974,768	-	(1,382,929)	-	49,356,429
Total comprehensive income for the period	-	-	-	(741,309)	-	(741,309)
At 30 June 2010 and 1 July 2010	4,764,590	45,974,768	-	(2,124,238)	-	48,615,120
Total comprehensive income for the period	-	-	-	(369,959)	-	(369,959)
At 30 September 2010	4,764,590	45,974,768	-	(2,494,197)	-	48,245,161

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 FY2011 6M and there were no outstanding convertibles and treasury shares as at 30 September 2010 and 2009.

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 595,573,662 ordinary shares at par value of US$0.008 each which were issued and fully paid as at 30 September 2010 and 31 March 2010.

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 2010.

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 2010 under the disclosure requirements of Listing Manual of the Singapore Exchange Securities Trading Limited have not been audited or reviewed by auditor.

The figures for the six months ended 30 September 2010 under the disclosure requirements of International Accounting Standard 34 and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited have been reviewed by the auditor in accordance with International Standard on Review Engagement 2410.

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 2010.

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			
	FY2011 Q2	**FY2010 Q2**	**FY2011 6M**	**FY2010 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	0.25	0.28	0.59	0.40
(b) On a fully diluted basis	N/A	N/A	N/A	N/A

The Company has not issued any option, warrant or other instrument that could result in any possible outstanding shares and therefore no fully diluted earnings per ordinary share is presented.

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		Company	
US$ cents	**30 Sept 2010**	**31 Mar 2010**	**30 Sept 2010**	**31 Mar 2010**
Net asset value per ordinary share based on issued share capital at the end of (in US cents):	13.66	12.99	8.10	8.29

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 Q2 FY2011 and FY2011 6M.

<u>Revenue</u>
Revenue decreased by approximately 14.32% from approximately US$38,011,000 in FY2010 Q2 to approximately US$32,569,000 in FY2011 Q2. The decrease was due mainly to the decrease in the Distribution and Marketing segment in the current period as the Group had trimmed down this segment, which is the least profitable in the Group and which more than offset the increase in the Solution and Assembly segments.

Revenue increased by approximately 15.88% from approximately US$54,780,000 in FY2010 6M to approximately US$63,478,000 in FY2011 6M. The increase was due mainly to the increase in the Solution and Assembly segments as a result of the recovery in the demand for mobile handsets in China, which more than offset the decrease in the Distribution and Marketing segment.

<u>Cost of goods sold</u>
Cost of goods sold decreased by approximately 15.53% from approximately US$34,642,000 in FY2010 Q2 to approximately US$29,262,000 in FY2011 Q2. The decrease was in line with the decrease in revenue.

Cost of goods sold increased by approximately 14.15% from approximately US$49,874,000 in FY2010 6M to approximately US$56,929,000 in FY2011 6M. The increase was in line with the increase in revenue.

<u>Gross profit</u>
Gross profit decreased by approximately 1.86% from approximately US$3,370,000 in FY2010 Q2 to approximately US$3,307,000 in FY2011 Q2. The decrease was due mainly to the lower contribution from the Distribution and Marketing segment, which more than offset the increase in contribution from the Solution and Assembly segments.

Gross profit increased by approximately 33.48% from approximately US$4,907,000 in FY2010 6M to approximately US$6,549,000 in FY2011 6M. The increase was due mainly to the increase in contribution from the Solution and Assembly segments.

Gross profit margin increased from approximately 8.87% in FY2010 Q2 to approximately 10.15% in FY2011 Q2 and increased from approximately 8.96% in FY2010 6M to approximately 10.32% in FY2011 6M.

The increase in gross profit margin was due mainly to the increase in contribution from the Solution and Assembly segments for both periods which more than offset the decrease in contribution from the Distribution and Marketing segment.

Other income
Other income increased by approximately 381.06% from approximately US$78,000 in FY2010 Q2 to approximately US$377,000 in FY2011 Q2 and increased by approximately 320.02% from approximately US$245,000 in FY2010 6M to approximately US$1,028,000 in FY2011 6M.

The increase was due mainly to the increase in fair value gains on financial assets at fair value through profit or loss for both periods.

Administrative expenses
Administrative expenses decreased by approximately 26.29% from approximately US$1,666,000 in FY2010 Q2 to approximately US$1,228,000 in FY2011 Q2. The decrease was due to the decrease in corporate activities in the current period.

Administrative expenses increased by approximately 7.02% from approximately US$2,606,000 in FY2010 6M to approximately US$2,789,000 in FY2011 6M. The increase was due mainly to the increase in the general operational costs of the Group for the current period.

Finance costs
Finance costs increased by approximately 35.17% from approximately US$117,000 in FY2010 Q2 to approximately US$158,000 in FY2011 Q2 and increased by approximately 63.81% from approximately US$184,000 in FY2010 6M to approximately US$301,000 in FY2011 6M.

The increase was due mainly to the increase in business operations of the Group for both periods.

Income tax expense
Income tax expense increased by approximately 195.33% from approximately US$256,000 in FY2010 Q2 to approximately US$757,000 in FY2011 Q2 and increased by approximately 161.67% from approximately US$348,000 in FY2010 6M to approximately US$909,000 in FY2011 6M.

The increase was due mainly to the increase in profits of the Group in the PRC for both periods.

Net profit for the period
As a result of the above, net profit for the period amounted to approximately US$1,484,000 for FY2011 Q2 and approximately US$3,509,000 for FY2011 6M, compared to approximately US$1,399,000 for FY2010 Q2 and approximately US$2,001,000 for FY2010 6M.

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 2010 and 31 March 2010:

Property, plant and equipment	:	The increase from approximately US$8,254,000 as at 31 March 2010 to approximately US$9,723,000 as at 30 September 2010 was due mainly to the acquisition of a property for administrative and sales and marketing purposes by means of a finance lease.

Intangible assets	:	The decrease from approximately US$1,853,000 as at 31 March 2010 to approximately US$1,447,000 as at 30 September 2010 was due mainly to the amortisation provided for in FY2011 6M.
Financial assets at fair value through profit or loss	:	The increase from approximately US$643,000 as at 31 March 2010 to approximately US$13,016,000 as at 30 September 2010 was due mainly to (i) the acquisition of 15% (diluted to approximately 14.66% as at 30 September 2010) equity interest in Yoho King Limited and its subsidiaries (collectively the "Yoho King Group") which was completed on 31 May 2010 and disclosed in the Company's announcement dated 31 May 2010; and (ii) the acquisition of an approximately 1% equity interest in a listed company in Taiwan for strategic alliance purpose in Taiwan.
Inventories	:	The increase from approximately US$6,580,000 as at 31 March 2010 to approximately US$18,462,000 as at 30 September 2010 was due mainly to an increase in the activities of the Assembly segment.
Trade receivables	:	The increase from approximately US$32,464,000 as at 31 March 2010 to approximately US$40,353,000 as at 30 September 2010 was due mainly to lower collection received from customers as a result of the China National holiday.
Prepayments, deposits and other receivables	:	The decrease from approximately US$13,911,000 as at 31 March 2010 to approximately US$3,808,000 as at 30 September 2010 was due mainly to (i) a decrease in deposits paid for the acquisition of Yoho King Group as mentioned above; (ii) a decrease in deposits paid for acquisition of property, plant and equipment as mentioned above; and (iii) a decrease in a receivable arising from settlement of the remaining proceeds of the disposal of a jointly controlled entity classified as held for sale.
Bank and cash balances		The decrease from approximately US$22,419,000 as at 31 March 2010 to approximately US$10,827,000 as at 30 September 2010 was due mainly to the reason mentioned in the major movements in the consolidated statement of cash flows for FY2011 6M below.
Trade and bills payables	:	The increase from approximately US$11,583,000 as at 31 March 2010 to approximately US$20,289,000 as at 30 September 2010 was due mainly to the increase in the activities of the Assembly segment.
Accruals and other payables	:	The increase from approximately US$1,903,000 as at 31 March 2010 to approximately US$2,379,000 as at 30 September 2010 was due mainly to the continuous increase in activities of the Group.
Borrowings and debts	:	The increase from approximately US$16,580,000 as at 31 March 2010 to approximately US$18,342,000 as at 30 September 2010 was due mainly to (i) more trust receipt loans drawn-down for trade finance purpose; (ii) more finance lease payables drawn down for the acquisition of a property for administrative and sales and marketing purposes as mentioned above; and (iii) repayment

of the principal amount of the finance lease payables and bank loans in FY2011 6M.

Current tax liabilities	:	The decrease from approximately US$1,989,000 as at 31 March 2010 to approximately US$1,550,000 was due mainly to tax paid in the PRC for FY2011 6M.
Net assets	:	As a result of the above, the net assets increased from approximately US$77,367,000 as at 31 March 2010 to approximately US$81,342,000 as at 30 September 2010.

Consolidated statement of cash flows
Set out below are the major movements in the consolidated statement of cash flows for FY2011 6M:

Operating activities	:	There was a net cash inflow of approximately US$5,020,000 before reinvestment in working capital. However, the net cash outflow was due mainly to the net effect of the increase in inventories, trade receivables, trade and bills payables and accruals and other payables and the decrease in prepayments, deposits and other receivables amounted to approximately US$5,756,000, plus the interest and income tax payments amounted to approximately US$1,667,000. The resultant cash outflow from operating activities amounted to US$2,403,000.
Investing activities	:	There was a net cash outflow of approximately US$9,599,000 which was due mainly to the purchases of financial assets at fair value through profit or loss and increase in the time deposits with original maturity over three months.
Financing activities	:	There was a net cash inflow of approximately US$404,000 which was mainly due to the net repayment of the bank loans and finance lease payables and the increase in trust receipt loans in the current period.
Net movements	:	As a result of the above, there was a net decrease in cash and cash equivalents in the current period.

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.

The China mobile handset industry in 2010 is considered to be a fruitful year. During the first eight months of this year, it is generally believed that approximately 547 million mobile handsets were sold in China, representing an approximately 36% increase over the same period last year.

In China, the number of mobile handset subscribers reached approximately 833.3 million as at 30 September 2010 which represented an increase by approximately 86 million in the first three quarters of 2010. Such data revealed that China ranked as number one in the world for the usage of the mobile handset.

The China telecommunications industry encompasses a lot of technology-related businesses. Apart from the traditional telephone services, telecommunications nowadays also include wireless communications, internet services, fiber optics networks, cable TV network and satellite communications. Information technology, telecommunication, internet and consumer electronics industry have now assimilated into a new era of integrated information industry. The significant increase in demand for mobile data and other value-added services has stimulated the high growth in the China telecommunications industry. The major thrust for the China telecommunications industry is due to the continuous network and product upgrade and invention by industry players. The need for telecommunication in both urban and especially the rural areas and massive growth of smartphones will contribute to both the short and long term growth of the China telecommunications industry.

The Group will continue to exercise due care in the pursuance of its existing business and furtherance of its development plans. It will closely monitor the latest development in the global economy and handset industry and adjust its business strategies from time to time if required.

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.

Disclosure pursuant to Rule 703(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited

PhoneLink Communication Technology Co., Ltd ("PhoneLink"), a subsidiary of the Company, had applied for deregistration and in-principle approval was given by the Shanghai Business Administration Bureau for Industry and Commerce, in China, on 9 October 2010. The principal activity of PhoneLink was to develop software and solution for mobile appliances in relation to 3G mobile handsets. Zeus Telecommunication Technology Holding Ltd, the immediate holding company of PhoneLink, located in Shenzhen, is the Group's main research and development centre.

Following the successful launch of the Group's first 3G mobile handsets in 2010, PhoneLink had served its function and purpose and its existence would no longer be necessary. The deregistration of PhoneLink will streamline the operations of the Group and save recurring administrative costs. The deregistration of PhoneLink will not affect the business development of the Group and will not have any significant impact on the core business and operations of the Group.

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 FY2011 6M.

BY ORDER OF THE BOARD

Wang Shih Zen
Chairman and CEO

5 November 2010

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 2010, 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: 5 November 2010