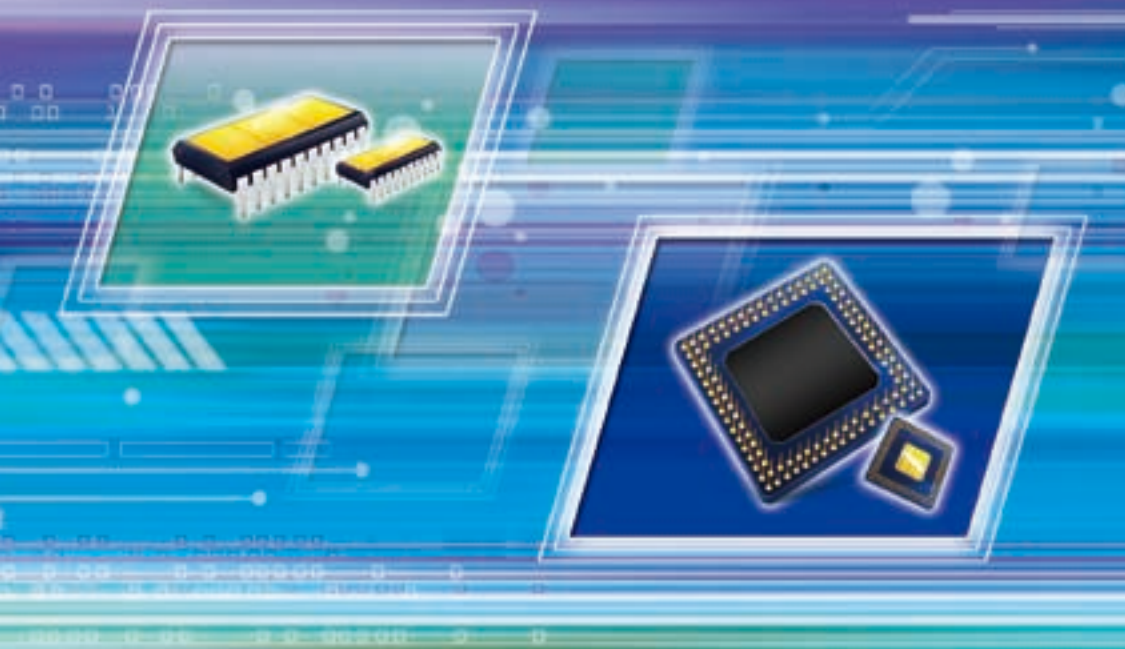


ICube Technology Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code:139



Interim Report **2011/2012**

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

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
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Company's Website

www.icubetech.com.hk

Stock Code

139

The Board of Directors (the “Board”) of ICube Technology Holdings Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2011 (the “Period”) together with comparative figures for the corresponding previous period as follows:-

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
	Notes		
CONTINUING OPERATIONS REVENUE			
Electronic products	2	10,018	17,448
Treasury investments		9,688	(15,854)
		19,706	1,594
Cost of electronic products sold		(10,269)	(16,962)
Brokerage and commission expenses		(12)	(109)
		(10,281)	(17,071)
Other income and gains		9,425	(15,477)
Selling and distribution costs	3	102	183
Administrative expenses		(184)	(100)
Research costs		(15,904)	(17,112)
Other operating expenses		(2,295)	(3,046)
Fair value losses, net:		(145)	(122)
Equity investments at fair value through profit or loss		(118,632)	(4,221)
Finance costs	5	(10,457)	(9,597)
Loss before tax	4	(138,090)	(49,492)
Income tax expense	6	-	-
Loss for the period from continuing operations		(138,090)	(49,492)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	7	-	(3,515)
LOSS FOR THE PERIOD		(138,090)	(53,007)

	Notes	For the six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Attributable to:			
Owners of the parent		(135,600)	(53,007)
Non-controlling interests		(2,490)	–
		(138,090)	(53,007)
DIVIDEND	8	–	–
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
For loss for the period		HK(4.80) cents	HK(1.88) cents
For loss from continuing operations		HK(4.80) cents	HK(1.75) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(138,090)	(53,007)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Available-for-sale equity investments:		
Changes in fair value	(2,829)	1,029
Income tax effect	467	(170)
	(2,362)	859
Exchange differences on translation of foreign operations	47	10
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(2,315)	869
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(140,405)	(52,138)
Attributable to:		
Owners of the parent	(137,982)	(52,138)
Non-controlling interests	(2,423)	–
	(140,405)	(52,138)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,997	1,639
Available-for-sale equity investments	10	15,984	18,812
Total non-current assets		17,981	20,451
CURRENT ASSETS			
Convertible notes – loan portion		14,893	70,365
Convertible notes – conversion option derivatives		390	390
Equity investments at fair value through profit or loss	11	137,257	159,757
Inventories	12	1,199	1,288
Trade receivables	13	2,760	2,210
Prepayments, deposits and other receivables		3,599	14,943
Pledged time deposits		7,336	7,335
Cash and cash equivalents		13,425	43,372
Total current assets		180,859	299,660
CURRENT LIABILITIES			
Trade payables	14	1,232	1,305
Tax payable		12	12
Other payables and accruals		14,900	8,543
Finance lease payables		130	130
Derivative component of convertible bonds	15	45,540	45,540
Total current liabilities		61,814	55,530

		At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
	Notes		
NET CURRENT ASSETS		119,045	244,130
TOTAL ASSETS LESS CURRENT LIABILITIES		137,026	264,581
NON-CURRENT LIABILITIES			
Finance lease payables		162	225
Convertible bonds	15	152,942	142,595
Deferred tax liabilities		428	894
Total non-current liabilities		153,532	143,714
NET ASSETS/(LIABILITIES)		(16,506)	120,867
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital	16	28,247	28,247
Equity component of convertible bonds		47,257	47,257
Reserves		(83,256)	52,600
		(7,752)	128,104
Non-controlling interests		(8,754)	(7,237)
Total equity/(deficiency in assets)		(16,506)	120,867

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to owners of the parent											
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Equity component of convertible bonds HK\$'000	Contributed surplus HK\$'000	Available-for-sale equity investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity/(deficiency) in assets 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-sale 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)

For the six months ended 30 September 2010

	Attributable to owners of the parent											
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Equity component of convertible bonds HK\$'000	Contributed surplus HK\$'000	Available-for-sale equity investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity/(deficiency in assets) HK\$'000
At 1 April 2010	28,247	701,055	22,828	556	47,257	551,174	2,925	(1,691)	(1,183,677)	168,674	-	168,674
Loss for the period	-	-	-	-	-	-	-	-	(53,007)	(53,007)	-	(53,007)
Other comprehensive income for the period:												
Changes in fair value of available-for-sale equity investment, net of tax	-	-	-	-	-	-	859	-	-	859	-	859
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	10	-	10	-	10
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	859	10	(53,007)	(52,138)	-	(52,138)
Equity-settled share option arrangements	-	-	1,957	-	-	-	-	-	-	1,957	-	1,957
At 30 September 2010	28,247	701,055*	24,785*	556*	47,257	551,174*	3,784*	(1,681)*	(1,236,684)*	118,493	-	118,493

* These reserve accounts comprise the negative consolidated reserves of HK\$83,256,000 (31 March 2011: consolidated reserves of HK\$52,600,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(30,333)	(61,221)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	318	(1,551)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(63)	–
DECREASE IN CASH AND CASH EQUIVALENTS	(30,078)	(62,772)
Cash and cash equivalents at beginning of period	50,707	141,441
Effect of foreign exchange rate changes, net	132	77
CASH AND CASH EQUIVALENTS AT END OF PERIOD	20,761	78,746
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	13,425	71,414
Time deposits with original maturity of less than three months when acquired, pledged as security for bank facilities	7,336	7,332
	20,761	78,746

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 ("HKICPA") and Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2011 except for the adoption of the new standards and interpretations as noted below.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Reporting Standards – Limited Exemption from Comparatives HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for the annual periods beginning on or after 1 July 2011, whereas amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for the reporting periods beginning on or after 1 January 2011 although there are annual separate transitional provisions for each standard.

The adoption of the above 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.

The Group recorded losses of HK\$138.1 million for the Period which comprised an unrealised loss on equity investments of HK\$118.6 million resulting from the recent downturn in the stock market, and had net liabilities of HK\$16.5 million as at 30 September 2011. The fair value of equity investments fluctuates from time to time, depending on the market sentiments, which results in fluctuation in the fair value gain/loss on the portfolio of the equity investments. The net liabilities as at 30 September 2011 included the 2010 Convertible Bonds (as defined in note 15) with a 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 a going concern and to meet its obligations as and when they fall due, having regard to the following:–

- (1) The main component of total current and non-current liabilities of the Group is the 2010 Convertible Bonds (as defined in note 15) 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\$150.7 million and had no 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 organised in three operating divisions – electronic products, treasury investment and corporate & others. An analysis of the Group's revenue and results by business segments for the Period and the corresponding previous period is as follows:–

	Electronic products		Treasury investment		Corporate & others		Consolidated	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Segment revenue:								
Revenue from external customers	10,018	17,448	-	-	-	-	10,018	17,448
Gains/(losses) from treasury investment	-	-	9,688	(15,854)	-	-	9,688	(15,854)
Total	10,018	17,448	9,688	(15,854)	-	-	19,706	1,594
Segment results	(1,839)	(2,727)	(109,016)	(25,045)	(16,763)	(12,111)	(127,618)	(39,883)
<i>Reconciliation:</i>								
Interest income and unallocated gains							7	9
Unallocated expenses							(22)	(21)
Finance costs							(10,457)	(9,597)
Loss before tax from continuing operations							(138,090)	(49,492)
Income tax expense							-	-
Loss for the period from continuing operations							(138,090)	(49,492)

3. Other income and gains

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Bank interest income	7	9
Others	95	174
	102	183

4. Loss before tax

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

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Cost of inventories sold	10,269	16,962
Depreciation	199	108

5. Finance costs

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on bank overdrafts wholly repayable within five years	99	–
Interest on finance leases	11	–
Imputed interest on convertible bonds	10,347	9,597
	10,457	9,597

6. Income tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the Period (2010: Nil).

No provision for Mainland China corporate income tax has been made as no assessable profit has been generated by the subsidiaries operating in the Mainland China during the Period (2010: Nil).

7. Discontinued operation

The results of operation of convenience stores for the periods are presented below:

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue	–	5,836
Cost of goods sold	–	(4,447)
Gross profit	–	1,389
Other income	–	630
Selling and distribution costs	–	(1,804)
Administrative expenses	–	(3,721)
Other operating expenses	–	(9)
Loss before tax from the discontinued operation	–	(3,515)
Income tax expense	–	–
Loss for the period from the discontinued operation	–	(3,515)

8. Dividend

The Board has resolved not to pay any interim dividend for the Period (2010: Nil).

9. 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\$135,600,000 (2010: HK\$53,007,000) and the weighted average number of 2,824,643,047 (2010: 2,824,643,047) ordinary shares.

The calculation of the basic loss per share amounts from continuing operations is based on the loss for the period attributable to ordinary equity holders of the parent from continuing operations of HK\$135,600,000 (2010: HK\$49,492,000) and the weighted average number of 2,824,643,047 (2010: 2,824,643,047) ordinary shares.

No adjustment has been made to basic loss per share amounts presented for the periods ended 30 September 2011 and 2010 in respect of a dilution as the share options and the convertible bonds outstanding during the periods ended 30 September 2011 and 2010 had an anti-dilutive effect on the basic loss per share amounts presented.

10. Available-for-sale equity investments

	At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
Listed equity investments, at fair value:		
Hong Kong	470	538
Elsewhere	15,514	18,274
	15,984	18,812

11. Equity investments at fair value through profit or loss

	At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
Listed equity investments in Hong Kong, at fair value	137,257	159,757

12. Inventories

	At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
Raw materials	318	485
Work in progress	259	578
Finished goods	622	225
	1,199	1,288

13. 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.

As at 30 September 2011, an aged analysis of the Group's trade receivables, based on the invoice date, is as follows:

	At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
Within 1 month	1,289	1,937
1 to 2 months	1,325	235
2 to 3 months	–	6
Over 3 months	146	32
	2,760	2,210

14. Trade payables

As at 30 September 2011, an aged analysis of the Group's trade payables, based on the invoice date, is as follows:

	At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
Within 1 to 2 months	839	651
2 to 3 months	136	–
Over 3 months	257	654
	1,232	1,305

Trade payables are non-interest-bearing and have a credit period of an average of two months.

15. Convertible bonds

On 8 October 2010, the Company entered into a placing agreement (the "Placing Agreement") with Taifook Securities Company Limited, the placing agent, in relation to the issue of three-year zero-coupon convertible bonds (the "2010 Convertible Bonds") with a principal amount of HK\$200,000,000. The Placing Agreement was completed on 1 December 2010 and the 2010 Convertible Bonds were issued by the Company to the bondholders on the same date. 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 ended 30 September 2011.

The 2010 Convertible Bonds had been split as to the derivative and liability components, and the movements in the derivative and liability components were as follows:

	HK\$'000
Nominal value of convertible bonds issued	200,000
Derivative component	(59,220)
Transaction costs related to the liability component	(4,000)
Liability component at the issuance date	136,780
Interest expenses	5,815
Liability component at 31 March 2011	142,595
Interest expenses	10,347
Liability component at 30 September 2011	152,942
Derivative component at the issuance date	59,220
Fair value gain recognised	(13,680)
Derivative component at 31 March 2011 and 30 September 2011	45,540

16. Share capital

	At 30 September 2011 (Unaudited) HK\$'000	At 31 March 2011 (Audited) HK\$'000
Authorised		
– 60,000,000,000 ordinary shares of HK\$0.01 each	600,000	600,000
Issued and fully paid		
– 2,824,643,047 ordinary shares of HK\$0.01 each	28,247	28,247

17. Related party transactions

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

Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,620	1,976
Equity-settled share option expense	488	1,062
Pension scheme contributions	81	96
	2,189	3,134

18. 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 22 November 2011.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's revenue for the Period was HK\$19.7 million, representing an increase of HK\$18.1 million as compared to the revenue of HK\$1.6 million for the corresponding period of last year. The increase in revenue was mainly due to the dividend and interest income on investment in equity securities and convertible notes. The loss for the Period was HK\$138.1 million, compared to the loss of HK\$53.0 million for the corresponding period of last year. Loss per share attributable to ordinary equity holders of the parent for the Period was HK4.80 cents (2010: Loss per share of HK1.88 cents). The Group's loss for the Period was primarily attributable to the unrealised loss on equity investments of HK\$118.6 million in the treasury investment segment.

The Group continued to place strong research and development efforts on the first Multi-threaded Virtual Pipeline (MVP) based on its 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 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, our research and development team has been successful in porting the Andriod 2.3 software on IC1, based on the world's first multi-SMP-thread UPU core.

Due to the worsening sovereign debt crisis in Europe and weak economic situation in the United States, market demand for electronic products has become sluggish. Major customers in the export market reduced their inventory and slashed future sales orders. During the Period, the electronic products trading business slowed down, the sales revenue from the electronic products segment decreased by HK\$7.4 million, or 42.6% to HK\$10.0 million and the operating loss for this segment was HK\$1.8 million (2010: loss of HK\$2.7 million).

The Group continued to utilise its available funds in treasury investment. During the Period, the local stock market was volatile due to the sovereign debt crisis in Europe. In early August, the United States suffered the loss of its triple-A credit rating from an international credit rating agency due to concerns over the huge deficit. The downgrade of credit rating seriously hit the market sentiments and investor confidence and the Hang Seng Index further slumped in heavy volume. The Group's treasury investment segment was inevitably affected and recorded an unrealised loss on equity investments of HK\$118.6 million for the Period.

Prospects

Continued strong domestic economic growth indicates that Mainland China remains an engine of global economic growth. The continuing trend in mobile internet creates fertile ground for innovation and will contribute largely to the outstanding growth of devices in the computing and communications sectors. Mainland China's semiconductor consumption is expected to continue to grow. The Group looks forward to contributing to and growing with market opportunities that are supported by 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\$19.7 million, representing an increase of HK\$18.1 million as compared to the revenue of HK\$1.6 million for the corresponding period of last year. The Group's revenue mainly comprised the sales revenue of electronic products trading of HK\$10.0 million, and income and gains of HK\$9.7 million from the treasury investment segment.

The loss for the Period was HK\$138.1 million. As at 30 September 2011, the Group's consolidated net liabilities were HK\$16.5 million (31 March 2011: net assets value of HK\$120.9 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 2011 amounted to HK\$20.8 million (31 March 2011: HK\$50.7 million).

As at 30 September 2011, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$5,891,000 (31 March 2011: HK\$3,900,000). The RMB is not freely convertible into other currency. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, the Group is permitted to exchange RMB for other currency through banks authorised to conduct foreign exchange business.

As at 30 September 2011, the Group had no bank overdrafts, short or long term interest-bearing bank borrowings (31 March 2011: Nil).

As at 30 September 2011, the Group's current ratio was 2.9 times (31 March 2011: 5.4 times) based on current assets of HK\$180.9 million (31 March 2011: HK\$299.7 million) and current liabilities of HK\$61.8 million (31 March 2011: HK\$55.5 million).

As at 30 September 2011, the Group did not have any significant commitments (31 March 2011: Nil). The Group also had no other contingent liabilities or other material commitments.

Capital Structure

As at 30 September 2011, the Group's gearing ratio, being convertible bonds payable to net worth and convertible bonds payable was 109.1% (31 March 2011: 60.9%).

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 Group's exchange risk exposure is minimal.

Significant Investments

As at 30 September 2011, the Group held convertible notes issued by a company listed on the Stock Exchange with fair value amount of the conversion option derivative of HK\$0.4 million and the carrying amount of the loan portion of HK\$14.9 million. The carrying amount of the loan portion approximated to its fair value. The interest income for the Period was HK\$7.9 million.

As at 30 September 2011, 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\$153.2 million. The related dividend income for the Period was HK\$1.7 million.

Details of Charges on Assets

As at 30 September 2011, a fixed deposit of HK\$7.3 million (31 March 2011: HK\$7.3 million) was pledged to secure banking facilities granted to the Group.

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 2011, the Group had a total of 107 employees of which 30 were based in Hong Kong and 77 based in Mainland China. The Group is committed to staff training and development and structured training programmes 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 2011, 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 held/interested	Percentage* of the Company's issued share capital
Mr. Wong Howard	Interest held by a controlled corporation	680,000,000 (Note)	24.07%
	Beneficial owner	21,299,000	0.75%
		701,299,000	24.82%
Mr. Wong Yat Fai	Beneficial owner	21,299,000	0.75%

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.

(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	56,200,000	1.99%
Mr. Wong Yat Fai	Beneficial owner	38,200,000	1.35%

Details of the above share options as required to be disclosed by the Listing Rules have been set out under the paragraph headed "Share Option Scheme".

* The percentage represents the number of ordinary shares/underlying shares held/interested divided by the number of the Company's issued shares as at 30 September 2011.

In addition to the above, as at 30 September 2011, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirement of a minimum of two shareholders.

Save as disclosed above, as at 30 September 2011, none of the directors or chief executives of the Company had interests or short position in the shares, underlying shares or debentures of the Company or its 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 Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company 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 movements of the share options granted under the Scheme during the Period is set out below:

Name or category of participant	Number of share options outstanding at 1 April 2011	Number of share options granted during the Period ⁽³⁾	Number of share options exercised/ cancelled/ lapsed during the Period	Number of share options outstanding at 30 September 2011	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	
	<u>28,200,000</u>	<u>28,000,000</u>	<u>-</u>	<u>56,200,000</u>				
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	
	<u>28,200,000</u>	<u>10,000,000</u>	<u>-</u>	<u>38,200,000</u>				
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	
	<u>97,630,000</u>	<u>131,620,000</u>	<u>-</u>	<u>229,250,000</u>				
	Total	<u>154,030,000</u>	<u>169,620,000</u>	<u>-</u>	<u>323,650,000</u>			

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.
- (3) The closing prices of the Company's shares immediately before the dates of grant on 18 July 2011 and 8 September 2011 are HK\$0.120 and HK\$0.108 respectively.

Share options granted during the year ended 31 March 2010

The fair value of the equity-settled share options granted was estimated by Ascent Partners Transaction Service Limited, an independent firm of professionally qualified valuers, using the black-scholes 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\$13,781,000. The share options have been vested during the year ended 31 March 2011.

The following table lists the inputs to the valuation model used:

	Tranche 1	Tranche 2	Tranche 3
Exercise period	1 Jan 2010 to 30 Jun 2012	1 Jul 2010 to 30 Jun 2012	1 Jan 2011 to 30 Jun 2012
Dividend yield (%)	N/A	N/A	N/A
Expected volatility (%)	124.28	121.80	120.88
Historical volatility (%)	124.28	121.80	120.88
Risk-free interest rate (%)	0.44	0.52	0.62
Share price at grant date (HK\$)	0.14	0.14	0.14

Share options granted during the period ended 30 September 2011

The fair value of the equity-settled share options granted during the period ended 30 September 2011 was estimated by Ascent Partners Transaction Service Limited, an independent firm of professionally qualified valuers, using the black-scholes 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\$12,034,000. The Group recognised a share option expenses of HK\$2,126,000 during the Period.

The following tables list the inputs to the valuation model used:

Share options granted on 18 July 2011

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Exercise period	1 Jan 2012 to 31 Dec 2016	1 Jan 2013 to 31 Dec 2016	1 Jan 2014 to 31 Dec 2016	1 Jan 2015 to 31 Dec 2016
Dividend yield (%)	N/A	N/A	N/A	N/A
Expected volatility (%)	95.104	92.837	93.298	93.645
Historical volatility (%)	95.104	92.837	93.298	93.645
Risk-free interest rate (%)	0.522	0.684	0.849	1.010
Share price at grant date (HK\$)	0.12	0.12	0.12	0.12

Share options granted on 8 September 2011

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Exercise period	1 Jan 2012 to 31 Dec 2016	1 Jan 2013 to 31 Dec 2016	1 Jan 2014 to 31 Dec 2016	1 Jan 2015 to 31 Dec 2016
Dividend yield (%)	N/A	N/A	N/A	N/A
Expected volatility (%)	87.254	92.226	90.165	92.205
Historical volatility (%)	87.254	92.226	90.165	92.205
Risk-free interest rate (%)	0.268	0.346	0.441	0.552
Share price at grant date (HK\$)	0.108	0.108	0.108	0.108

The expected volatility reflects the assumption 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, no share options were exercised or cancelled in accordance with the terms of Scheme.

At 30 September 2011, the Company had 323,650,000 (31 March 2011: 154,030,000) share options outstanding under the Scheme. The exercise in full of the share options would, under the present capital structure of the Company, results in the issue of 323,650,000 additional ordinary shares of the Company and additional share capital of HK\$3,237,000 and share premium of HK\$38,775,000 (before issue expenses), which represented approximately 11.46% of the Company's shares in issue as at that date.

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

As at 30 September 2011, the following persons had interests of 5% or more of 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:

(1) Long position in ordinary shares of the Company

Name of substantial shareholder	Capacity	Notes	Number of ordinary shares held/interested	Percentage* of the Company's issued share capital
Allied Way	Beneficial owner	(1)	680,000,000	24.07%
Ms. Rebacca Cheung	Interest held by a controlled corporation	(1)	680,000,000	24.07%
	Interest of spouse	(2)	21,299,000	0.75%
			701,299,000	24.82%

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.

(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	56,200,000 (Note)	1.99%

Note: Ms. Rebacca Cheung was deemed to be interested in 56,200,000 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 as required to be disclosed by the Listing Rules have been set out under the paragraph headed “Share Option Scheme”.

- * The percentage represents the number of ordinary shares/underlying shares held/interested divided by the number of the Company’s issued shares as at 30 September 2011.

Save as disclosed above, as at 30 September 2011, no persons, other than the director 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 maximise shareholder's benefit. Detailed disclosure of the Company's corporate governance practices was stated in its last published Annual Report for the year ended 31 March 2011.

The Company has complied with the code provisions set out in Code on Corporate Governance Practices (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 r5 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, 22 November 2011