

# 2007/2008 Interim Report



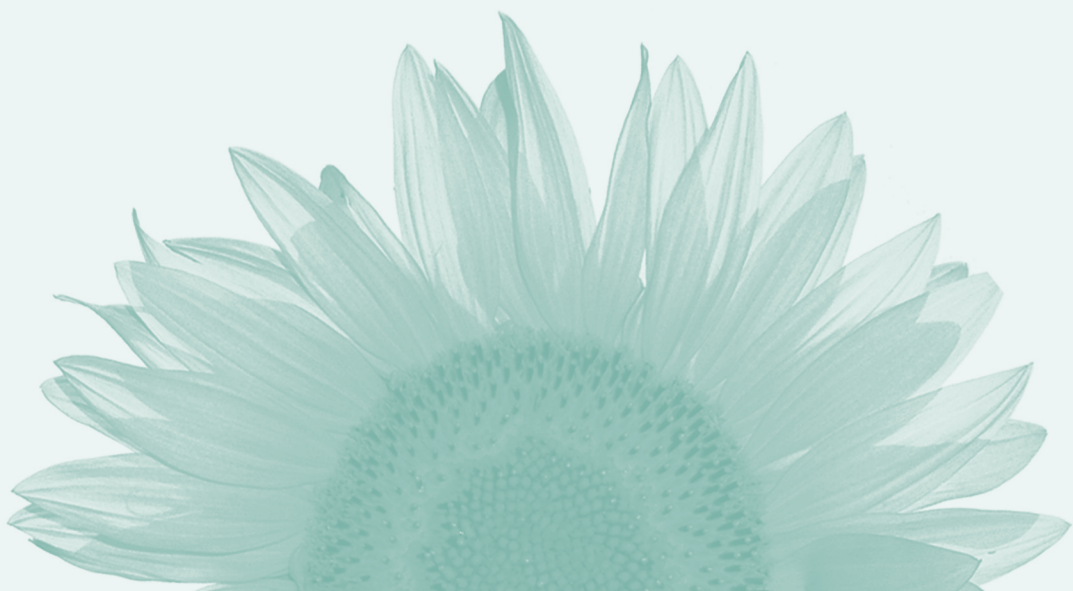
**COMPUTIME  
GROUP LIMITED**  
金寶通集團有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 320)

\* For identification purposes only

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# Corporate Information

## Executive Directors

Mr. Auyang Ho (*Chairman*)  
Mr. Auyang Pak Hong, Bernard  
(*Chief Executive Officer*)  
Ms. Choi Po Yee, Alice

## Non-executive Directors

Mr. Wong Ying Ho, Kennedy  
Mr. Kam Chi Chiu, Anthony  
Mr. Arvind Amratlal Patel

## Independent Non-executive Directors

Mr. Luk Koon Hoo  
Mr. Patrick Thomas Siewert  
Mr. Steven Julien Feniger

## Authorised Representatives

Mr. Auyang Pak Hong, Bernard  
Ms. Choi Po Yee, Alice

## Audit Committee

Mr. Luk Koon Hoo (*Chairman*)  
Mr. Patrick Thomas Siewert  
Mr. Steven Julien Feniger  
Mr. Kam Chi Chiu, Anthony  
Mr. Arvind Amratlal Patel

## Remuneration Committee

Mr. Auyang Ho (*Chairman*)  
Ms. Choi Po Yee, Alice  
Mr. Luk Koon Hoo  
Mr. Patrick Thomas Siewert  
Mr. Steven Julien Feniger

## Nomination Committee

Mr. Auyang Pak Hong, Bernard  
(*Chairman*)  
Mr. Luk Koon Hoo  
Mr. Patrick Thomas Siewert

## Qualified Accountant

Ms. Choi Po Yee, Alice

## Company Secretary

Ms. Soon Yuk Tai

## Stock Code

320

## Registered Office

Cricket Square,  
Hutchins Drive,  
P.O. Box 2681,  
Grand Cayman KY1-1111,  
Cayman Islands

## Corporate Information

### Head Office and Principal Place of Business

17th Floor, Great Eagle Centre,  
23 Harbour Road,  
Wanchai, Hong Kong  
Tel: (852) 2260 0300  
Fax: (852) 2260 0499

### Website

[www.computime.com](http://www.computime.com)

### Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman)  
Limited  
Butterfield House,  
68, Fort Street,  
P.O. Box 705,  
Grand Cayman KY1-1107,  
Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Wanchai, Hong Kong

### Auditors

Ernst & Young

### Legal Advisor

Richards Butler

### Compliance Advisor

DBS Asia Capital Limited

### Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
Hang Seng Bank Limited  
DBS Bank (Hong Kong) Limited  
Standard Chartered Bank  
(Hong Kong) Limited  
BNP Paribas Hong Kong Branch  
Industrial and Commercial Bank  
of China (Asia) Ltd.  
The Bank of Tokyo-Mitsubishi  
UFJ, Ltd.

# Condensed Consolidated Income Statement

30 September 2007

The board of directors (the "Board") of Computime Group Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2007 (the "Period") together with the comparative figures for the corresponding period in 2006.

	Notes	For the six months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
REVENUE	3	1,102,761	1,041,718
Cost of sales		(919,881)	(860,803)
GROSS PROFIT		182,880	180,915
Other income and gains		19,009	6,229
Selling and distribution costs		(44,256)	(42,373)
Administrative expenses		(61,935)	(58,050)
Other operating expenses		(237)	(3,125)
Finance costs	4	(8,070)	(10,927)
Share of profits and losses of associates		2,549	1,260
Change in fair value of derivative financial instruments		(7,239)	—
Gain on disposal of associates		—	10,065
PROFIT BEFORE TAX	5	82,701	83,994
Tax	6	(8,187)	(6,540)
PROFIT FOR THE PERIOD		74,514	77,454
ATTRIBUTABLE TO:			
Equity holders of the Company		74,516	73,962
Minority interests		(2)	3,492
		74,514	77,454
DIVIDENDS	7		
Proposed interim		18,260	14,940
EARNINGS PER SHARE	8		
— Basic (HK cents)		8.98	12.33
— Diluted (HK cents)		N/A	N/A

# Condensed Consolidated Balance Sheet

30 September 2007

	Notes	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	190,421	175,167
Goodwill	10	38,093	1,744
Club debenture		705	705
Intangible assets		20,131	17,277
Interests in associates		7,117	5,607
<b>Total non-current assets</b>		<b>256,467</b>	<b>200,500</b>
<b>CURRENT ASSETS</b>			
Inventories		379,849	386,567
Trade receivables	11	516,104	406,752
Prepayments, deposits and other receivables		22,983	34,231
Amounts due from associates		30,544	18,060
Derivative financial instrument		1,377	—
Tax recoverable		—	30
Cash and cash equivalents		471,663	539,206
<b>Total current assets</b>		<b>1,422,520</b>	<b>1,384,846</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	334,278	337,579
Other payables and accrued liabilities		95,060	92,359
Interest-bearing bank and other borrowings		271,746	252,837
Derivative financial instrument		7,066	—
Dividend payable		31,540	—
Amounts due to minority shareholders		—	160
Tax payable		9,407	8,365
<b>Total current liabilities</b>		<b>749,097</b>	<b>691,300</b>
<b>NET CURRENT ASSETS</b>		<b>673,423</b>	<b>693,546</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES (to be continued)</b>		<b>929,890</b>	<b>894,046</b>

## Condensed Consolidated Balance Sheet

30 September 2007

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> (continued)	<b>929,890</b>	<b>894,046</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	10,988	20,577
Deferred tax liabilities	5,131	5,006
Provision for long service payments	6,100	5,978
Total non-current liabilities	22,219	31,561
Net assets	907,671	862,485
<b>EQUITY</b>		
Equity attributable to equity holders of the Company		
Issued capital	83,000	83,000
Reserves	805,476	746,627
Proposed dividends	18,260	31,540
	906,736	861,167
Minority interests	935	1,318
Total equity	907,671	862,485

# Condensed Consolidated Statement of Changes in Equity

30 September 2007

	Attributable to equity holders of the Company									
	Issued capital	Share premium	Contributed surplus	Exchange	Share	Retained profits	Proposed dividends	Total	Minority interests	Total equity
				fluctuation reserve	option reserve					
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 2007 (audited)	83,000	386,419	1,879	3,072	—	355,257	31,540	861,167	1,318	862,485
Exchange realignment and total income and expense recognised directly in equity	—	—	—	2,577	—	—	—	2,577	—	2,577
<b>Profit for the period</b>	—	—	—	—	—	74,516	—	74,516	(2)	74,514
Total income and expense for the period	—	—	—	2,577	—	74,516	—	77,093	(2)	77,091
Equity-settled share option arrangement	—	—	—	—	16	—	—	16	—	16
Acquisition of minority interests	—	—	—	—	—	—	—	—	(381)	(381)
Final 2007 dividend declared	—	—	—	—	—	—	(31,540)	(31,540)	—	(31,540)
Proposed interim 2008 dividend (note 7)	—	—	—	—	—	(18,260)	18,260	—	—	—
<b>At 30 September 2007 (unaudited)</b>	<b>83,000</b>	<b>386,419</b>	<b>1,879</b>	<b>5,649</b>	<b>16</b>	<b>411,513</b>	<b>18,260</b>	<b>906,736</b>	<b>935</b>	<b>907,671</b>



# Condensed Consolidated Statement of Changes in Equity

30 September 2007

	Attributable to equity holders of the Company									
	Issued capital	Share premium	Contributed surplus	Exchange fluctuation reserve	Share option reserve	Retained profits	Proposed dividends	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006 (audited)	—	—	1,879	(94)	—	283,552	15,000	300,337	—	300,337
Exchange realignment and total income and expense recognised directly in equity	—	—	—	95	—	—	—	95	69	164
Profit for the period	—	—	—	—	—	73,962	—	73,962	3,492	77,454
Total income and expense for the period	—	—	—	95	—	73,962	—	74,057	3,561	77,618
Final 2006 dividend declared	—	—	—	—	—	—	(15,000)	(15,000)	—	(15,000)
Proposed 2007 special dividend (note 7)	—	—	—	—	—	(35,000)	35,000	—	—	—
Proposed interim 2007 dividend (note 7)	—	—	—	—	—	(14,940)	14,940	—	—	—
At 30 September 2006 (unaudited)	—	—	1,879	1	—	307,574	49,940	359,394	3,561	362,955

# Condensed Consolidated Cash Flow Statement

30 September 2007

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	88,857	(74,060)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(92,753)	(11,048)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(27,509)	54,559
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,405)	(30,549)
Cash and cash equivalents at beginning of period	502,965	187,767
Effect of foreign exchange rate changes, net	103	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	471,663	157,218
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	238,273	72,791
Non-pledged time deposits with original maturity of less than three months when acquired	233,390	85,337
Bank overdrafts	—	(910)
	471,663	157,218

# Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

## 1. Corporate Information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 23 June 2006 under the Companies Law, Chapter 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 October 2006 (the "Listing").

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is located at 17th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

The Group is principally engaged in investment holding, research and development, design, manufacture and trading of electronic control products.

## 2. Basis of Presentation

These 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"). The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those used in the Company's annual report for the year ended 31 March 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also include HKASs and Interpretations, that are relevant to the Group and have been adopted for the first time for the current period's condensed consolidated financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions

# Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

## 2. Basis of Presentation *(continued)*

The adoption of these new and revised HKFRSs has had no material impact on the accounting policies of the Group and the method of computation of these condensed consolidated financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these condensed consolidated financial statements:

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

HKAS 23 (Revised) and HKFRS 8 shall be applied for annual period beginning on or after 1 January 2009. HK(IFRIC)-Int 12, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 shall be applied for annual periods beginning on or after 1 January 2008, 1 July 2008, 1 January 2008, respectively.

The Board expects that the adoption of these new and revised HKFRSs would not have a significant impact on the Group's results and financial position.

# Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

## 3. Segment Information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's primary segments.

	Building and home controls		Appliance controls		Commercial and industrial controls		Total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>Segment revenue:</b>								
Sales to external customers	584,498	478,093	368,112	440,277	150,151	123,348	1,102,761	1,041,718
<b>Segment results</b>	<b>58,689</b>	<b>53,171</b>	<b>16,780</b>	<b>19,684</b>	<b>13,066</b>	<b>13,144</b>	<b>88,535</b>	<b>85,999</b>
Bank interest income							7,685	1,297
Other income and gains (excluding bank interest income)							11,324	4,932
Corporate and other unallocated expenses							(12,083)	(8,632)
Finance costs							(8,070)	(10,927)
Share of profits and losses of associates	2,549	1,260	—	—	—	—	2,549	1,260
Change in fair value of derivative financial instruments							(7,239)	—
Gain on disposal of associates							—	10,065
Profit before tax							82,701	83,994
Tax							(8,187)	(6,540)
Profit for the period							74,514	77,454

## Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

### 4. Finance Costs

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	7,803	10,572
Finance leases	267	355
	<u>8,070</u>	<u>10,927</u>

### 5. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Cost of inventories sold	917,862	860,803
Depreciation	16,862	14,259
Amortisation of intangible assets	6,406	7,255
Provision against inventories	2,019	—
Recognition of prepaid land lease payments	—	53
Bank interest income	(7,685)	(1,297)

# Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

## 6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

Pursuant to the income tax laws of the People's Republic of China (the "PRC"), Computime Electronics (Shenzhen) Co. Ltd. ("CSCL") and Electra HK Technologies (Dongguan) Company Limited ("EDG"), the Group's wholly-owned foreign enterprises established in the PRC, are entitled to a preferential tax treatment with full tax exemption from corporate income tax ("CIT") for the two years starting from the first profitable year, after deducting the tax losses carried forward, and are granted a 50% reduction in tax for the three years thereafter. CSCL was entitled to 50% tax relief for the current period whereas it was fully exempt from CIT for the six months ended 30 September 2006 as that was its second profitable year of operations. EDG is fully exempt from CIT as it has not generated any assessable profit after deducting the tax losses carried forward.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Group:		
Current — Hong Kong	6,325	6,540
Current — Other jurisdictions	1,862	—
<b>Total tax charge for the period</b>	<b>8,187</b>	<b>6,540</b>

No share of tax attributable to associates (2006: Nil) is included in "Share of profits and losses of associates" in the condensed consolidated income statement.

# Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

## 7. Dividends

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Proposed interim — HK\$0.022 (2006: HK\$0.018) per ordinary share	18,260	14,940

The Board has not declared any special dividend for the six months ended 30 September 2007. The Company paid a special dividend of HK\$35,000,000 to the then shareholders of the Company immediately before the Listing for the six months ended 30 September 2006.

The proposed interim dividend for the six months ended 30 September 2007 shall be payable to the shareholders whose names appear on the Company's Register of Members on Thursday, 10 January 2008.

## 8. Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the period attributable to equity holders of the Company of HK\$74,516,000 (six months ended 30 September 2006: HK\$73,962,000) and the weighted average of 830,000,000 (six months ended 30 September 2006: 600,000,000) ordinary shares in issue during the period.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 September 2006 represented the pro forma issued share capital of the Company of 600,000,000 shares deemed to have been in issue throughout that period, comprising:

- (a) the 1 share and 399 shares of the Company allotted and issued at nil paid on 23 June 2006 and 16 September 2006, respectively; and



# Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

## 8. Earnings Per Share *(continued)*

- (b) the capitalisation issue of 599,999,600 shares pursuant to the group reorganisation in relation to the preparation of the Listing.

No diluted earnings per share was presented for the current period as the share options granted and outstanding during the Period did not have dilutive effect.

No diluted earnings per share was presented for the six months ended 30 September 2006 as there was no dilutive potential share in existence throughout that period.

## 9. Major Additions of Property, Plant and Equipment

During the Period, the Group purchased tools and machinery amounting to approximately HK\$4,635,000 (six months ended 30 September 2006: HK\$10,425,000).

## 10. Goodwill

	HK\$'000
Cost and net carrying amount at 1 April 2007 (audited)	1,744
Acquisition of minority interests (note 14)	2,239
Business combination (note 15)	34,110
Cost and net carrying amount at 30 September 2007 (unaudited)	38,093

# Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

## 11. Trade Receivables

The Group's trading terms with its customers are mainly on credit. The credit period granted to customers generally ranges from one month to three months.

An aged analysis of the trade receivables is as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within 1 month	447,341	300,754
1 to 2 months	4,763	15,626
2 to 3 months	6,094	23,512
Over 3 months	57,906	66,860
	<b>516,104</b>	<b>406,752</b>

Included in the Group's trade receivables as at 30 September 2007 were amounts due from the Group's associates and a related company in which certain beneficial shareholders of the Company have beneficial interests of HK\$27,929,000 (31 March 2007: HK\$33,994,000) and HK\$16,362,000 (31 March 2007: HK\$4,771,000), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group.

The carrying amounts of the trade receivables approximate to their fair values.

## Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

### 12. Trade and Bills Payables

The trade payables are non-interest-bearing and generally have payment terms ranging from one month to three months.

An aged analysis of the trade and bills payables is as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within 1 month	329,693	325,838
1 to 2 months	807	2,579
2 to 3 months	2,257	745
Over 3 months	1,521	8,417
	<b>334,278</b>	<b>337,579</b>

The carrying amounts of the trade and bills payables approximate to their fair values.

### 13. Share Option Scheme

The Company has adopted a share option scheme (the "Scheme") on 15 September 2006 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Details of the Scheme are set out in the Company's annual report for the year ended 31 March 2007 (note 32 to the financial statements).

# Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

## 13. Share Option Scheme (continued)

Details and movements of the share options granted under the Scheme during the Period are summarised as follows:

Category of participants	Number of share options					Date of grant of share options	Exercise period of share options	Exercise price per share option HK\$	Closing price of the Company's shares immediately before the date of grant HK\$
	At 1 April 2007	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	At 30 September 2007				
Senior management and other employees in aggregate	—	1,216,000	—	—	1,216,000	27 September 2007	From 31 August 2008 to 30 August 2017	1.75	1.50
	—	1,216,000	—	—	1,216,000	27 September 2007	From 31 August 2009 to 30 August 2017	1.75	1.50
	—	1,216,000	—	—	1,216,000	27 September 2007	From 31 August 2010 to 30 August 2017	1.75	1.50
	—	3,648,000	—	—	3,648,000				

The fair value of the share options granted at the date of grant was approximately HK\$2,263,000. The fair value was estimated using a binomial model, taking into account the terms and conditions upon which the options were granted, and is subject to a number of assumptions and the limitation of the model. The following table lists the inputs to the model used in estimating the fair value of the share options granted for the Period:

Dividend yield (%)	0
Exercise price (HK\$)	1.75
Expected volatility (%)	46.23
Forfeiture rate (%)	0
Option life (years)	9.93
Risk-free interest rate (%)	4.39
Share price at the date of grant (HK\$)	1.40
Suboptimal exercise factor (times)	2

The expected volatility was determined with reference to the historical share price volatility of the Company and certain comparable companies listed in the Main Board of the Stock Exchange.

## Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

### 13. Share Option Scheme *(continued)*

The expense recognised in the condensed consolidated income statement for employee services received during the Period amounted to approximately HK\$16,000.

### 14. Acquisition of Minority Interests

During the Period, the Group acquired the remaining 45% equity interest in Salus Controls Plc (which was then owned as to 55% by the Group) from its minority shareholders at a cash consideration of GBP157,500 (equivalent to approximately HK\$2,473,000), resulting in a total positive goodwill of approximately HK\$2,239,000. As certain minority shareholders were considered as connected persons of the Company, this acquisition constituted a connected transaction pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Details of this transaction are set out in the Company's announcement dated 30 April 2007.

### 15. Business Combination

In July 2007, the Group entered into an agreement with an independent third party to acquire the entire equity interest in Asia Electronics HK Technologies Limited ("AEHK", formerly known as Electra HK Technologies Limited) which in turn owns 100% equity interest in EDG (collectively "AEHK Group"), at a cash consideration of US\$5,500,000 (equivalent to approximately HK\$42,625,000). As part of the obligations as to the completion of this transaction, the Group was required to repay AEHK's outstanding loan of US\$7,500,000 (equivalent to approximately HK\$58,125,000), together with all interests thereon, provided by the then shareholder of AEHK. AEHK Group principally designs, manufactures and markets electronic controls for air-conditioners, major appliances and industrial and spa and pool products, and has established an extensive customer network spanning Europe, Asia, Middle East and Australia.

## Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

### 15. Business Combination (continued)

This transaction constituted a discloseable transaction pursuant to the Listing Rules, details of which are set out in the Company's announcement dated 23 July 2007 and circular dated 7 August 2007.

The aggregate carrying amounts of the identifiable assets and liabilities (which approximated to their fair values) of AEHK Group immediately before 9 August 2007 (being the date of acquisition) were as follows:

	(Unaudited) HK\$'000
Plant and equipment	21,051
Inventories	37,526
Trade receivables	107,402
Prepayments, deposits and other receivables	5,045
Cash and cash equivalents	8,187
Trade payables	(47,188)
Other payables and accrued liabilities	(13,297)
Interest-bearing bank borrowings	(49,222)
Tax payable	(333)
Shareholder's loan	(59,112)
Deferred tax liabilities	(125)
Provision for long service payments	(430)
Net assets acquired	9,504
Repayment of shareholder's loan	59,112
Goodwill arising	34,110
	102,726
<b>Satisfied by:</b>	
Cash consideration	42,625
Direct costs attributable to the acquisition	989
Repayment of shareholder's loan	59,112
	102,726
<b>Analysis of net outflow of cash and cash equivalents in respect of the acquisition</b>	
Total cash and cash equivalents paid	102,726
Cash and cash equivalents acquired	(8,187)
	94,539

## Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

### 15. Business Combination *(continued)*

Had the acquisition date been the beginning of the Period, the unaudited revenue and net loss for the Period of AEHK Group would have been approximately HK\$131,994,000 and HK\$8,077,000, respectively.

### 16. Commitments

As at 30 September 2007, the Group had capital commitments of US\$1,650,000 (equivalent to approximately HK\$12,788,000) and US\$650,000 (equivalent to approximately HK\$5,038,000), authorised but not contracted for, in respect of the establishment of a joint venture operation and investment in a subsidiary respectively.

## Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

### 17. Related Party Transactions

In addition to the transactions detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the Period:

#### (a) Transactions with related parties

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Associates		
Sales of raw materials	16,193	7,524
Sales of finished goods	18,995	28,686
A beneficial shareholder of an associate of the Group		
Sales of finished goods	3,531	24,223
A related company in which certain beneficial shareholders of the Company have beneficial interests		
Sales of finished goods	24,073	6,663
A minority shareholder of a subsidiary		
Purchases of raw materials	163	731



## Notes to Condensed Consolidated Interim Financial Statements

30 September 2007

### 17. Related Party Transactions *(continued)*

#### (b) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Short term employee benefits	11,636	10,527
Post-employment benefits	84	78
Equity-settled share option expenses	16	—
	<hr/> 11,736	<hr/> 10,605

### 18. Approval of the Condensed Consolidated Interim Financial Statements

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 10 December 2007.

# Management Discussion and Analysis

## Overview

The Group provides technology and product solutions that are environmentally friendly, energy efficient and easy to use. They benefit our customers, helping them manage and take better control of their future. As a global electronic controls specialist, the Group is engaged in the design, manufacturing, and distribution of electronic controls and automation devices and solutions focusing on three main business segments: building and home controls, appliance controls and commercial and industrial controls. As technological advances drive lifestyle reform to include control systems in every aspect of daily life, the demand for and applications of electronic control systems are unlimited. Together with the cost reduction of electronic components, the world trend to replace analog controls and devices with electronic variants brings significant opportunities for the Group's business development.

## Financial Highlights

During the Period, the Group's turnover and profit attributable to equity holders of the Company increased by approximately 5.9% to HK\$1,102,761,000 and approximately 0.7% to HK\$74,516,000 respectively, as compared with the corresponding period last year. Without taking into account the non-recurring gain on disposal of associates amounting to HK\$10,065,000 (of which approximately HK\$6,039,000 was attributable to the equity holders of the Company) for the six months ended 30 September 2006, the profit attributable to equity holders of the Company for the Period increased by approximately 9.7%.

During the Period, turnover from the segments of building and home controls, appliance controls and commercial and industrial controls amounted to HK\$584,498,000, HK\$368,112,000 and HK\$150,151,000 respectively, accounting for approximately 53.0%, 33.4% and 13.6% of the Group's turnover respectively. Compared with the corresponding period last year, turnover of building and home controls and commercial and industrial controls segments increased by approximately 22.3% and 21.7% respectively, while turnover from the appliance controls segment decreased by approximately 16.4%.

## Management Discussion and Analysis

### Financial Highlights *(continued)*

Through effective cost control programs carried out during the Period under review, the Group was able to maintain a relatively stable gross profit margin of approximately 16.6% amid the general inflation environment in the PRC in which the Group's production facilities are located. During the Period, the Group recorded a deficit of HK\$7,239,000 arising from the change in fair value on revaluation of certain derivative financial instruments, which was mainly attributable to a structured foreign exchange forward contract entered into by the Group.

### Acquisition of minority interests in Salus Controls Plc

In April 2007, the Group completed the acquisition of 45% equity interest in Salus Controls Plc from its minority shareholders at a cash consideration of GBP157,500 (equivalent to approximately HK\$2,473,000) and thus increasing its equity interest in Salus Controls Plc to 100%. Salus Controls Plc principally distributes the Salus brand products of building and home controls segment in the European market.

### Acquisition of AEHK

In August 2007, the Group completed the acquisition of 100% equity interest in AEHK which in turn owns 100% equity interest in EDG at a cash consideration of US\$5,500,000 (equivalent to approximately HK\$42,625,000) and repaid to the then shareholder an outstanding loan of US\$7,500,000 (equivalent to approximately HK\$58,125,000), together with all interests thereon, provided to AEHK. AEHK Group principally designs, manufactures and markets electronic controls for air-conditioners, major appliances and industrial and spa and pool products, and has established an extensive customer network spanning Europe, Asia, Middle East and Australia.

## Business Review

Despite the overall soft sentiment in the United States (the "US") market, the Group was able to achieve satisfactory growth in both turnover and profit attributable to equity holders of the Company due to its resilient business model with balanced growth and profitability of each business segment. During the Period, the Group's strong pipelines generated more than 40 new customers and completed 213 projects, with an additional 329 projects under development.

## Management Discussion and Analysis

### **Business Review** *(continued)*

#### **Building and home controls business**

Revenue from the segment increased by approximately 22.3% to HK\$584,498,000 as compared with HK\$478,093,000 in the corresponding period last year. The increase in turnover was mainly attributable to the launch of a new generation of air quality control products in the US, the robust growth of Salus brand products in Europe, as well as the development of numerous new customers.

The acquisition of minority interests of Salus Controls Plc allows the Group to gain greater brand recognition as well as paving the way for Salus to develop as a leading energy management brand in European market. During the Period, the Group launched 4 new product platforms and developed new markets in Italy, Austria and Switzerland. As a result, Salus brand products achieved a remarkable sales growth of over 100% during the Period.

#### **Appliance controls business**

Revenue from the segment decreased by approximately 16.4% to HK\$368,112,000 as compared with HK\$440,277,000 in the corresponding period last year. The decrease in turnover was owing to the Group's strategy to exit low profit margin business to focus on growing profitable business sectors. With the enhancement of its product mix and growth initiatives in new sectors such as water treatment controls and appliance energy controls, the Group is actively pursuing improved profitability within this segment.

#### **Commercial and industrial controls business**

Revenue from the segment increased by approximately 21.7% to HK\$150,151,000 as compared with HK\$123,348,000 in the corresponding period last year. The increase in turnover was mainly due to the steady growth in the demand for commercial control products, the launch of new products such as automatic meter controls, and the development of new customers with the high-mix-low-volume business.

# Management Discussion and Analysis

## Outlook

Looking ahead, the Group will build upon its profitable and expanding core businesses, and continue to diversify risks through multiple revenue streams. Strong sales pipelines will allow the Group to penetrate new geographical markets, develop new customers in existing markets and strengthen current customer relationships.

Leveraging on its solid business presence in the electronic control industry, the Group is well positioned to capture the high growth potential of the energy management and renewable energy markets brought on by favourable macro global trends and demands. Extensive research and development efforts as well as strategic alliances with renowned universities will be put forward to develop total solutions which enhance energy savings, reduce costs and increase efficiency. Meanwhile, latest wireless technologies will be incorporated into existing products and certain products will be commercialised with the wireless ZigBee technology platform for energy management applications. The Group will also form a new division to focus on developing renewable energy solutions for residential and commercial applications.

The Group will continue to foster the growth of the Salus brand to become a leading global brand in energy management and renewable energy technologies and products. In addition to the new markets developed during the Period, the Group will further expand its European distribution coverage to Spain, Portugal, France, Benelux, Scandinavia and Baltic markets. The Group will continue to enhance its product portfolio through new product launches and increase its distribution channels of heating controls to target wholesalers and independent installers throughout Europe. The Salus brand is a high profit margin growth driver for the Group, representing a positive and diversified revenue stream which will contribute to a greater proportion of the Group's profitability in the future.

The Group will leverage on the synergistic benefits brought on by the acquisition of AEHK Group to strategically expand geographical coverage to Europe, Asia, Middle East and Australia and expand the product lines from interface and thermostatic controls into power controls, remote access controls and indoor air quality controls in the air-conditioning market. Meanwhile, the Group will also continue to seek and evaluate opportunities for acquiring companies and businesses that can increase its technological and brand distribution capabilities.

## Management Discussion and Analysis

### Liquidity, Financial Resources and Capital Structure

As at 30 September 2007, the Group had bank and cash balances of HK\$471,663,000, majority of which were denominated either in US dollars or Hong Kong dollars. Average trade receivable turnover period and average inventory turnover period were 76.6 days and 63.6 days respectively. Overall, the Group maintained a robust current ratio of 1.9 as at 30 September 2007.

As at 30 September 2007, total interest-bearing bank and other borrowings were HK\$282,734,000, comprising bank loans of HK\$277,030,000 and finance lease payables of HK\$5,704,000, of which HK\$271,746,000 will be repayable within one year and HK\$10,988,000 will be repayable after one year. The majority of these borrowings were denominated in Hong Kong dollars to which the interest rates applied were primarily subject to floating interest rate. Total equity attributable to equity holders of the Company as at 30 September 2007 amounted to HK\$906,736,000.

The Group's net gearing ratio is calculated by dividing total interest-bearing bank and other borrowings less cash and cash equivalents over equity attributable to equity holders of the Company. Since the Group had net cash of HK\$188,929,000 as at 30 September 2007, the net gearing ratio is not presented.

### Treasury Policies

The majority of the Group's sales and purchases are denominated in US dollars and Hong Kong dollars. Due to the fact that Hong Kong dollars are pegged to the US dollars, there will not be material foreign exchange exposure in this regard. Since certain production and operating overheads of the Group's production facilities in the PRC are denominated in Renminbi ("RMB"), the Group has entered into a structured foreign exchange forward contract with a licensed bank in Hong Kong in order to hedge the exposure of RMB appreciation. The management will closely monitor the effectiveness of the existing structured foreign exchange forward contract and the exposure to any potential foreign exchange and interest rate risks and will adopt proactive but prudent approach to minimise the relevant exposure when necessary.

## Management Discussion and Analysis

### Capital Expenditure and Commitments

During the Period, the Group incurred total capital expenditure of approximately HK\$10,027,000, of which approximately HK\$4,635,000 was spent for the purchase of tools and machinery.

As at 30 September 2007, the Group had capital commitments of US\$1,650,000 (equivalent to approximately HK\$12,788,000) and US\$650,000 (equivalent to approximately HK\$5,038,000), authorised but not contracted for, in respect of the establishment of a joint venture operation and investment in a subsidiary respectively.

### Contingent Liabilities

As at 30 September 2007, the Group did not have significant contingent liabilities.

### Employee Information

As at 30 September 2007, the Group had a total of approximately 4,800 full-time employees. Salaries and wages are generally reviewed on an annual basis in accordance with individual qualifications and performance, the Group's results and market conditions. The Group provides year-end double pay, discretionary bonus, medical insurance, provident fund, educational subsidy and training to its employees. The Company has also adopted a share option scheme under which the Company can grant options to, inter alia, employees of the Group to subscribe for shares of the Company with a view to rewarding those who have contributed to the Group and encouraging employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. During the six months ended 30 September 2007, the Company granted a total of 3,648,000 share options to the certain employees of the Group under the Scheme.

## Management Discussion and Analysis

### **Use of Proceeds from the Company's Initial Public Offering**

The proceeds from the Company's issue of new shares (including shares issued on the exercise of over-allotment option) for listing on the Stock Exchange in October 2006, after deduction of related expenses, amounted to approximately HK\$469,419,000. The Group intends to apply the net proceeds for the purposes as set out in the section headed "Future Plans And Use of Proceeds" in the Company's prospectus dated 25 September 2006. As at 30 September 2007, approximately HK\$106,250,000 was utilised for strategic business combination and acquisitions, approximately HK\$2,431,000 for the expansion of distribution network, approximately HK\$44,176,000 was utilised for the repayment of bank borrowings, approximately HK\$44,176,000 was utilised for general corporate purposes and the remaining balance of the net proceeds was placed in certain financial institutions and licensed banks in Hong Kong as short-term deposits.



## Other Information

### Interim Dividend

The Board has resolved to declare an interim dividend of HK2.2 cents per share for the six months ended 30 September 2007 payable on or about Tuesday, 22 January 2008 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 10 January 2008.

### Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 7 January 2008 to Thursday, 10 January 2008 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 September 2007, unregistered holders of shares of the Company should ensure that all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms of the Company must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 4 January 2008.

### 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 six months ended 30 September 2007.

### Corporate Governance

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules for the six months ended 30 September 2007.

## Other Information

### Code of Conduct for Directors' and Employees' Securities Transactions

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the directors, senior personnel and certain employees of the Group (who are likely to be in possession of unpublished price-sensitive information relating to the Company or its securities) (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Company's directors, all the directors confirmed that they have complied with the required standards set out in the Model Code and the Own Code throughout the six months ended 30 September 2007.

In addition, no incident of non-compliance of the Own Code by the employees of the Group was noted by the Company throughout the six months ended 30 September 2007.

### Audit Committee

The Audit Committee of the Company, which comprises three independent non-executive directors of the Company, namely Mr. Luk Koon Hoo (*Chairman of the Audit Committee*), Mr. Patrick Thomas Siewert and Mr. Steven Julien Feniger and two non-executive directors of the Company, namely Mr. Kam Chi Chiu, Anthony and Mr. Arvind Amratlal Patel, has reviewed with senior management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of these interim results.

Messrs. Ernst & Young, the Company's external auditors, have been engaged by the Company to conduct certain procedures on the Group's condensed interim financial statements for the six months ended 30 September 2007 in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the HKICPA. The Audit Committee discussed with Messrs. Ernst & Young the findings of these procedures including consistency of accounting policies and procedures adopted by the Group in preparing these financial statements and the relevant disclosures made in accordance with the requirements of HKAS 34 and Appendix 16 to the Listing Rules.

## Other Information

### Share Option Scheme

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

On 31 August 2007, the Company, for the first time, offered to grant 3,648,000 share options to the Group's employees under the Scheme at an exercise price of HK\$1.75 per share. The period opened for the grantees to accept the options was from 31 August 2007 to 27 September 2007. By the close of the acceptance period of the options, an aggregate of 3,648,000 share options offered by the Company were accepted by the grantees.

A summary of movements of share options of the Company during the six months ended 30 September 2007 is set out below:

Category of participants	Number of share options					Date of grant of share options <sup>(1)</sup>	Exercise period of share options	Exercise price per share option HK\$	Closing price of the Company's shares immediately before the date of grant HK\$
	At 1 April 2007	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	At 30 September 2007				
Senior management and other employees in aggregate	—	1,216,000	—	—	1,216,000	27 September 2007	From 31 August 2008 to 30 August 2017	1.75	1.50
	—	1,216,000	—	—	1,216,000	27 September 2007	From 31 August 2009 to 30 August 2017	1.75	1.50
	—	1,216,000	—	—	1,216,000	27 September 2007	From 31 August 2010 to 30 August 2017	1.75	1.50
	—	3,648,000	—	—	3,648,000				

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. No share options were granted to directors of the Company under the Scheme during the six months ended 30 September 2007.

## Other Information

### Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and Its Associated Corporations

As at 30 September 2007, the interests of the directors of the Company in the share capital of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### Long position in the shares of the Company

Name of director	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
Mr. Auyang Ho	Interest of controlled corporation	352,500,000 (Note)	42.46%

*Note: These shares were beneficially owned by Solar Power Group Limited ("SPGL"). SPGL is a company incorporated in the British Virgin Islands with limited liability and owned as to 67.66% by Mr. Auyang Ho and 32.34% by Mr. Auyang Pak Hong, Bernard.*

Save as disclosed above, as at 30 September 2007, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or, which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, nor had there been any grant or exercise of rights during the Period.

## Other Information

### Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 September 2007, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long position in the shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary share interested	Percentage of the Company's issued share capital
SPGL	Beneficial owner	352,500,000 (Note 1)	42.46%
Ms. Tse Shuk Ming	Interest of spouse	352,500,000 (Note 2)	42.46%
Crystalplaza Limited	Beneficial owner	133,500,000 (Note 3)	16.08%
Little Venice Limited	Beneficial owner	52,500,000 (Note 3)	6.32%
Ms. Leung Yee Li, Lana	Interest of controlled corporations	186,000,000 (Note 3)	22.40%
Mr. Heung Lap Chi, Eugene	Interest of spouse	186,000,000 (Note 4)	22.40%
Value Partners Limited	Investment manager	41,608,000 (Note 5)	5.01%
Mr. Cheah Cheng Hye	Interest of controlled corporation	41,608,000 (Note 5)	5.01%

Notes:

1. *The interest of SPGL was also disclosed as the interest of Mr. Auyang Ho in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and Its Associated Corporations".*

## Other Information

### **Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company** *(continued)*

2. *Ms. Tse Shuk Ming was deemed to be interested in 352,500,000 shares of the Company through the interest of her spouse, Mr. Auyang Ho.*
3. *These shares were owned by Crystalplaza Limited (as to 133,500,000 shares) and Little Venice Limited (as to 52,500,000 shares), both companies were wholly-owned by Ms. Leung Yee Li, Lana.*
4. *Mr. Heung Lap Chi, Eugene was deemed to be interested in 186,000,000 shares of the Company through the interest of his spouse, Ms. Leung Yee Li, Lana.*
5. *Mr. Cheah Cheng Hye was deemed to be interested in 41,608,000 shares of the Company through his controlled corporation, Value Partners Limited.*

Save as disclosed above, as at 30 September 2007, no person, other than the director of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and Its Associated Corporations" above, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## Other Information

### Appreciation

On behalf of the Board, I would like to express my gratitude to our management and staff for their dedication and contribution to the Group throughout the Period.

By Order of the Board  
**Auyang Ho**  
*Chairman*

Hong Kong, 10 December 2007