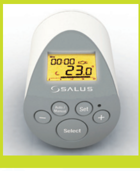
2009/2010 INTERIM REPORT



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

Contents

Executive Directors

Mr. Auyang Ho *(Chairman and Acting Chief Executive Officer)*
Ms. Choi Po Yee, Alice

Non-executive Directors

Mr. Kam Chi Chiu, Anthony
Mr. Arvind Amratlal Patel
Mr. Wong Chun Kong

Independent Non-executive Directors

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

Authorised Representatives under the Listing Rules

Mr. Auyang Ho
Ms. Choi Po Yee, Alice

Executive Committee

Mr. Auyang Ho *(Chairman)*
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)*
Mr. Luk Koon Hoo
Mr. Patrick Thomas Siewert
Mr. Steven Julien Feniger

Nomination Committee

Mr. Auyang Ho *(Chairman)*
Mr. Luk Koon Hoo
Mr. Patrick Thomas Siewert

Company Secretary

Ms. Soon Yuk Tai

Investor Relations

Director, Investor Relations
17th Floor, Great Eagle Centre,
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Wanchai, Hong Kong
Email: ir@computime.com

Stock Code

320

Registered Office

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Head Office and Principal Place of Business

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Website

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Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group
(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 in Association with
Reed Smith LLP

Principal Bankers

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

Condensed Consolidated Income Statement

30 September 2009

The board of directors (the "Board") of Computime Group Limited (the "Company") is pleased to present the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2009 (the "Period") together with the comparative figures for the six months ended 30 September 2008.

	Notes	For the six months ended 30 September 2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
REVENUE	*3, 4*	**1,089,617**	1,246,603
Cost of sales		**(968,871)**	(1,120,033)
GROSS PROFIT		**120,746**	126,570
Other income and gains		**14,336**	7,268
Selling and distribution costs		**(33,805)**	(42,374)
Administrative expenses		**(77,653)**	(70,175)
Other operating expenses		**(662)**	(5,659)
Finance costs	*5*	**(1,878)**	(4,033)
Share of profits and losses of associates		**666**	477
Share of loss of a jointly-controlled entity		**(240)**	(311)
PROFIT BEFORE TAX	*6*	**21,510**	11,763
Tax	*7*	**(3,252)**	(1,706)
PROFIT FOR THE PERIOD		**18,258**	10,057
ATTRIBUTABLE TO:			
Equity holders of the Company		**18,263**	10,058
Minority interests		**(5)**	(1)
		18,258	10,057
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**2.20 HK cents**	1.21 HK cents
Diluted		**N/A**	N/A

Condensed Consolidated Statement of Comprehensive Income

30 September 2009

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**18,258**	10,057
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Exchange differences on translation of foreign operations	**(119)**	8,870
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**18,139**	18,927
ATTRIBUTABLE TO:		
Equity holders of the Company	**18,144**	18,928
Minority interests	**(5)**	(1)
	18,139	18,927

Condensed Consolidated Statement of Financial Position

30 September 2009

	Notes	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		158,173	167,757
Goodwill		38,164	38,164
Club debenture		705	705
Intangible assets		47,656	45,302
Interests in associates		10,264	9,610
Interest in a jointly-controlled entity		–	3,143
Deferred tax asset		400	700
Total non-current assets		255,362	265,381
CURRENT ASSETS			
Inventories		389,911	412,608
Trade receivables	11	448,082	355,978
Prepayments, deposits and other receivables		38,995	40,259
Tax recoverable		2,475	1,307
Cash and cash equivalents		588,171	569,292
Total current assets		1,467,634	1,379,444
CURRENT LIABILITIES			
Trade and bills payables	12	385,487	328,157
Other payables and accrued liabilities		123,739	99,775
Interest-bearing bank and other borrowings		218,341	232,563
Amounts due to associates		1,659	2,073
Amount due to a jointly-controlled entity		–	1,639
Amounts due to minority shareholders		160	160
Dividend payable		8,300	–
Tax payable		8,958	9,429
Total current liabilities		746,644	673,796
NET CURRENT ASSETS		720,990	705,648
TOTAL ASSETS LESS CURRENT LIABILITIES		976,352	971,029

Condensed Consolidated Statement of Financial Position

30 September 2009

	30 September 2009 (Unaudited)	31 March 2009 (Audited)
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	23,365	28,082
Deferred tax liabilities	9,229	9,129
Total non-current liabilities	32,594	37,211
Net assets	943,758	933,818
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	83,000	83,000
Reserves	859,897	841,652
Proposed final dividend	–	8,300
	942,897	932,952
Minority interests	861	866
Total equity	943,758	933,818

Condensed Consolidated Statement of Changes in Equity

30 September 2009

	Issued capital	Share premium	Contributed surplus	Share option reserve	Exchange fluctuation reserve	Retained profits	Proposed dividends	Total	Minority interests	Total equity
	Attributable to equity holders of the Company									
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009 (audited)	**83,000**	**386,419**	**1,879**	**1,308**	**20,690**	**431,356**	**8,300**	**932,952**	**866**	**933,818**
Other comprehensive income	–	–	–	–	(119)	–	–	(119)	–	(119)
Profit for the period	–	–	–	–	–	18,263	–	18,263	(5)	18,258
Total comprehensive income	–	–	–	–	(119)	18,263	–	18,144	(5)	18,139
Equity–settled share option arrangement	–	–	–	101	–	–	–	101	–	101
Final 2009 dividend declared	–	–	–	–	–	–	(8,300)	(8,300)	–	(8,300)
At 30 September 2009 (unaudited)	**83,000**	**386,419**	**1,879**	**1,409**	**20,571**	**449,619**	**–**	**942,897**	**861**	**943,758**

	Issued capital	Share premium	Contributed surplus	Share option reserve	Exchange fluctuation reserve	Retained profits	Proposed dividends	Total	Minority interests	Total equity
	Attributable to equity holders of the Company									
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008 (audited)	83,000	386,419	1,879	650	14,602	419,108	23,240	928,898	891	929,789
Other comprehensive income	–	–	–	–	8,870	–	–	8,870	–	8,870
Profit for the period	–	–	–	–	–	10,058	–	10,058	(1)	10,057
Total comprehensive income	–	–	–	–	8,870	10,058	–	18,928	(1)	18,927
Equity-settled share option arrangement	–	–	–	314	–	–	–	314	–	314
Final 2008 dividend paid	–	–	–	–	–	–	(23,240)	(23,240)	–	(23,240)
At 30 September 2008 (unaudited)	83,000	386,419	1,879	964	23,472	429,166	–	924,900	890	925,790

Condensed Consolidated Cash Flow Statement

30 September 2009

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**67,015**	(22,457)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(28,073)**	(28,861)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**(20,818)**	8,229
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**18,124**	(43,089)
Cash and cash equivalents at beginning of period	**569,292**	568,755
Effect of foreign exchange rate changes, net	**755**	89
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**588,171**	525,755
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**371,950**	252,208
Non-pledged time deposits with original maturity of less than three months when acquired	**216,221**	273,547
	588,171	525,755

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 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 research and development, design, manufacture and trading of electronic control products.

2.1 Basis of Presentation

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2009 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 with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Save for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which include HKASs and Interpretations, during the Period as set out in note 2.2 below, the accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2009.

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current period's consolidated interim financial statements:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendment to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording for annual periods beginning on or after 1 January 2009.

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

* *Improvements to HKFRSs contain amendments to HKFRS 5#, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.*

\# *Effective for annual periods beginning on or after 1 July 2009.*

Except for the adoption of HKAS 1 (Revised) and HKFRS 8 which resulted in certain changes in the presentation and disclosures of the financial statements, the adoption of these new and revised HKFRSs has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

2.3 Impact of Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 (Revised)	*First-time Adoption of HKFRSs*[1]
HKFRS 1 Amendments	*The Additional Exceptions for First-time Adopters*[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[4]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendments	*Classification of Rights Issues*[3]
HKAS 39 Amendments	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[1]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[1]

2.3 Impact of Issued But Not Yet Effective Hong Kong Financial Reporting Standards *(Continued)*

[1] *Effective for accounting periods beginning on or after 1 July 2009*
[2] *Effective for accounting periods beginning on or after 1 January 2010*
[3] *Effective for accounting periods beginning on or after 1 February 2010*
[4] *Effective for accounting periods beginning on or after 1 January 2011*
[5] *Effective for accounting periods beginning on or after 1 January 2013*

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16, which are effective for annual periods beginning on or after 1 July 2009, and no transitional provisions for amendment to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. However, it is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

4. 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 reportable 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 reportable segments. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. The following table presents revenue and profit for the Group's reportable segments for the six months ended 30 September 2009 and 2008:

	Building and home controls For the six months ended 30 September		Appliance controls For the six months ended 30 September		Commercial and industrial controls For the six months ended 30 September		Total For the six months ended 30 September	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Segment revenue:								
Sales to external customers	512,806	569,488	422,101	477,555	154,710	199,560	1,089,617	1,246,603
Segment results	7,602	8,448	7,322	9,487	16,858	14,635	31,782	32,570
Bank interest income							532	2,295
Other income and gains (excluding bank interest income)							13,550	4,973
Corporate and other unallocated expenses							(23,156)	(24,208)
Finance costs							(1,878)	(4,033)
Gain on disposal of a jointly-controlled entity	254	–	–	–	–	–	254	–
Share of profits and losses of associates	666	477	–	–	–	–	666	477
Share of loss of a jointly-controlled entity	(240)	(311)	–	–	–	–	(240)	(311)
Profit before tax							21,510	11,763
Tax							(3,252)	(1,706)
Profit for the period							18,258	10,057

5. Finance Costs

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**1,821**	3,922
Finance leases	**57**	111
	1,878	4,033

6. Profit Before Tax

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

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**961,798**	1,112,065
Depreciation	**20,742**	20,135
Amortisation of intangible assets#	**16,660**	11,336
Provision against inventories	**7,073**	7,968
Bank interest income	**(532)**	(2,295)

Included in "Administrative expenses" on the face of the condensed consolidated income statement.

7. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. 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	
	2009 (Unaudited)	2008 (Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong	**1,452**	789
Current — Mainland China and other regions	**1,400**	139
Deferred	**400**	778
Total tax charge for the period	**3,252**	1,706

No share of tax attributable to associates/a jointly-controlled entity (2008: Nil) is included in "Share of profits and losses of associates" or "Share of loss of a jointly-controlled entity" in the condensed consolidated income statement.

8. Dividends

No payment of interim dividend for the six months ended 30 September 2009 is recommended (2008: Nil).

9. Earnings Per Share Attributable to Equity Holders of the Company

The calculation of basic earnings per share is based on the profit for the Period attributable to equity holders of the Company of HK$18,263,000 (six months ended 30 September 2008: HK$10,058,000) and the weighted average of 830,000,000 (six months ended 30 September 2008: 830,000,000) ordinary shares in issue during the Period.

No diluted earnings per share is presented for the current and prior periods as the share options outstanding had no dilutive effect on the basic earnings per share during the respective periods.

10. Major Additions of Property, Plant and Equipment

During the Period, the Group purchased property, plant and equipment amounting to approximately HK$11,420,000 (six months ended 30 September 2008: HK$11,428,000).

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 to three months.

An aged analysis of the trade receivables as at the reporting date is as follows:

	30 September 2009 (Unaudited)	31 March 2009 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**408,739**	328,670
1 to 2 months	**18,974**	12,662
2 to 3 months	**5,312**	5,487
Over 3 months	**15,057**	9,159
	448,082	355,978

Included in the Group's trade receivables as at 30 September 2009 were amounts due from the Group's associates and a related company, in which certain beneficial shareholders and directors of the Company have beneficial interests, of HK$4,597,000 (31 March 2009: HK$6,785,000) and HK$3,833,000 (31 March 2009: HK$6,900,000), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group.

12. Trade and Bills Payables

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

	30 September 2009 (Unaudited) *HK$'000*	31 March 2009 (Audited) *HK$'000*
Within 1 month	340,049	310,164
1 to 2 months	35,921	10,998
2 to 3 months	1,676	1,220
Over 3 months	7,841	5,775
	385,487	328,157

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

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 2009 (note 31 to the financial statements).

Details and movements of the share options of the Company during the six months ended 30 September 2009 are as follows:

Category of participants	Number of share options: As at 1 April 2009	Granted during the Period [2]	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	As at 30 September 2009	Date of grant of share options [1]	Exercise period of share options	Exercise price per share
Senior management and other employees in aggregate	926,000	–	–	–	(40,000)	886,000	27 September 2007	31 August 2008 to 30 August 2017	HK$1.75
	926,000	–	–	–	(40,000)	886,000	27 September 2007	31 August 2009 to 30 August 2017	HK$1.75
	926,000	–	–	–	(40,000)	886,000	27 September 2007	31 August 2010 to 30 August 2017	HK$1.75
	2,778,000	–	–	–	(120,000)	2,658,000			

13. Share Option Scheme *(Continued)*

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 Period.

The fair value of the share options granted at the date of grant was approximately HK$2,263,000 of which the Group recognized a share option expense of HK$101,000 (30 September 2008: HK$314,000) during the Period.

14. Commitments

As at 30 September 2009, the Group had commitments contracted but not provided for mainly in respect of the acquisition of property, plant and equipment of HK$572,000 (31 March 2009: HK$3,436,000).

15. Significant Related Party Transactions

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

(a) Transactions with related parties

	For the six months ended 30 September	
	2009 (Unaudited) ***HK$'000***	2008 (Unaudited) *HK$'000*
Associates		
Sales of raw materials	–	13,082
Sales of finished goods	**22,962**	24,694
A related company in which certain beneficial shareholders and directors of the Company have beneficial interests		
Sales of finished goods	**7,511**	24,800
A minority shareholder of a subsidiary		
Purchases of raw materials	–	190

15. Significant Related Party Transactions *(Continued)*

(b) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	**10,515**	12,107
Post-employment benefits	**67**	84
Equity-settled share option expenses	**41**	151
	10,623	12,342

16. Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved and authorised for issue by the Board on 14 December 2009.

Overview

During the first half of the financial year 2009/2010, the Group continued to be impacted by the slowdown in market demand and customer spending as a result of the financial turmoil and global economic downturn. Despite the hard-hitting effects of the challenging economic environment on most manufacturing enterprises, the Group experienced a modest decrease in sales revenue during the Period and achieved improvement in both profit and margin as compared with the corresponding period last year. The overall improvement was mainly attributable to the Group's continuous efforts in enlarging its customer base, focusing on developing profitable business, boosting productivity as well as strengthening the cost control measures.

Financial Highlights

Turnover

For the six months ended 30 September 2009, the Group recorded a turnover of HK$1,089,617,000, representing an approximately 12.6% decrease from the corresponding period last year as a result of the generally weak macro-economic environment. The decrease in turnover was mainly caused by the rapid shrinkage in customer demand across European and Asian markets where sales declined by approximately 14.3% and 31.5% respectively. As a result, the sales contribution from Europe and Asia decreased to approximately 36.7% and 14.2% respectively of the Group's total turnover.

The United States ("US") seems to have reached the bottom of its economic recession and is showing signs of stabilization. During the Period, the Group recorded a slight decrease in the sales to the Americas of approximately 3.3% which was relatively lower than the decrease in other markets, increasing the US sales contribution to the Group's total turnover to approximately 48.5%.

Financial Highlights *(Continued)*

Profitability and Margin

In face of the adverse macro-economic environment, the Group has strived to strengthen its core business and implement an array of cost control initiatives to boost profitability. During the Period, the Group continued to improve its factory productivity by increasing the extent of automation and outsourcing activities to reduce production overhead as well as closely monitoring raw materials costs and operating expenses at all levels. These measures proved to be effective, enabling the Group to improve its profitability during the Period. Gross profits margin increased to 11.1% for the Period, as compared to 10.2% for the corresponding period last year. Operating expenses decreased to HK$113,998,000, representing a cost saving of approximately 6.7% or HK$8,243,000 over the corresponding period last year. As a percentage of turnover, selling and distribution costs, finance costs as well as other operating expenses improved to approximately 3.1%, 0.2% and 0.1% of the Group's total turnover as compared to 3.4%, 0.3% and 0.5% respectively recorded for the same period last year. Administrative expenses as a percentage to turnover increased to approximately 7.1% as compared to 5.6% for the corresponding period last year and this increase was mainly attributable to an increase in amortization of deferred expenditures during the Period which was in line with new products launched.

Through effective cost control measures together with a favourable foreign exchange movement during the Period, the Group achieved a profit attributable to equity holders of the Company for the Period of HK$18,263,000, representing a considerable increase of approximately 81.6% over the profit recorded for the same period in 2008 of HK$10,058,000. Net profit margin also improved to approximately 1.7%, rebounding from 0.8% recorded for the corresponding period last year.

Business Review

Despite the reduced customer demand from a soft global market and the varying degrees of adverse impact on the sales revenue of the Group's business segments, the Group was able to gain new customers and improve the overall profitability of its business during the Period under review. Through refining the business and management structure, the Group has strategically trimmed down the production of low profit margin items and focused on developing high value-added products with better profit margins and at the same time continued to negotiate for raw materials price reduction to boost profitability.

Building and Home Controls Business

Sales of building and home controls amounted to HK$512,806,000 during the Period, accounting for approximately 47.1% of the Group's total turnover. Sales from this business segment softened by approximately 10.0% during the Period which was mainly affected by the decrease in demand for electronic controls for air conditioning products in Asia. Further, the deepening adverse economic conditions in Europe reduced the Group's sales of electronic controls for air quality products to the European market during the Period. Despite the fast growing momentum of the Group's "Salus" brand business in Europe was inevitably thwarted, the Group managed to secure satisfactory growth in the sales of the branded products by approximately 12.6% during the Period riding on the increasing market trend towards energy saving products.

Nevertheless, economic indicators show that the US housing market has started recovering from the bottom. The Group's sales of building and home controls products to the Americas, the major revenue source of this business segment, increased by approximately 8.7% during the Period which was mainly attributable to new products launched. Despite the soft market demand affecting the segment sales revenue, the Group managed to maintain a stable segment margin of approximately 1.5% for the Period backed by the Group's continuous efforts in phasing out low profit margin products, negotiating raw materials price reduction as well as enhancing factory productivity and operational efficiency.

Business Review *(Continued)*

Appliance Controls Business

Given the weak economy in European countries, the Group's sales of appliance controls declined by approximately 11.6% to HK$422,101,000 during the Period, representing approximately 38.7% of the Group's total turnover. The decrease was mainly due to the contraction in consumer demand in the appliance industry especially in the European market, where sales made up the largest proportion of the Group's appliance controls business segment revenue. In face of the soft market demand and downward price pressure as well as increased cost for quality enhancement, segment performance was adversely affected with segment margin down to approximately 1.7% from 2.0% recorded in the corresponding period last year.

Commercial and Industrial Controls Business

As to the commercial and industrial controls business, segment sales of HK$154,710,000 were recorded during the Period, representing a decline of approximately 22.5% as compared to the same period last year. The sales decrease was mainly attributable to the reduction in customer demand for electronic controls for certain commercial and industrial products in the Asian and US markets. Reduced demand for these products offset the increased sales generated from both new and certain existing customers. As a result, the revenue contribution of approximately 14.2% from this business segment accounted for a lesser proportion of the Group's total turnover as compared with the corresponding period last year.

Nonetheless, the Group achieved a marked improvement in the profitability of this business segment with segment margin increasing from 7.3% reported for the corresponding period last year to approximately 10.9% for the Period under review. The improvement in segment profitability was mainly attributable to the Group's continuous efforts in negotiating raw materials price reduction as well as enhancing factory productivity and operating efficiency.

Outlook

As from the second half of the financial year 2009/2010, leading indicators are providing more positive news and showing signs of improvements in certain economic figures, suggesting that economic recession may be bottoming out. However, since consumer confidence and spending have yet to recover to normal levels and the unemployment rates are still high worldwide, it is uncertain as to the sustainability of economic recovery. Management anticipates the global economy will remain volatile and difficult for the rest of the financial year. The operating environment for manufacturing sector continues to be challenging. In particular, soft customer demand, material shortages due to capacity cutting of major suppliers and rising plastic material cost will be the major challenges that the Group has to meet in the coming months. Further, analysts also see pressure on Renminbi ("RMB") appreciation and general inflation in Mainland China spanning the year ahead as a result of the stimulus package to buoy growth.

Considering the uncertain market conditions, the Group will strive to maintain and strengthen its position in existing markets and pursue a prudent yet proactive approach towards business expansion in emerging markets. The Group will continuously enhance its product offerings, streamline its manufacturing processes, phase out low profit margin products as well as execute effective cost control measures to maintain its competitiveness in the market. The Group will continue to reinforce its core capabilities of developing sophisticated technologies and product design. Technology advancement, control solutions innovation and brand development are the three cornerstones that the Group will continue to stay focus on for long term development. The Group is well positioned to capture future growth opportunities as soon as customer's spending power is revived again. The Group will also deploy more resources for research and development especially for strengthening its leading-edge smart energy product platform which management anticipates will be one of the major revenue drivers for the Group in the near future.

Although there are still clouds on the economic horizon, the Group is confident in its prospects and its ability to cope with the challenges ahead. Leveraging its strong business foundation, diversified customer base, increasing project pipeline, sound financial position together with the support of its competent management team and dedicated staff, the Group is well equipped ahead of the upturn to regain growth momentum, maximize returns and create better value for its shareholders.

Liquidity, Financial Resources and Capital Structure

The Group had a sound financial and liquidity position. As at 30 September 2009, the Group had a balance of cash and cash equivalents of HK$588,171,000, the majority of which were denominated either in US dollars or Hong Kong dollars and HK$27,062,000 were denominated in RMB. The Group maintained a strong current ratio of 1.97 as at 30 September 2009.

As at 30 September 2009, total interest-bearing bank and other borrowings were HK$241,706,000, comprising bank loans and overdrafts of HK$241,586,000 and finance lease payables of HK$120,000, of which HK$218,341,000 will be repayable within one year and HK$23,365,000 will be repayable after one year. The majority of these borrowings were denominated either in US dollars or Hong Kong dollars to which the interest rates applied were primarily subject to floating interest rate.

As at 30 September 2009, total equity attributable to equity holders of the Company amounted to HK$942,897,000. The Group had a net cash balance of HK$346,465,000, representing total cash and cash equivalents less total interest-bearing bank and other borrowings such that no gearing ratio was presented.

Treasury Policies

The majority of the Group's sales and purchases are denominated in US dollars and Hong Kong dollars, and to a certain extent are also denominated in European currencies. Due to the fact that the Hong Kong dollar is pegged to the US dollar, the Group's exposure to this foreign exchange risk is low. Certain production and operating overhead of the Group's production facilities in Mainland China are denominated in RMB. As at the date of this interim report, the Group did not have any outstanding financial instrument nor entered into any financial instrument for hedging purpose. Nevertheless, the Group will closely monitor its overall foreign exchange exposure and interest rate exposure and will adopt a proactive but prudent approach to minimize the relevant exposures when necessary.

Capital Expenditure and Commitments

During the Period, the Group incurred total capital expenditure of approximately HK$30,434,000 which was spent for the addition of property, plant and equipment as well as for the deferred expenditure on projects to develop new products.

As at 30 September 2009, the Group had capital commitments contracted but not provided for mainly in respect of the acquisition of property, plant and equipment of HK$572,000.

Contingent Liabilities

A subsidiary of the Company is involved in a dispute with a third party, who is alleging that the subsidiary has infringed patent and is seeking for value in dispute of EURO 750,000 (equivalent to approximately HK$8,400,000). Taking into consideration the advice from the Group's lawyer, the directors consider that the subsidiary has valid defence against the claim and accordingly no provision was made as at 30 September 2009. In addition, the subsidiary has initiated legal action against the validity of the patent held by the third party ("Nullity Action") in October 2009 and the directors consider that it is premature to estimate the outcome of the Nullity Action.

Charges on Assets

As at 30 September 2009, no bank deposit or other assets had been pledged to secure the Group's banking facilities.

Employee Information

As at 30 September 2009, the Group had a total of approximately 4,100 full-time employees. Total staff costs for the Period amounted to HK$101,795,000. 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. As at 30 September 2009, 2,658,000 share options remained outstanding under such share option scheme.

Use of Net Proceeds from the Company's Initial Public Offering

Proceeds from the Company's issue of new shares (including shares issued on the exercise of the 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 prospectus of the Company dated 25 September 2006. As at 30 September 2009, approximately HK$106,250,000 were utilized for strategic business combinations and acquisitions, approximately HK$20,950,000 for expansion of the distribution networks, approximately HK$44,176,000 for repayment of bank borrowings and approximately HK$44,176,000 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.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Period (2008: Nil).

Purchase, Sale or Redemption of the Company's Listed Securities

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

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 (the "CG Code") contained in Appendix 14 to the Listing Rules for the Period.

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Prior to 1 November 2009, Mr. Auyang Pak Hong, Bernard ("Mr. Bernard Auyang") was the Chief Executive Officer of the Company dealing with the day-to-day management of the Group's business. Following the resignation of Mr. Bernard Auyang as an executive director and the Chief Executive Officer of the Company and the appointment of Mr. Auyang Ho as Acting Chief Executive Officer of the Company on 1 November 2009, Mr. Auyang Ho assumes the roles of both the Chairman and Chief Executive Officer of the Company. Mr. Auyang Ho is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive director and senior management of the Company. As such, the Board considers that vesting the two roles in the same person does not impair the balance of power and authority between the Board and the management. Also, it is the objective of the Company to have these two roles performed by separate individuals when a suitable candidate for Chief Executive Officer is identified.

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 Period.

In addition, no incident of non-compliance of the Own Code by the employees of the Group was noted by the Company throughout the Period.

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 the 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 interim condensed consolidated financial statements for the Period 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 of the Company 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.

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

As at 30 September 2009, the interests of the directors of the Company in the shares of the Company as recorded in the register required to be kept under 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	Approximate percentage* of the Company's issued share capital
Mr. Auyang Ho	Interest of a 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. Bernard Auyang, son of Mr. Auyang Ho, who has resigned as Executive Director and Chief Executive Officer of the Company with effect from 1 November 2009.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2009.

Save as disclosed above, as at 30 September 2009, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of 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 the Stock Exchange pursuant to the Model Code, nor had there been any grant or exercise of rights of such interests during the Period.

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

As at 30 September 2009, 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 under Section 336 of the SFO:

Long position in the shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Approximate 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)*	16.09%
Little Venice Limited	Beneficial owner	76,704,000 *(Note 3)*	9.24%
Ms. Leung Yee Li, Lana	Interest of controlled corporations	210,204,000 *(Note 3)*	25.33%
Mr. Heung Lap Chi, Eugene	Interest of spouse	210,204,000 *(Note 4)*	25.33%
Martin Currie (Holdings) Limited	Interest of controlled corporations	51,296,000 *(Note 5)*	6.18%
Platinum Investment Management Limited	Investment manager	44,862,000	5.41%

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

Notes:

1. The interest of SPGL is 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".

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 76,704,000 shares), both companies were wholly-owned by Ms. Leung Yee Li, Lana.

4. Mr. Heung Lap Chi, Eugene was deemed to be interested in 210,204,000 shares of the Company through the interest of his spouse, Ms. Leung Yee Li, Lana.

5. These shares were held by Martin Currie Inc. (as to 22,098,000 shares) and Martin Currie Investment Management (as to 29,198,000 shares), both were controlled corporations of Martin Currie Ltd., which in turn was a controlled corporation of Martin Currie (Holdings) Limited.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2009.

Save as disclosed above, as at 30 September 2009, no person, other than the director of the Company whose interests are set out in the section headed "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 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Changes in Information of Directors

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of directors of the Company are set out below:

(A) **Mr. Auyang Ho**, an Executive Director and the Chairman of the Company, has been appointed as Acting Chief Executive Officer of the Company with effect from 1 November 2009 and as the Chairman of the Nomination Committee of the Company with effect from 14 December 2009.

Mr. Auyang Ho's son, Mr. Bernard Auyang has ceased to be an Executive Director, the Chief Executive Officer, a member of both the Executive Committee and the Remuneration Committee and the Chairman of Nomination Committee with effect from 1 November 2009. On 31 October 2009, the Company entered into a consultancy agreement with Whalley Holdings Limited (a corporation wholly-owned by Mr. Bernard Auyang) and Mr. Bernard Auyang for provision of advisory services to the Group.

(B) **Mr. Luk Koon Hoo**, an Independent Non-Executive Director of the Company, ceased to be a non-official director of Hong Kong Applied Science and Technology Research Institute Company Limited (a government-owned corporation) in August 2009.

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, 14 December 2009