



**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



Climate Controls



Smart Energy



Appliance
Controls



Industrial Controls



Audio/Visual
Controls



Energy
Management

Interim Report 2012/2013

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Auyang Ho (*Chairman*)
Dr. Owyang King (*Chief Executive Officer*)

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. Cheung Ching Leung, David

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. Auyang Ho
Dr. Owyang King

EXECUTIVE COMMITTEE

Mr. Auyang Ho (*Chairman*)
Dr. Owyang King

AUDIT COMMITTEE

Mr. Luk Koon Hoo (*Chairman*)
Mr. Patrick Thomas Siewert
Mr. Kam Chi Chiu, Anthony
Mr. Arvind Amratlal Patel
Mr. Cheung Ching Leung, David

REMUNERATION COMMITTEE

Mr. Patrick Thomas Siewert (*Chairman*)
Mr. Auyang Ho
Mr. Luk Koon Hoo
Mr. Cheung Ching Leung, David

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Soon Yuk Tai

INVESTOR RELATIONS

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STOCK CODE

320

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITORS

Ernst & Young

LEGAL ADVISOR

Reed Smith Richards Butler

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
DBS 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 2012

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 2012 (the "Period") together with the comparative figures for the six months ended 30 September 2011.

	Notes	For the six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
REVENUE	3, 4	1,215,329	1,258,603
Cost of sales		(1,100,620)	(1,131,746)
GROSS PROFIT		114,709	126,857
Other income and gains		10,720	4,648
Selling and distribution costs		(26,622)	(34,261)
Administrative expenses		(87,629)	(83,089)
Other operating income, net		1,478	3,626
Finance costs	5	(3,015)	(2,164)
Share of profits and losses of associates		(554)	541
PROFIT BEFORE TAX	6	9,087	16,158
Income tax expense	7	(1,718)	(3,113)
PROFIT FOR THE PERIOD		7,369	13,045
ATTRIBUTABLE TO:			
Owners of the Company		7,373	13,047
Non-controlling interests		(4)	(2)
		7,369	13,045
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic		0.89 HK cent	1.57 HK cents
Diluted		0.89 HK cent	1.57 HK cents

Details of the dividends for the Period are disclosed in note 8 to the interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 September 2012

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	7,369	13,045
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		
Exchange differences on translation of foreign operations	(441)	9,045
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,928	22,090
ATTRIBUTABLE TO:		
Owners of the Company	6,932	22,092
Non-controlling interests	(4)	(2)
	6,928	22,090

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2012

	Notes	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	115,761	113,409
Goodwill		36,420	36,420
Club debenture		705	705
Intangible assets		47,538	47,520
Interests in associates		1,667	2,222
Deposits		2,326	–
Available-for-sale investment		7,750	7,750
Total non-current assets		212,167	208,026
CURRENT ASSETS			
Inventories		698,674	545,580
Trade receivables	11	496,704	463,112
Prepayments, deposits and other receivables		39,872	31,444
Tax recoverable		1,477	1,798
Cash and cash equivalents		561,021	632,211
Total current assets		1,797,748	1,674,145
CURRENT LIABILITIES			
Trade and bills payables	12	538,930	442,390
Other payables and accrued liabilities		155,231	158,737
Interest-bearing bank and other borrowings		257,918	230,659
Amounts due to associates		4	4
Amounts due to non-controlling shareholders		160	160
Dividend payable		14,940	–
Tax payable		4,295	4,481
Total current liabilities		971,478	836,431
NET CURRENT ASSETS		826,270	837,714
TOTAL ASSETS LESS CURRENT LIABILITIES		1,038,437	1,045,740

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2012

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	6,910	7,310
Net assets	1,031,527	1,038,430
EQUITY		
Equity attributable to owners of the Company		
Issued capital	83,000	83,000
Reserves	947,698	954,597
	1,030,698	1,037,597
Non-controlling interests	829	833
Total equity	1,031,527	1,038,430

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 September 2012

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Issued capital	Share premium	Contributed surplus	Share option reserve	Exchange fluctuation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012 (audited)	83,000	386,419	1,879	5,609	44,862	515,828	1,037,597	833	1,038,430
Profit for the period	-	-	-	-	-	7,373	7,373	(4)	7,369
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	(441)	-	(441)	-	(441)
Total comprehensive income for the period	-	-	-	-	(441)	7,373	6,932	(4)	6,928
Equity-settled share option arrangement	-	-	-	1,109	-	-	1,109	-	1,109
Final 2012 dividend declared	-	-	-	-	-	(14,940)	(14,940)	-	(14,940)
At 30 September 2012 (unaudited)	83,000	386,419	1,879	6,718	44,421	508,261	1,030,698	829	1,031,527
At 1 April 2011 (audited)	83,000	386,419	1,879	3,364	32,842	508,083	1,015,587	844	1,016,431
Profit for the period	-	-	-	-	-	13,047	13,047	(2)	13,045
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	9,045	-	9,045	-	9,045
Total comprehensive income for the period	-	-	-	-	9,045	13,047	22,092	(2)	22,090
Equity-settled share option arrangement	-	-	-	1,094	-	-	1,094	-	1,094
Final 2011 dividend declared	-	-	-	-	-	(25,730)	(25,730)	-	(25,730)
At 30 September 2011 (unaudited)	83,000	386,419	1,879	4,458	41,887	495,400	1,013,043	842	1,013,885

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 September 2012

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(56,960)	68,135
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(38,052)	(26,616)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	24,243	(35,617)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(70,769)	5,902
Cash and cash equivalents at beginning of period	632,211	623,341
Effect of foreign exchange rate changes, net	(421)	1,369
CASH AND CASH EQUIVALENTS AT END OF PERIOD	561,021	630,612
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	277,679	238,113
Non-pledged time deposits with original maturity of less than three months when acquired	283,342	392,499
	561,021	630,612

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012

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 address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is located at 9th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

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

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2012 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 2012.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adoptors</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of these new and revised HKFRSs has had no significant financial effect on these consolidated interim financial statements.

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012

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 information regarding the Group's revenue, profit and assets is presented below:

	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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	336,438	381,996	679,203	650,405	199,688	226,202	1,215,329	1,258,603
Segment results	10,945	5,255	9,870	8,446	8,514	19,383	29,329	33,084
Bank interest income							3,366	2,041
Other income and gains (excluding bank interest income)							7,354	2,607
Corporate and other unallocated expenses							(27,393)	(19,951)
Finance costs							(3,015)	(2,164)
Share of profits and losses of associates	(554)	541	-	-	-	-	(554)	541
Profit before tax							9,087	16,158
Income tax expense							(1,718)	(3,113)
Profit for the period							7,369	13,045

	Building and home controls		Appliance controls		Commercial and industrial controls		Total	
	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Segment assets	397,358	338,352	554,735	465,950	115,450	98,470	1,067,543	902,772
Corporate and other unallocated assets							942,372	979,399
Total assets							2,009,915	1,882,171

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012

5. FINANCE COSTS

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	3,015	2,164

6. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Cost of inventories sold	1,096,271	1,123,323
Depreciation	16,899	17,896
Amortisation of intangible assets [#]	21,848	20,349
Write-down of inventories to net realizable value	4,349	8,423
Bank interest income	(3,366)	(2,041)

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

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

Under the Corporate Income Tax Law (the "New CIT Tax Law") of the People's Republic of China, which became effective from 1 January 2008, enterprises are subject to corporate income tax at a rate of 25%. Under the New CIT Tax Law, for those enterprises benefiting from lower preferential tax rates, such preferential rates will be gradually phased out by increasing them to 25% over five years.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012

7. INCOME TAX EXPENSE (Continued)

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current – Hong Kong	550	2,210
Current – Mainland China and other regions	1,568	1,283
Deferred	(400)	(380)
Total tax charge for the Period	1,718	3,113

No share of tax attributable to associates (2011: Nil) is included in “Share of profits and losses of associates” in the condensed consolidated income statement.

8. DIVIDENDS

No payment of interim dividend for the six months ended 30 September 2012 is recommended (2011: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the Period attributable to owners of the Company of HK\$7,373,000 (six months ended 30 September 2011: HK\$13,047,000) and 830,000,000 (six months ended 30 September 2011: 830,000,000) ordinary shares in issue during the Period.

No adjustment has been made to the basic earnings per share amount presented for the periods ended 30 September 2012 and 2011 in respect of dilution as the exercise price of the share options of the Company outstanding during the two periods is higher than the average market price of the Company's ordinary shares and accordingly, such share options held have no dilutive effect on the basic earnings per ordinary share.

10. MAJOR ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group purchased property, plant and equipment amounting to approximately HK\$19,717,000 (six months ended 30 September 2011: HK\$6,783,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012

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 end of the reporting period, based on the payment due date and net of provision, is as follows:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within 1 month	459,743	440,120
1 to 2 months	19,100	13,037
2 to 3 months	6,940	3,567
Over 3 months	10,921	6,388
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	496,704	463,112

Included in the Group's trade receivables as at 30 September 2012 is an amount due from the Group's associate of HK\$23,579,000 (31 March 2012: HK\$10,983,000), which is 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 end of the reporting period, based on the payment due date, is as follows:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within 1 month	456,383	393,725
1 to 2 months	67,219	33,558
2 to 3 months	428	2,063
Over 3 months	14,900	13,044
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	538,930	442,390

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012

13. SHARE OPTION SCHEME

The Company had 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 2012 (note 29 to the financial statements).

Details and movements of the share options of the Company granted under the Scheme for the six months ended 30 September 2012 are as follows:

Category of participants	Number of share options					As at 30 September 2012	Date of grant of share options ¹	Exercise period of share options	Exercise price per share HK\$
	As at 1 April 2012	Granted during the Period ²	Exercised during the Period	Cancelled during the Period	Lapsed during the Period				
Senior management and other employees in aggregate	492,000	-	-	-	-	492,000	27 September 2007	from 31 August 2008 to 30 August 2017	1.75
	492,000	-	-	-	-	492,000	27 September 2007	from 31 August 2009 to 30 August 2017	1.75
	492,000	-	-	-	-	492,000	27 September 2007	from 31 August 2010 to 30 August 2017	1.75
	1,476,000	-	-	-	-	1,476,000			
Director Dr. Owyang King	2,400,000	-	-	-	-	2,400,000	30 April 2010	from 30 April 2011 to 29 April 2020	1.05
	2,400,000	-	-	-	-	2,400,000	30 April 2010	from 30 April 2012 to 29 April 2020	1.05
	3,200,000	-	-	-	-	3,200,000	30 April 2010	from 30 April 2013 to 29 April 2020	1.05
	2,400,000	-	-	-	-	2,400,000	28 June 2011	from 28 June 2012 to 27 June 2021	0.79
	2,400,000	-	-	-	-	2,400,000	28 June 2011	from 28 June 2013 to 27 June 2021	0.79
	3,200,000	-	-	-	-	3,200,000	28 June 2011	from 28 June 2014 to 27 June 2021	0.79
	-	1,200,000	-	-	-	1,200,000	6 August 2012	from 6 August 2013 to 5 August 2022	0.375
	-	1,200,000	-	-	-	1,200,000	6 August 2012	from 6 August 2014 to 5 August 2022	0.375
	-	1,600,000	-	-	-	1,600,000	6 August 2012	from 6 August 2015 to 5 August 2022	0.375
	16,000,000	4,000,000	-	-	-	20,000,000			
Total	17,476,000	4,000,000	-	-	-	21,476,000			

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012

13. SHARE OPTION SCHEME (Continued)

Notes:

1. *The vesting period of the share options granted is from the date of grant until the commencement of the exercise period.*
2. *4,000,000 share options were granted to a director of the Company under the Scheme on 6 August 2012. The closing price of the shares of the Company immediately before such date of grant was HK\$0.375.*

The fair value of the share options granted during the Period was HK\$625,000 (2011: HK\$2,900,000).

The fair value of the share options granted during the Period was estimated as at the date of grant using a trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used.

Exercise price (HK\$)	0.375
Expected volatility(%)	48.618
Expected option life (years)	10.000
Risk-free interest rate (%)	0.672
Share price at the date of grant (HK\$)	0.375
Expected dividend yield (%)	3.220

The expected life of the option is based on the contractual life and is not necessarily indicative of the exercise patterns that may occur. The expected volatility or expected dividend yield reflects the assumption that the historical volatility or dividend yield is indicative of future trends, which may not necessarily be the actual outcome.

14. COMMITMENTS

As at 30 September 2012, the Group had contracted but not provided for capital commitments, mainly for the acquisition of property, plant and equipment of HK\$1,901,000 (31 March 2012: HK\$1,119,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012

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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
An associate		
Sales of finished goods	27,482	25,543

(b) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	10,918	10,274
Post-employment benefits	54	139
Equity-settled share option expenses	1,109	1,094
	12,081	11,507

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 29 November 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group's turnover for the Period amounted to HK\$1,215,329,000, decreasing by approximately 3.4% from the same period in last year. The consolidated net profit attributable to owners of the Company was HK\$7,373,000 for the Period, compared to HK\$13,047,000 for the six months ended 30 September 2011. Basic earnings per share for the Period amounted to 0.89 HK cent, compared to 1.57 HK cents for the same period in last year.

BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

Turnover

Turnover of the Group amounted to HK\$1,215,329,000 for the Period, representing a decrease of 3.4% over the same period in last year. The decrease in turnover was mainly due to continued weakening in the global economy particularly with prolonged European debt concerns and a sluggish economic recovery in the United States ("US"). Nevertheless, the Group recorded revenue growth in its Appliance Controls business due to expansion into the Mainland China domestic market and restocking by certain European customers.

Profitability and Margin

Consolidated net profit attributable to owners of the Company decreased from HK\$13,047,000 to HK\$7,373,000 for the Period, representing a decrease of 43.5%. Gross profit margin decreased to 9.4% for the Period, compared to 10.1% for the same period in last year. Production and overhead costs continued to increase due to inflation, increases in labour costs in Mainland China and appreciation of the Renminbi ("RMB"), all of which caused downward pressure on gross profit margin. The Group recorded other income and gains of HK\$10,720,000 for the Period, compared with HK\$4,648,000 for the same period in last year mainly due to the increased interest earned on cash balances and the recovery of the Group's previously share of recognized joint venture cessation costs. The Group managed to maintain operating expenses at HK\$115,788,000 during the Period, compared with HK\$115,888,000 for the same period in last year due to intensive expense controls.

Segment margin decreased to 2.4% for the Period, compared to 2.6% for the same period in last year. The Group recorded improvement in segment margin for both Building and Home Controls and Appliance Controls businesses largely due to improvement in branded business and a decrease in sales of relatively low margin products. However, these were not sufficient to offset the decrease in the Commercial and Industrial Controls business where decreased sales of relatively high margin products negatively impacted segment results.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The ongoing uncertainties of the worldwide economy will continue to constrain overall customer demand during the rest of the current financial year. In addition, the operating environment for manufacturing in Mainland China remains challenging with increases in wages, inflation and appreciation of the RMB. Nevertheless, the Group will continue its tight cost controls and improvement in operating efficiency and productivity to minimise these adverse impacts. The Group also continues its efforts to achieve a stronger product mix with the rollout of smart energy and wireless innovations to solidify its expansion into Mainland China and other Asian markets to drive its business growth.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a sound financial and liquidity position in the Period. As at 30 September 2012, the Group maintained a balance of cash and cash equivalents of HK\$561,021,000, which were mainly denominated either in US dollars or Hong Kong dollars and HK\$274,956,000 were denominated in RMB. The Group's current ratio remained strong at 1.85 times. The increase in prepayments, deposits and other receivables was mainly attributable to the increases in deposits and other receivables with customers and suppliers and input value added tax, which will be recoverable, from sales of the related goods.

As at 30 September 2012, total interest-bearing bank and other borrowings were HK\$257,918,000, comprised primarily of bank loans and overdrafts repayable within one year. The majority of these borrowings were denominated either in US dollars, Hong Kong dollars or Euro zone currencies and the interest rates applied were primarily subject to floating rate terms.

As at 30 September 2012, total equity attributable to owners of the Company amounted to HK\$1,030,698,000. The Group had a net cash balance of HK\$303,103,000, representing total cash and cash equivalents less total interest-bearing bank and other borrowings such that no gearing ratio applies.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

The majority of the Group's sales and purchases are denominated in US dollars and Hong Kong dollars with Euro zone currencies comprising a lesser extent. Due to the fact that the Hong Kong dollars is pegged to the US dollars, the Group's exposure to this foreign exchange risk is relatively low. Certain production and operating overheads of the Group's production facilities in Mainland China are denominated in RMB. As at 30 September 2012, the Group did not have any outstanding financial instruments entered into for hedging purposes. 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 EXPENDITURES AND COMMITMENTS

During the Period, the Group incurred total capital expenditures of approximately HK\$41,584,000 for the additions to property, plant and equipment as well as for deferred expenditure for the development of new products.

As at 30 September 2012, the Group had contracted but not provided for capital commitments, mainly for the acquisition of property, plant and equipment of HK\$1,901,000.

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 EUR937,500 (equivalent to approximately HK\$9,385,000). The decision of the relevant district court dated 19 January 2012 was favorable to the subsidiary and the third party has filed an appeal on the decision to the relevant higher regional court. Taking into consideration of the advice from the Group's lawyer, the directors consider the subsidiary has valid defence against the claim and therefore no provision was made as at 30 September 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON ASSETS

As at 30 September 2012, no bank deposit and other assets had been pledged to secure the Group's banking facilities.

EMPLOYEE INFORMATION

As at 30 September 2012, the Group had a total of approximately 3,600 full-time employees. Total staff costs for the Period amounted to HK\$139,834,000. 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. Up to the date of this report, 21,206,000 share options remained outstanding under such share option scheme.

USE OF NET 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 prospectus of the Company dated 25 September 2006. As at 30 September 2012, approximately HK\$114,000,000 were utilized for strategic business combination and acquisitions, approximately HK\$20,950,000 for the expansion of the distribution network, approximately HK\$44,176,000 for the 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.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2012 (2011: 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 complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the Period, except for the deviation from code provision A.6.7 of the CG Code as an independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 18 September 2012 due to other commitment.

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. Cheung Ching Leung, David, 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.

OTHER INFORMATION

SHARE OPTION SCHEME

Details of the share option scheme of the Company are disclosed in note 13 to the interim condensed consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2012, the interests or short positions of the directors of the Company in the shares and underlying 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:

(1) Long position/Short position in the shares of the Company

Name of director	Capacity	Long position/ Short position	Number of ordinary shares involved	*Approximate percentage of the Company's issued share capital
Mr. Auyang Ho	Interest of a controlled corporation	Long position	352,500,000 (Note)	42.46%
	Short position of a controlled corporation	Short position	128,000,000 (Note)	15.42%

Note: The long/short positions in the shares were held by Solar Power Group Limited ("SPGL"). SPGL is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Auyang Ho.

* The percentage represents the number of ordinary shares involved in the long/short positions divided by the number of the Company's issued shares as at 30 September 2012.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

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

<u>Name of director</u>	<u>Capacity</u>	<u>Number of underlying shares in respect of the share options granted</u>	<u>*Approximate percentage of the Company's issued share capital</u>
Dr. Owyang King	Beneficial owner	20,000,000	2.41%

Details of the above share options as required to be disclosed by the Listing Rules are disclosed in note 13 to the interim condensed consolidated financial statements.

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

Save as disclosed above, as at 30 September 2012, 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.

OTHER INFORMATION

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

As at 30 September 2012, the following persons (other than the directors and chief executives of the Company) had interests or short positions 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/Short position in the shares of the Company

Name of substantial shareholder	Capacity	Long position/ Short position	Number of ordinary shares involved	*Approximate percentage of the Company's issued share capital
SPGL	Beneficial owner	Long position	352,500,000 <i>(Note 1)</i>	42.46%
	Beneficial owner	Short position	128,000,000 <i>(Note 1)</i>	15.42%
Ms. Tse Shuk Ming	Interest of spouse	Long position	352,500,000 <i>(Note 2)</i>	42.46%
	Short position of spouse	Short position	128,000,000 <i>(Note 2)</i>	15.42%
Crystalplaza Limited	Beneficial owner	Long position	133,500,000 <i>(Note 3)</i>	16.09%
Little Venice Limited	Beneficial owner	Long position	81,690,000 <i>(Note 3)</i>	9.84%
Ms. Leung Yee Li, Lana	Interest of controlled corporations	Long position	215,190,000 <i>(Note 3)</i>	25.93%
Mr. Heung Lap Chi, Eugene	Interest of spouse	Long position	215,190,000 <i>(Note 4)</i>	25.93%
Platinum Investment Management Limited	Investment manager	Long position	44,862,000	5.41%

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Long position/Short position in the shares of the Company *(Continued)*

Notes:

1. *The interest/short position of SPGL were disclosed as the interest/short position 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 (long position) and have a short position in 128,000,000 shares of the Company through the interest/short position 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 81,690,000 shares), both companies were wholly-owned by Ms. Leung Yee Li, Lana.*
 4. *Mr. Heung Lap Chi, Eugene was deemed to be interested in 215,190,000 shares of the Company through the interest of his spouse, Ms. Leung Yee Li, Lana.*
- * *The percentage represents the number of ordinary shares involved in the long/short positions divided by the number of the Company's issued shares as at 30 September 2012.*

Save as disclosed above, as at 30 September 2012, no person, other than the directors of the Company whose interests/short positions 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 13.51B(1) of the Listing Rules, changes in information of directors of the Company are set out as follows:

- (A) Dr. Owyang King, an Executive Director and Chief Executive Officer of the Company, had been appointed as an authorised representative of the Company under Rule 3.05 of the Listing Rules and an authorised person to accept service of process and notices on the Company's behalf in Hong Kong as required under Rule 19.05(2) of the Listing Rules and Section 333A of the Hong Kong Companies Ordinance with effect from 8 October 2012.
- (B) Mr. Patrick Thomas Siewert, an Independent Non-executive Director of the Company, has been appointed as an independent non-executive director of Mondelez International, Inc. (a company listed on the NASDAQ Stock Market) with effect from 23 October 2012.

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
Computime Group Limited
Auyang Ho
Chairman

Hong Kong, 29 November 2012