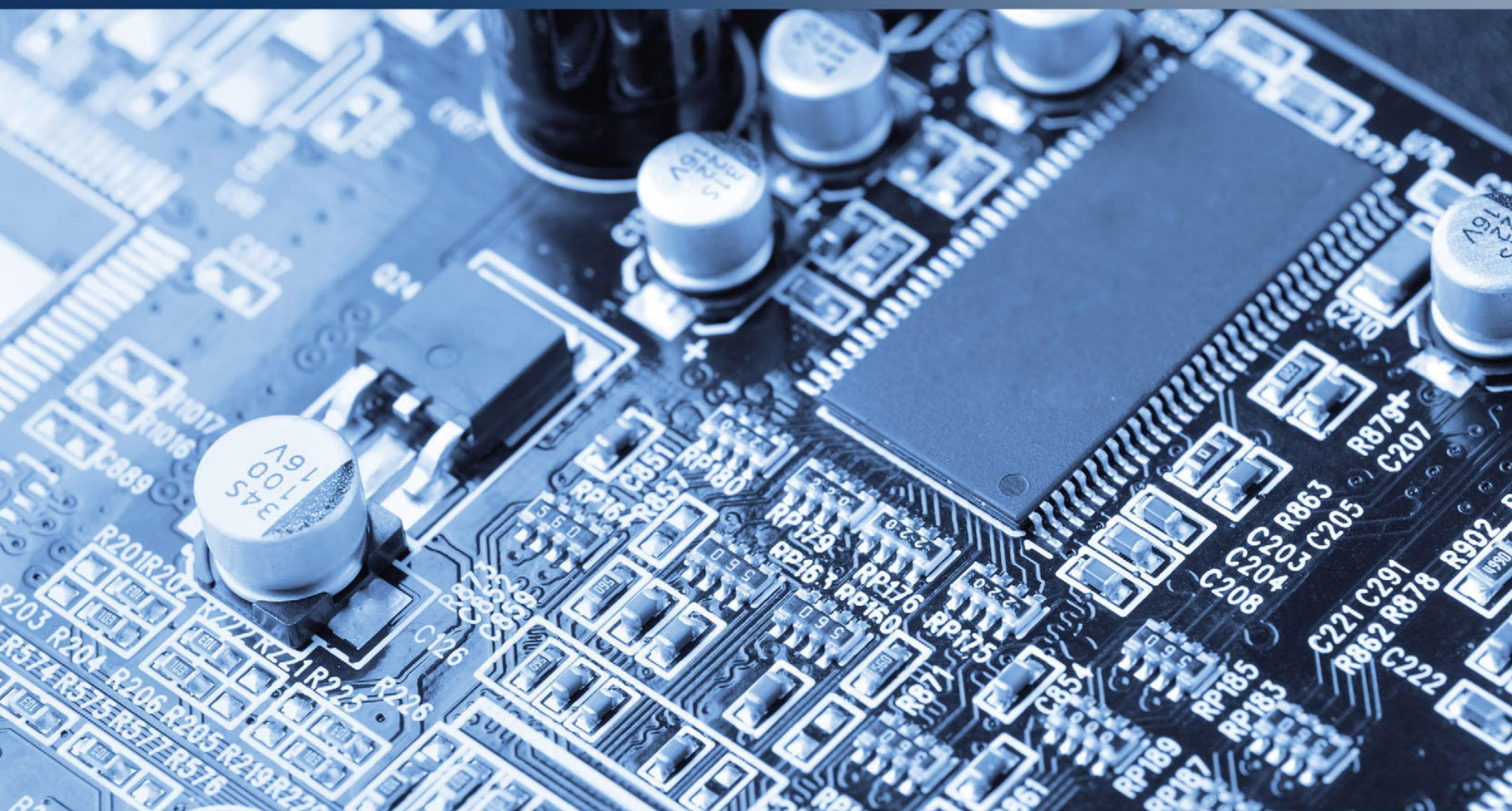
COMPUTIME GROUP LIMITED
金寶通集團有限公司*

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

* For identification purposes only

Annual Report
2012/2013



Smart Technology
Innovative Thinking
Intelligent Solutions

Computime invests in innovative technology, services and people, creating solutions that exceed customer expectations.

Green Technologies
Energy Management
Connected Product Solutions
Electronic Health Monitoring

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Corporate Information

Directors

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

Registered Office

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

Head Office and Principal Place of Business

9th Floor, Tower One, Lippo Centre,
89 Queensway,
Hong Kong
Tel: (852) 2260 0300
Fax: (852) 2790 3996

Website

www.computime.com

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman KY1-1110,
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

Nomination Committee

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

Company Secretary

Ms. Soon Yuk Tai

Investor Relations

9th Floor, Tower One, Lippo Centre,
89 Queensway,
Hong Kong
Email: ir@computime.com

Stock Code

320

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.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Computime Group Limited (the "Company"), I am pleased to present the final results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2013 (the "Year").

During the Year, the Group's turnover increased by 4.0% to HK$2,526,587,000. Consolidated net profit attributable to owners of the Company amounted to HK$31,111,000 for the Year, compared with HK$33,252,000 last year. EBITDA amounted to HK$118,193,000 for the Year compared with HK$120,202,000 last year. During the Year, the Group continued to face the sluggish global economy recovery with the continued impact of financial difficulties in Europe and uncertain business environment in the United States ("US"). Nevertheless, the Group managed to record a moderate increase in turnover mainly due to revenue growth in its Appliance Controls business with further expansion into the Mainland China domestic market and restocking by certain European customers and the growth in its branded Building and Home Controls business.

Outlook

The task ahead is clear. The Group will continue to face more challenges in the coming year but the steps we took to position ourselves for long-term profitable growth in recent months will benefit financial results and relentless management actions in the coming year. A top priority for the Group is to shift our business mix from market-sensitive, capital intensive products toward high demand energy efficient products. The Group will continue to enhance our competitive position by driving product mix optimization, productivity and quality improvements, and accelerating research and development. Further, the Group will continue its expansion into Mainland China and other Asian markets in order to carry our fine products to an expanding global middle-class. While this is our focus we will also ensure that we conduct business in a way that creates value for our customers, shareholders, employees and the communities where we do business.

Appreciation

I would like to express my gratitude to our customers, business partners and shareholders for their continuous support to the Group throughout the Year. I wish also to commend my fellow directors, our management and employees for dedication and efforts toward the continued success of the Group.

Auyang Ho
Chairman

Hong Kong, 27 June 2013

Management Discussion and Analysis

Summary of Results

The Group's turnover for the Year, which amounted to HK$2,526,587,000, increased by approximately 4.0% compared with last year. The consolidated net profit attributable to owners of the Company was HK$31,111,000 for the Year, compared to HK$33,252,000 for the year ended 31 March 2012. Basic earnings per share for the Year amounted to 3.7 HK cents, compared to 4.0 HK cents in last year.

Business Review and Financial Highlights

Turnover

Turnover of the Group amounted to HK$2,526,587,000 for the Year, representing an increase of 4.0% over last year. Despite the volatile global economy with prolonged European debt concerns and a sluggish economic recovery in the US, the Group recorded a 4.0% increase in sales during the Year which was mainly due to the revenue growth in its Appliance Controls business with further expansion into the Mainland China domestic market and restocking by certain European customers and the growth in its branded Building and Home Controls business.

Profitability and Margin

Consolidated net profit attributable to owners of the Company decreased from HK$33,252,000 to HK$31,111,000 for the Year, representing a decrease of 6.4%. Gross profit margin decreased to 10.2% for the Year, compared to 11.1% in last year. The decrease was mainly due to the less favorable sales mix and continued increases in production and overhead costs 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. Nevertheless, such negative factors were partially offset by the Group's continued momentum in achieving material cost reductions and operational efficiency improvements. The Group recorded other income of HK$14,339,000 for the Year, compared with HK$11,127,000 in last year mainly due to the increased interest earned on cash balances. The Group managed to maintain operating expenses amounted at HK$238,136,000 during the Year compared to HK$238,692,000 in last year due to intensive expense controls.

Segment margin decreased to 2.9% for the Year, compared to 3.2% in last year. The Group recorded improvement in segment margin of Building and Home Controls business largely due to improvement in the branded business and a decrease in sales of relatively low margin products. The Group managed to maintain its segment margin in the Appliance Controls business, despite rising operating cost in Mainland China mainly due to the Group's continuous efforts in material cost reduction and productivity improvement. 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.

Outlook

Despite ongoing uncertainties of the worldwide economy that continue to constrain overall customer demand, management believes results are beginning to demonstrate that we are on the right path. Although the operating environment for manufacturing in Mainland China remains challenging with increases in wages, inflation and appreciation of the RMB, the Group anticipates continued improvement in customer demand from key customers who had scaled back over the past two years. Gradual improvement in the rate of growth in new business such as medical products is also promising. The Group will continue its tight cost controls and improvements in operating efficiency and productivity to bring more to the bottom line as the worldwide recovery moves to full throttle. The Group will also continue its efforts to achieve product mix optimization, as it proceeds with the rollout of higher margin smart energy and wireless innovations to solidify its expansion into attractive new consumer 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 Year. At 31 March 2013, the Group maintained a balance of cash and cash equivalents of HK$516,063,000, the majority of which were denominated either in US dollars or Hong Kong dollars and HK$208,504,000 were denominated in RMB. The Group's current ratio remained strong at 1.99 times. Other payables and accrued liabilities decreased from HK$158,737,000 at 31 March 2012 to HK$134,188,000 at 31 March 2013, mainly due to the decrease in deposits received from customers and continuous cost control. At 31 March 2013, total interest-bearing bank borrowings were HK$304,864,000, comprised primarily of bank loans 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.

At 31 March 2013, total equity attributable to owners of the Company amounted to HK$1,057,800,000. The Group had a net cash balance of HK$211,199,000 at 31 March 2013 representing total cash and cash equivalents less total interest-bearing bank borrowings such that no gearing ratio applies. Compared with net cash balance of HK$401,552,000 at 31 March 2012, the decrease was mainly due to the increase in inventories and trade receivables and was mainly due to the increase in the Appliance Controls business which has a longer cash cycle than the Group's other business segments.

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 dollar is pegged to the US dollar, 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. At 31 March 2013, 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 Expenditure and Commitments

During the Year, the Group incurred total capital expenditure of approximately HK$77,400,000 for additions to property, plant and equipment as well as for deferred expenditure associated with the development of new products.

At 31 March 2013, the Group had contracted but not provided for capital commitments, mainly for the acquisition of property, plant and equipment of HK$1,700,000.

Charges on Assets

At 31 March 2013, no bank deposit and other assets had been pledged to secure the Group's banking facilities.

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$9,309,000). On 20 March 2013, the relevant district court granted a favorable decision to the subsidiary.

Employee Information

At 31 March 2013, the Group had a total of approximately 3,800 full-time employees. Total staff costs for the Year amounted to HK$266,848,000. 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 annual 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 of Hong Kong Limited (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 31 March 2013, approximately HK$114,000,000 were utilized for strategic business combination and acquisitions, approximately HK$20,950,000 for the expansion of product offerings and distribution networks, 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.

Corporate Social Responsibilities

As a responsible and caring corporate citizen, the Group has long been committed to giving back to the communities in which it conducts business. Whilst striving for business development, the Group also places high priority on supporting community affairs and environmental protection as well as sustaining fair employment practice to shoulder its social responsibilities.

Community

The Group proactively participates in community services to strengthen its ties with the society. Our community initiatives emphasize providing learning opportunities for young people and helping the underprivileged as we have done in the past. This year, the Group continued to provide opportunity to students for gaining work experience and sharing with our employees, act as a channel for the youth to gain earlier exposure to the business world.

In caring for the needy, the Group has cooperated with various social institutes in organizing activities for minority groups. During the year, we have sponsored a project which involving after school care & parent-child activities. The project combines study tutorial, festival celebration and parent-child activities for children from low-income families, which help them to overcome study problems and enhanced their family relationship. The Group also participated in various fund raising programs organized by the Community Chest, staff strongly support and gave their enthusiastic response. The Group is nominated as Caring Company for more than ten consecutive years.

Environment

The Group spares no effort in environmental protection to aid the combat of global climate change. We uphold the high standards of our environmental policy across all facets of operations. Apart from conserving energy, preventing pollution and recycling reusable materials where practicable during the course of manufacturing and daily operation, the Group is dedicated to research and develop green technologies and solutions for applications which are environmentally friendly and energy efficient. The Group forms collaborative partnerships with universities and organizations globally and shares research results in renewable energy and environmental protection.

Employees

The Group recognizes that human capital is a key asset to the sustained growth and overall success of its business. In attracting and developing the right people, the Group places great emphasis on providing continuous training and personal development opportunities for our staff such that they are equipped with the professional skills and knowledge to carry out their responsibilities to the highest standards.

As an equal opportunity employer, the Group is committed to treating our employees with fairness and dignity as well as creating a harmonious work environment and healthy corporate culture that encourage open communication, teamwork and sense of belonging. The Group organizes On-Site Massage Service (Head, Neck & Shoulder) and joins Work-life Balance Week, so as to achieve a healthy work-life balance and higher level of employee engagement.

Profile of Directors, Senior Management and Company Secretary

Directors

Executive Directors

Auyang Ho, aged 81

Mr. Auyang is an executive Director, Chairman of the Board, chairman of both the executive committee and nomination committee and a member of the remuneration committee of the Company. He is also a director of certain subsidiaries of the Company. Besides, Mr. Auyang is a director and a shareholder of Solar Power Group Limited, the controlling shareholder of the Company. He is an elder brother of Dr. Owyang King, the Chief Executive Officer of the Company. He co-founded the Group in 1974. Mr. Auyang graduated from the South China Institute of Technology (now known as the South China University of Technology), where he studied structural engineering. Mr. Auyang has more than 30 years of experience in manufacturing operations, product management and development in the electronics industry. Prior to founding the Group, Mr. Auyang has been an engineer in the Ministry of Railways of the People's Republic of China. During the period from April 1965 to January 1973, he worked in the group of The Hong Kong Chiap Hua Manufactory Company, (1947) Limited (now known as "Chiaphua Limited") (this group is hereinafter referred to as "Chiap Hua Group"). He had served as an Assistant Plant Manager of the extrusion plant for The Hong Kong Chiap Hua Manufactory Company, (1947) Limited from April 1965 to December 1970. From January to September 1970, he acted as a Project Manager for International Containers Limited (a company formed by Chiap Hua Group and another party and has now been dissolved) and was responsible for supervising and co-ordinating the setting-up of a new manufacturing plant and all the facilities. In September 1970, he was formally promoted as the Plant Manager of International Containers Limited and held the position until he left Chiap Hua Group in January 1973. He then formed the Group and under his leadership, the Group received The Chinese Manufacturers' Association of Hong Kong New Product Award in 1976. Mr. Auyang has been instrumental in spearheading the Group's expansion and has secured many key customers since 1980 up to 2003. He currently acts as an advisor to our Chief Executive Officer and senior management and provides guidance on management issues.

Owyang King, aged 67

Dr. Owyang is an executive Director, the Chief Executive Officer and a member of the executive committee of the Company. He is a younger brother of Mr. Auyang Ho, the Chairman of the Company. Dr. Owyang joined the Group in April 2010. He obtained a degree of Bachelor of Science in Physics and a degree of Doctor of Philosophy in the field of Materials Science from Massachusetts Institute of Technology, United States in 1968 and 1974, respectively. Dr. Owyang joined General Electric Company as a member of technical staff in 1974 and held various technical and managerial positions, including directing research and development activities for the Semiconductor Division. Dr. Owyang was responsible for developing many enabling semiconductor technologies, including the world's first 500V Power Integrated Circuit and Insulated Gate Bipolar Transistor technologies. Dr. Owyang received the company's prestigious Outstanding Achievement Award in 1981. In 1988, Dr. Owyang joined Siliconix Incorporated in California as Vice President of Research and Development and directed the work of 70 scientists, engineers and technical staff in the area of electronic devices, circuits, processing technology and packaging development. He was promoted to Executive Vice President in 1992 and assumed additional responsibility for all Silicon Operations where he restructured the engineering resources and Wafer Fab Operations to enhance the technical capability and overall productivity. He turned the company from a technology follower and position-losing firm to a highly profitable company with industry leading products. In 1997, Dr. Owyang was promoted to the position of President and Chief Executive Officer. Under his leadership and management, the company has firmly established itself as the world leader in power switching and management products and its sales grew to a record level in 2008. Dr. Owyang is a recognized leader in the Power Metal-oxide Semiconductor Field-effect Transistor Industry. He has published over 20 technical papers and has been awarded more than 25 patents. He received the Industry IR100 Award in 1979 and 1983 based on his pioneering works in silicon power device technologies and products. Dr. Owyang has also been listed in the "National Register's WHO'S WHO in Executives and Professionals", which demonstrates his recognizable success in the field. He currently also serves as a director of Alpha and Omega Semiconductor Limited, a company listed on the NASDAQ Stock Market.

Non-Executive Directors

Kam Chi Chiu, Anthony, aged 51

Mr. Kam is a non-executive Director and a member of the audit committee of the Company. Mr. Kam is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Institute of Chartered Accountants in England and Wales. He holds a Bachelor's degree and a Master's degree in Mathematics from the University of Oxford in the United Kingdom. He qualified as a chartered accountant at one of the accounting firms in London and currently practices as a certified public accountant in Hong Kong. Mr. Kam has the suitable experience and qualifications to act as nominee for the implementation and administration of an individual voluntary arrangement under the bankruptcy regime in Hong Kong. Mr. Kam is also a member of the Panel of Adjudicators of the Obscene Articles Tribunal. Mr. Kam was appointed as a non-executive Director of the Group in November 1993.

Arvind Amratlal Patel, aged 72

Mr. Patel is a non-executive Director and a member of the audit committee of the Company. He was appointed as a non-executive Director of the Group in November 2005. Mr. Patel has retired with 40 years of experience with several U.S.–based public and private manufacturing companies. After earning his Bachelor's degree in Electrical Engineering from The Maharaja Sayajirao University of Baroda in India, Mr. Patel immigrated to United States to pursue further studies. He began his professional career with Culligan International in 1966. After working with certain smaller companies, he returned to a management position at Culligan International in 1971 while simultaneously earning his Master's degree in Business Administration from Loyola University Chicago. He then joined Intermatic Incorporated, an international manufacturer of electrical and electronic products. During his 20 years at Intermatic Incorporated, Mr. Patel held several executive positions, including president and chief operating officer, until his retirement in 2005. In addition to the management positions, Mr. Patel was elected to the boards of Intermatic Incorporated and Intermatic – A.T.C., a manufacturing joint venture in China, from July 2000 until his retirement in December 2005. Since his retirement from full time business activities, Mr. Patel became a partner and a member of the board of directors of TADD LLC, a privately held company engaged in design, manufacture and distribution of LED retro-fit lighting products in U.S.A. In January 2011, Mr. Patel was elected to the board of directors of Rogan Corporation, a privately held company engaged in design, manufacture and distribution of sophisticated injection molded plastic components for industrial and consumer applications. He resigned from this position in April 2012.

Wong Chun Kong, aged 52

Mr. Wong is a non-executive Director of the Company. He is a solicitor of the High Court of Hong Kong and a Partner of Philip K H Wong, Kennedy Y H Wong & Co., Solicitors & Notaries. Mr. Wong was educated in both Hong Kong and England. He has substantial experience in civil litigation and deals mainly in commercial, personal injuries, banking and administrative law litigation, corporate acquisition, cross-border joint ventures etc.. He had served as a Deputy Adjudicator of the Small Claims Tribunal in 1998 and as an Adjudicator of the Registration of Persons Tribunal of Hong Kong Special Administrative Region during period from March, 2005 to February, 2011. He is now a Deputy Chief Adjudicator of the Registration of Persons Tribunal and a panel member of the Municipal Services Appeals Board of Hong Kong Special Administrative Region. Mr. Wong has been a non-executive Director of the Company since February 2008.

Independent Non-Executive Directors

Luk Koon Hoo, aged 61, *BBS, JP*

Mr. Luk is an independent non-executive Director of the Company, the chairman of the audit committee and a member of both the remuneration committee and nomination committee of the Company. He is a retired banker, and has 30 years of comprehensive experience in accounting and financial management. He began at Hang Seng Bank in 1975 as a trainee officer. He was appointed as personal assistant to the deputy general manager and held that office from 1987 to 1989. Mr. Luk served as the head of financial control in 1989, as director and deputy chief executive in 1994 and as managing director and deputy chief executive from 1996 to his retirement in May 2005. Regarding Mr. Luk's other directorships, he is an independent non-executive director of China Properties Group Limited, Hung Hing Printing Group Limited and i-Cable Communications Limited (companies listed on the main board of the Stock Exchange) and is an independent non-executive director of Wharf T&T Limited, AXA General Insurance Hong Kong Limited and Octopus Cards Limited. Mr. Luk also serves as a council member and the treasurer of The Chinese University of Hong Kong and a member of Town Planning Board. Mr. Luk also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broadbased Taxes, the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government, the Statistics Advisory Board, the Broadcasting Authority, the Board of Trustees of the Sir Edward Youde Memorial Fund and the Advisory Committee, the Investor Education Advisory Committee of the Securities and Futures Commission, Barristers Disciplinary Tribunal Panel and the Operations Review Committee of ICAC. He was an appointed member of the Hong Kong Legislative Council from 1992 to 1995, and also a member of the first Election Committee of the Legislative Council. He holds a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and a Master of Business Administration Degree from The Chinese University of Hong Kong. He is a fellow of The Hong Kong Institute of Bankers. Mr. Luk is a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services. Mr. Luk was appointed as a non-executive Director of the Group in January 2006.

Patrick Thomas Siewert, aged 57

Mr. Siewert is an independent non-executive Director, the chairman of the remuneration committee and a member of both the audit committee and nomination committee of the Company. He currently serves as a director for the Avery Dennison Corporation, a company listed on the New York Stock Exchange and on the audit and finance committees. He is also a managing director of The Carlyle Group. Prior to joining The Carlyle Group in April 2007, Mr. Siewert served as a senior advisor for The Coca-Cola Company and president and chief operating officer for its East, South Asia & Pacific Rim Group and president for its East and South Asia Group during the period from 2001 to 2007. From 1974 to 2001, Mr. Siewert held positions in sales management, marketing, finance, brand management, business planning and general management in various countries around the world including chairman, Greater China and senior vice president and president, Kodak Professional. He attended the Rochester Institute of Technology studying Imaging Science, Business and Service Management, and received a Bachelor of Science in Business Administration from Elmhurst College and a Master of Science degree in Service Management from Rochester Institute of Technology. He has previously served as a director of US-ASEAN Business Council, US-Hong Kong Business Council, The US-China Business Council and board of governors of The American Chamber of Commerce in Hong Kong. He is also a member of the Young Presidents' Organization, Hong Kong, World Presidents' Organization, Hong Kong and the Chief Executives Organization. Mr. Siewert is a recipient of several diversity awards and a United Nations IPC Lifetime Achievement Award. Mr. Siewert currently serves as a non-executive director of Natural Beauty Bio-Technology Limited, a company listed on the main board of the Stock Exchange and China Fishery Group Limited, a company listed on the Stock Exchange of Singapore and is an independent non-executive director of Mondelez International, Inc., a company listed on the NASDAQ Stock Market. Mr. Siewert was appointed as an independent non-executive Director of the Company in September 2006.

Cheung Ching Leung, David, aged 45

Mr. Cheung is an independent non-executive Director and a member of both the audit committee and remuneration committee of the Company. Mr. Cheung is currently a Chief Investment Officer of OP Investment Management Limited ("OP Management"), a licensed entity with the Hong Kong Securities and Futures Commission ("SFC"). OP Management is held by OP Financial Investments Limited, which is listed on the main board of the Stock Exchange (stock code: 1140). Mr. Cheung has over seventeen years of fund management experience. Prior to joining OP Management, Mr. Cheung held senior positions at CITIC Securities International Investment Management (HK) Limited and Aetos Capital Management (Asia) Limited. He was an Investment Director at Prudential Asset Management (Hong Kong) Limited and responsible for their Greater China equity investments. Prior to that, Mr. Cheung was a Fund Manager at Chase Asset Management Limited, the fund management arm of Chase Manhattan Bank. Mr. Cheung currently serves as a member of the Investment Committee of the Hong Kong Polytechnic University. Previously, Mr. Cheung was a member of the Listing Committee of the Stock Exchange from 2006 to 2007 and was also a member of the SFC Public Shareholders Group and the SFC Dual Filing Advisory Group. Mr. Cheung obtained a Master's degree in economics from York University, Canada and a Bachelor's degree in monetary economics from the London School of Economics and Political Science, UK. Mr. Cheung is a holder of the Chartered Financial Analyst designation awarded by the CFA Institute. Mr. Cheung was appointed as an independent non-executive Director of the Company in October 2011.

Senior Management

B. Gene Patton, aged 61

Mr. Patton is the Chief Financial Officer of the Group. He is responsible for the overall management of the financial structure and treasury function of the Group while identifying, evaluating and negotiating worldwide acquisition activities. Mr. Patton is a fellow member of The American Institute of Certified Public Accountants. He has over 25 years of experience in corporate finance, business development, and merger and acquisition activities and has held positions as controller and vice president of finance for a number of international publicly traded companies before joining us in March 2008. Mr. Patton obtained his Bachelor Degree in Accounting and Finance from The George Washington University in 1979.

Ha Wai Leung, aged 54

Mr. Ha is the Executive Vice President of technologies of the Group, and also the President of Cincinnati Holdings Limited, a subsidiary of the Group. He is a chartered engineer and a member of the Institute of Measurement and Control, The Institution of Engineering and Technology as well as The Institution of Electrical and Electronics Engineers, with over 20 years of working experience in engineering and research and development. Prior to joining us in October 1998, he worked as senior management in research and development in various electronics companies in Hong Kong and Singapore, including China Aerospace International Holdings Limited. Mr. Ha obtained a Master's degree in Electronic Systems Design from the City University of Hong Kong, a Master's Degree in Engineering from The University of Hong Kong, and an Associateship and Higher Diploma in Electrical Engineering from The Hong Kong Polytechnic University.

Phillip John Stevens Cox, aged 67

Mr. Cox joined us in 2001. He is Chairman of Salus Holdings Limited and responsible for leading our branded business teams across Europe, North America and Asia, engaging directly with key customers and strategic partners in existing markets where SALUS operates. He is actively involved in identifying new countries to establish and grow SALUS' brand distribution business. He is also responsible for searching and assessing business opportunities that strengthen our global business strategies. Mr. Cox obtained his Bachelor's degree from The University of New South Wales, Australia in 1966. He is a recognized public speaker on global business and people skills. Mr. Cox's business career cuts across a range of vertical sectors including industrial, commercial and consumer markets, and has managed business units for multi-national companies in North America, Europe and Asia.

Or Tak Chuen, aged 56

Mr. Or is the Vice President of the Control Solutions Division. He joined us in 2013 and is responsible for the overall management of our Strategic Business Units and product development activities. Mr. Or has over 30 years of experience in the Electronics industry serving various roles in business and operation management. His last position before joining us was Senior Vice President of a Hong Kong listed EMS company where he was responsible for Sales & Marketing with P&L accountability. Mr. Or obtained a Master's degree in Business Administration and a Bachelor's degree in Mechanical Engineering from The University of Hong Kong.

Lee Kwok Wai, Patrick, aged 48

Mr. Lee is the Vice President of the Manufacturing. He joined us in 2013 and is responsible for leading our manufacturing operation and our PRC facilities. He has over 20 years of manufacturing experience in Telecommunication and EMS industries. Prior to joining us, he held various senior operation positions at Research in Motion Ltd., Philips Electronics, Nam Tai Electronics, Inc. and Nokia Mobile Phones Co. Ltd. Mr. Lee graduated from the University of Surrey, England with a Bachelor's degree in Electrical Engineering, and has a Master's degree in Advanced Manufacturing Systems from Brunel University, England.

Nguyen Minh Van, age 56

Mr. Nguyen joined the Company in 2011 and is the Vice President of Finance, Operational Control. Mr. Nguyen is a fellow member of the American Institute of Certified Public Accountants. Mr. Nguyen graduated from the University of New Orleans, USA with a bachelor degree in Accounting, and has a Master in Business Administration in Finance from the University of Santa Clara, USA. He has over 35 years of experience in finance, accounting, controlling, investor relations and M&A, and had worked for several publicly listed international companies in USA, including Siemens, Vishay and Siliconix.

Lam Hin Chi, aged 49

Mr. Lam is the Vice President of finance. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Chartered Institute of Management Accountants and the Institute of Chartered Accountants in England and Wales, in the U.K. and the Hong Kong Institute of Certified Public Accountants respectively. Mr. Lam graduated from the Hong Kong Polytechnic University with a Professional Diploma in Management Accountancy and Bachelor of Arts (Honours) Degree in Accountancy. Mr. Lam has joined us since July 2007. He has over 24 years of experience in finance, auditing and accounting and had worked for an international accounting firm and several listed companies in Hong Kong. He currently serves as an independent non-executive director of Merry Garden Holdings Limited, a company listed on the main board of the Stock Exchange.

Leung Man Sze, Bendick, aged 57

Mr. Leung is the Vice President of quality of the Group. He joined us in 2010. Before joining us, he had been working as key positions in various business units in Philips for almost 20 years. He has extensive experience in quality management, process engineering, manufacturing operation as well as product design and supply base management. Mr. Leung obtained a Master's degree in Business Administration from the Open University of Hong Kong and a Bachelor of Science Degree in Mechanical Engineering from the University of Calgary, Alberta, Canada.

Company Secretary

Soon Yuk Tai, aged 47

Ms. Soon was appointed as the Secretary of the Company in April 2007. She is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Soon is a Chartered Secretary and Fellow of both the Institute of Chartered Secretaries and Administrators in United Kingdom and the Hong Kong Institute of Chartered Secretaries. Apart from the Company, Ms. Soon has been providing professional secretarial services to many listed companies.

Report of the Directors

The Board is pleased to present this report together with the audited financial statements of the Company and of the Group for the year ended 31 March 2013.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The subsidiaries of the Company are primarily engaged in research and development, design, manufacture and trading of electronic control products. There was no significant change in the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2013 and state of affairs of the Company and of the Group as at that date are set out in the sections headed "Consolidated Income Statement", "Statement of Financial Position" and "Consolidated Statement of Financial Position" respectively in this annual report.

The Board has resolved to recommend to the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting of the Company to be held on Wednesday, 18 September 2013 (the "2013 AGM") a final dividend of 1.8 HK cents per share for the year ended 31 March 2013 (the "Proposed Final Dividend") to be paid on Thursday, 10 October 2013 to those Shareholders whose names appear on the register of members of the Company on Monday, 30 September 2013.

Closure of Register of Members

(a) Entitlement to attend and vote at the 2013 AGM

The 2013 AGM is scheduled to be held on Wednesday, 18 September 2013. For determining the entitlement to attend and vote at the 2013 AGM, the register of members of the Company will be closed from Monday, 16 September 2013 to Wednesday, 18 September 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2013 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates 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, 13 September 2013.

(b) Entitlement to the Proposed Final Dividend

The Proposed Final Dividend is subject to the approval of the Shareholders at the 2013 AGM. For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Thursday, 26 September 2013 to Monday, 30 September 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates 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 Wednesday, 25 September 2013.

Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in the section headed "Consolidated Statement of Changes in Equity" in this annual report and note 30 to the financial statements respectively.

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK$42,000.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

Share Capital

Details of the movements in the share capital of the Company are set out in note 28 to the financial statements.

Distributable Reserves

Distributable reserves of the Company as at 31 March 2013, calculated in accordance with statutory provisions applicable in the Cayman Islands, amounted to HK$851,483,000 (not taking into account the proposed final dividend of HK$14,940,000).

Bank Borrowings

Particulars of the bank borrowings of the Group as at 31 March 2013 are set out in note 26 to the financial statements.

Pension Scheme

The pension scheme contributions are set out in note 7 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the previous financial years is set out in the section headed "Financial Summary" in this annual report.

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 year ended 31 March 2013.

Directors

The directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Mr. Auyang Ho *(Chairman)*
Dr. Owyang King *(Chief Executive Officer)*
Ms. Choi Po Yee, Alice (resigned on 8 October 2012)

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

Pursuant to article 87 of the Articles of Association, Mr. Auyang Ho, Mr. Wong Chun Kong and Mr. Patrick Thomas Siewert will retire from office by rotation at the 2013 AGM.

All the above three retiring directors, being eligible, will offer themselves for re-election at the 2013 AGM.

Independence Confirmation

The Company has received annual confirmations of independence from Mr. Luk Koon Hoo, Mr. Patrick Thomas Siewert and Mr. Cheung Ching Leung, David pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Company considers all of these independent non-executive directors remain independent as at the date of this report.

Directors' Service Contracts

None of the directors being proposed for re-election at the 2013 AGM has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

Save as disclosed in note 34 to the financial statements, no contract of significance in relation to the Group's businesses to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Biographical Details of Directors and Senior Management

Biographical details of directors and senior management are set out under the section headed "Profile of Directors, Senior Management and Company Secretary" in this annual report. The directors' biographies are also available on the Company's website.

Directors' and Senior Management's Emoluments

A summary of the directors' and senior management's remuneration is set out in notes 8 and 34(c) to the financial statements respectively.

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

As at 31 March 2013, 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 ("SFO"); or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Listing Rules 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	83,000,000 *(Note)*	10.00%

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 31 March 2013.*

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

Name of director	Capacity	Number of underlying shares in respect of the share options granted	*Approximate percentage of the Company's issued share capital
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 29 to the financial statements.

* *The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 March 2013.*

Save as disclosed above, as at 31 March 2013, 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.

Directors' Rights to Acquire Shares

Save as disclosed in note 29 to the financial statements about the Company's share option scheme, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

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

As at 31 March 2013, the following persons (other than the directors and chief executives of the Company) had interests or short positions of 5% or more in the shares of the Company as recorded in the register required to be kept 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 *(Note 1)*	42.46%
	Beneficial owner	Short position	83,000,000 *(Note 1)*	10.00%
Ms. Tse Shuk Ming	Interest of spouse	Long position	352,500,000 *(Note 2)*	42.46%
	Short position of spouse	Short position	83,000,000 *(Note 2)*	10.00%
Crystalplaza Limited	Beneficial owner	Long position	133,500,000 *(Note 3)*	16.09%
Little Venice Limited	Beneficial owner	Long position	81,690,000 *(Note 3)*	9.84%
Ms. Leung Yee Li, Lana	Interest of controlled corporations	Long position	215,190,000 *(Note 3)*	25.93%
Mr. Heung Lap Chi, Eugene	Interest of spouse	Long position	215,190,000 *(Note 4)*	25.93%
Platinum Investment Management Limited	Investment manager	Long position	44,862,000	5.41%

Notes:

1. *The interest/short position of SPGL were also 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 had a short position in 83,000,000 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 interested in the long/short positions divided by the number of the Company's issued shares as at 31 March 2013.*

Save as disclosed above, as at 31 March 2013, 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 pursuant to Section 336 of the SFO.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 15 September 2006. Details of the Share Option Scheme are set out in note 29 to the financial statements.

Particulars of the movements in share options of the Company during the year ended 31 March 2013 are set out in the table below.

	Number of share options								
Category of participants	As at 1 April 2012	Granted during the year[2]	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 31 March 2013	Date of grant of share options[1]	Exercise period of share options	Exercise price per share HK$
Senior management and other employees in aggregate	492,000	–	–	–	(90,000)	**402,000**	27 September 2007	From 31 August 2008 to 30 August 2017	1.75
	492,000	–	–	–	(90,000)	**402,000**	27 September 2007	From 31 August 2009 to 30 August 2017	1.75
	492,000	–	–	–	(90,000)	**402,000**	27 September 2007	From 31 August 2010 to 30 August 2017	1.75
	1,476,000	–	–	–	(270,000)	**1,206,000**			
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	–	–	(270,000)	**21,206,000**			

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 Share Option Scheme on 6 August 2012. The closing price of the shares of the Company immediately before such date of grant was HK$0.375.*

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

The percentages of sales for the year ended 31 March 2013 attributable to the Group's major customers are as follows:

Sales

–	the largest customer:	25%
–	five largest customers combined:	54%

None of the Company's directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers noted above.

The aggregate percentage of purchases attributable to the Group's five largest suppliers in the year was less than 30% of the Group's purchases.

Directors' Interest in Competing Business

As at 31 March 2013, to the best knowledge of the directors, none of the directors and their respective associates was considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors were appointed as directors to represent the interests of the Company and/or the Group.

Corporate Governance

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" in this annual report.

Audit Committee

The Audit Committee of the Company, which comprises the 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 the audited financial statements of the Company for the year ended 31 March 2013 and discussed with the management and the auditors of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float.

Auditors

Ernst & Young will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the 2013 AGM.

Changes in Information of Directors

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

(A) Mr. Patrick Thomas Siewert, an independent non-executive director of the Company, resigned as a non-executive director of C.P. Pokphand Co. Ltd., a company listed on the main board of the Stock Exchange, on 31 December 2012.

(B) Dr. Owyang King, an executive director and Chief Executive Officer of the Company, has been appointed as a director of Alpha and Omega Semiconductor Limited (a company listed on the NASDAQ Stock Market) with effect from 10 April 2013.

(C) The remuneration package of Dr. Owyang King has been revised with the monthly housing benefits increased to a maximum of HK$98,500, inclusive of rental of accommodation, management fee, utilities and other related expenses.

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 year.

By Order of the Board

Auyang Ho
Chairman

Hong Kong, 27 June 2013

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 March 2013.

Corporate Governance Principles and Practices of the Company

The Board believes that good corporate governance practices are important for enhancing corporate value and investors' confidence and interests. The Company has taken a proactive approach in strengthening corporate governance practices in accordance with the needs of the business of the Group, the cornerstone of which is to have an experienced and committed Board and an effective internal control and to enhance its transparency and accountability to shareholders.

The Company has applied the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 March 2013, 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.

The Board will continue to enhance the corporate governance practices and standards of the Company appropriate to the conduct and growth of its business and to review such practices and standards regularly to ensure that they comply with the statutory and professional standards and align with the latest developments. The key corporate governance principles and practices of the Company are summarized as follows:

The Board of Directors

Responsibilities and Delegation

The overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in the attainment of the objective of creating value to shareholders, and, on behalf of the shareholders, overseeing the Company's financial performance. All directors carry out their duties in good faith and in compliance with the standards of applicable laws and regulations, take decisions objectively and act in the interests of the Company and its shareholders at all times.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the senior management, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

The day-to-day management, administration and operation of the Company are led by the Executive Committee and the Chief Executive Officer of the Company. The Board has also delegated a schedule of responsibilities to the senior management of the Company, which include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems. The Board has the full support of the senior management to discharge its responsibilities.

The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the foregoing officers and senior management.

Board Composition

The Board currently comprises eight members in total, with two executive directors, three non-executive directors and three independent non-executive directors. The Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (representing at least one-third of its Board) with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

The list of all directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company. The Company also has maintained on its website an updated list of its directors identifying their roles and functions.

The relationships among the members of the Board are disclosed under the section headed "Profile of Directors, Senior Management and Company Secretary" in this annual report.

The composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business of the Group and for the exercise of independent judgement. Each executive director supervises specific areas of the Group's business in accordance with his/her expertise. The non-executive directors are of sufficient calibre and number for their views to carry weight and they bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and serving on Board committees, the non-executive directors have made various contributions to the effective direction of the Company.

The Company has received a written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all of its independent non-executive directors independent in accordance with the independence guidelines set out in the Listing Rules.

Chairman and Chief Executive Officer

There are two key aspects of the management of the Company – the management of the Board and the day-to-day management of the Group's business. The Company fully supports that there should be a clear division of these responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Currently, Mr. Auyang Ho, who is the Chairman of the Board, takes up the responsibility of the management of the Board whereas Dr. Owyang King, the Chief Executive Officer of the Company, is responsible for the day-to-day management of the Group's business. The respective responsibilities between the Chairman of the Board and the Chief Executive Officer have been clearly established and set out in writing.

Appointment and Re-Election of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Company has established a Nomination Committee, which is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. Additional information on such Nomination Committee is set out in the "Board Committees and Corporate Governance Functions" section below.

Each of the executive directors of the Company is engaged on a service contract with the Company for a term of three years. The Company has also issued respective letters of appointment to its non-executive directors and independent non-executive directors specifying their term of appointment. The current term of appointment of all the non-executive directors and independent non-executive directors is 2 years.

In addition, in accordance with the Articles of Association, all the directors are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment.

Induction and Continuing Development for Directors

Each newly appointed director of the Company receives an induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction is normally supplemented with visits to the Group's key plant sites and/or meetings with the senior management of the Company.

Directors of the Company are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. In addition, the Company has sent the latest version of "A Guide on Directors' Duties" published by the Hong Kong Companies Registry and guidelines published by The Hong Kong Institute of Directors to its directors and encourages them to read such guides in order to acquaint themselves with the general duties of directors and the required standard of care, skill and diligence in the performance of his/her functions and exercise of his/her powers as directors.

Besides, continuing briefings and professional development for directors will be arranged whenever necessary.

Under code provision A.6.5 of the CG Code, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

According to the records of training maintained by the Company, during the year ended 31 March 2013, all the directors pursued continuous professional development and relevant details are set out below:

Name of Director	**Type of Training** *(Notes)*
Mr. Auyang Ho	A
Dr. Owyang King	A
Ms. Choi Po Yee, Alice*	A
Mr. Kam Chi Chiu, Anthony	A, B
Mr. Arvind Amratlal Patel	A
Mr. Wong Chun Kong	A, B
Mr. Luk Koon Hoo	A, B
Mr. Patrick Thomas Siewert	A, B
Mr. Cheung Ching Leung, David	A, B

* *Ms. Choi Po Yee, Alice resigned as an executive director of the Company on 8 October 2012.*

Notes: A: reading journals, updates, articles and/or materials, etc.
B: attending seminars, conference and/or forums

Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given of a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Group, when necessary, and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer and other relevant senior management normally attend regular Board meetings and, where necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board meetings. Draft minutes are normally circulated to directors for comments within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Model Code for Securities Transactions

The Company has adopted its own code of conduct (the "Own Code") 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 in relation to the Company or its securities) on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. Each director has been given a copy of the Own Code. The Company will notify its directors and relevant employees in advance in respect of the restricted period on dealings in the Company's securities, if the period is known to the Company.

Specific enquiry has been made of the Company's directors and all of them have confirmed that they have complied with the required standards set out in the Model Code and the Own Code throughout the period from 1 April 2012 to the date of this report.

In addition, no incident of non-compliance of the Own Code by the employees of the Group was noted for the period from 1 April 2012 to the date of this report.

Board Committees and Corporate Governance Functions

The Board has established four Board committees, namely, the Remuneration Committee, the Audit Committee, the Nomination Committee and the Executive Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Company's website "www.computime.com" (the terms of reference of the Remuneration, Audit and Nomination Committees are also posted on the website of the Stock Exchange) and are available to shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

The Remuneration Committee comprises a total of four members, being one executive director, namely, Mr. Auyang Ho and three independent non-executive directors, namely, Mr. Patrick Thomas Siewert, Mr. Luk Koon Hoo and Mr. Cheung Ching Leung, David. Accordingly, a majority of the members are independent non-executive directors. The chairman of the Remuneration Committee is Mr. Patrick Thomas Siewert.

The principal duties of the Remuneration Committee are mainly to (i) make recommendations to the Board on the Company's remuneration policy and structure for directors and senior management and the establishment of a formal and transparent procedure for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration; (ii) make recommendations on the remuneration packages of executive directors and senior management (i.e. the model described in the code provision B.1.2(c)(ii) is adopted); and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman of the Board and the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

During the year ended 31 March 2013, the Remuneration Committee has met twice and performed the following works:

— Review and recommendation of the remuneration packages of directors of the Company and senior management of the Group;

— Review and recommendation of performance-based remuneration and bonus to the directors and senior management of the Group;

— Review and recommendation of the revised remuneration package of Dr. Owyang King, an executive director and Chief Executive Officer of the Company; and

— Review and recommendation of the service contracts of executive directors of the Company.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of senior management by band for the year ended 31 March 2013 is set out below:

	Number of Employees
Nil to HK$500,000	**1**
HK$1,000,001 to HK$1,500,000	**7**
HK$2,000,001 to HK$2,500,000	**1**
	9

Details of the remuneration of each director for the year ended 31 March 2013 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises a total of five members, being the three independent non-executive directors, namely, Mr. Luk Koon Hoo, Mr. Patrick Thomas Siewert and Mr. Cheung Ching Leung, David and two non-executive directors, namely, Mr. Kam Chi Chiu, Anthony and Mr. Arvind Amratlal Patel. The chairman of the Audit Committee is Mr. Luk Koon Hoo who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The principal duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year ended 31 March 2013, the Audit Committee met four times with the presence of the Company's external auditors and/or the senior management and performed the following major works:

— Review of the financial statements, results announcements and reports for the year ended 31 March 2012 and for the six months ended 30 September 2012, the accounting principles and practices adopted by the Group and the relevant audit findings;

— Review and discussion with the auditors of a report on the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures; and the review of the arrangements for employees of the Company to raise concerns about possible improperties; and

— Consideration of the internal audit plan and report.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

Nomination Committee

The Nomination Committee comprises a total of three members, being one executive director, namely, Mr. Auyang Ho and two independent non-executive directors, namely, Mr. Luk Koon Hoo and Mr. Patrick Thomas Siewert. Accordingly, a majority of the members are independent non-executive directors. The chairman of the Nomination Committee is Mr. Auyang Ho.

The principal duties of the Nomination Committee are reviewing and giving recommendation on the composition of the Board, formulating relevant procedures for nomination and appointment of directors, identifying qualified individuals to become members of the Board, monitoring the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors.

The Company has adopted a memorandum of directors' nomination criteria, procedure and process for providing a formal, considered and transparent procedure to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. The Human Resources Department of the Company will assist and an external recruitment agency may be engaged in carrying out the recruitment and selection process where necessary.

During the year ended 31 March 2013, the Nomination Committee has met once and performed the following major works:

— Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

— Assessment of the independence of the independent non-executive directors; and

— Recommendation on the re-appointment of retiring directors at the 2012 annual general meeting of the Company.

Pursuant to article 87 of the Articles of Association, Mr. Auyang Ho, Mr. Wong Chun Kong and Mr. Patrick Thomas Siewert will retire from office by rotation at the 2013 AGM. All the above three retiring directors, being eligible, will offer themselves for re-election at the 2013 AGM.

The Nomination Committee recommended the re-appointment of these three retiring directors at the 2013 AGM. The Company's circular, sent together with this annual report, contains detailed information of these retiring directors pursuant to the Listing Rules requirements.

Executive Committee

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Mr. Auyang Ho, acting as the Chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 March 2013, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors and Committee Members

During the year ended 31 March 2013, the Board held six Board meetings. The attendance records of each director at the Board and Board Committee meetings (except the Executive Committee) and the annual general meeting of the Company held during the year ended 31 March 2013 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Mr. Auyang Ho	6/6	–	1/1	2/2	1/1
Dr. Owyang King	6/6	–	–	–	1/1
Ms. Choi Po Yee, Alice*	4/4	–	–	–	1/1
Mr. Kam Chi Chiu, Anthony	6/6	4/4	–	–	1/1
Mr. Arvind Amratlal Patel	4/6	4/4	–	–	1/1
Mr. Wong Chun Kong	6/6	–	–	–	1/1
Mr. Luk Koon Hoo	6/6	4/4	1/1	2/2	1/1
Mr. Patrick Thomas Siewert	6/6	4/4	1/1	2/2	1/1
Mr. Cheung Ching Leung, David	6/6	4/4	–	2/2	0/1

* *Ms. Choi Po Yee, Alice resigned as executive director of the Company on 8 October 2012. Four Board meetings and one annual general meeting were held from 1 April 2012 up to her resignation.*

Directors' Responsibilities for Financial Reporting in Respect of the Financial Statements

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2013.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

Internal Controls

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate and effective internal control system to safeguard the interests of the shareholders and the assets of the Company. The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 March 2013. The review covered financial, operational and compliance controls and risk management functions.

During the year under review, the Audit Committee has discussed with the external auditors and the senior management and internal audit team of the Group on the adequacy and effectiveness of the internal control system and made recommendations to the Board to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal audit team reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Audit Committee and the Board on any findings and measures to address the variances and identified risks.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 March 2013 is set out in the section headed "Independent Auditors' Report" in this annual report.

A summary of audit and non-audit services provided by the external auditors for the year ended 31 March 2013 and their corresponding remuneration is as follows:

Nature of services	**Amount**
	HK$'000
Audit services	1,556
Non-audit services	
(i) Tax services	190
(ii) Services rendered in connection with the Company's interim report	136

Company Secretary

Ms. Soon Yuk Tai of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Her primary contact person at the Company is Dr. Owyang King, executive director and Chief Executive Officer of the Company.

During the year ended 31 March 2013, Ms. Soon has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge.

Communications with Shareholders and Investors

The Board believes that a transparent and timely disclosure of the Group's information will enable shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.computime.com" as a communication platform with shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business in Hong Kong or via email to "hq@computime.com" or "ir@computime.com" for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board also considers that general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, one of the independent non-executive directors was unable to attend the annual general meeting of the Company held on 18 September 2012 due to other commitment.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Group's developments.

Shareholders' Rights

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings as follows:

(1) Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

(2) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: 9th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong

Email: "hq@computime.com" or "ir@computime.com"

For the avoidance of doubt, shareholder(s) must provide their full name, contact details and identification, in the originally signed written requisition, notice or statement, or enquiry (as the case may be), in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the year under review, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

All resolutions proposed at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.computime.com) immediately after the relevant general meetings.

ERNST & YOUNG
安 永

To the shareholders of Computime Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Computime Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 109, which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the shareholders of Computime Group Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
27 June 2013

Consolidated Income Statement

Year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	**2,526,587**	2,428,804
Cost of sales		**(2,268,617)**	(2,160,121)
Gross profit		**257,970**	268,683
Other income	5	**14,339**	11,127
Selling and distribution expenses		**(62,825)**	(71,475)
Administrative expenses		**(170,797)**	(166,052)
Other operating income, net		**1,905**	3,608
Finance costs	6	**(6,419)**	(4,773)
Share of losses of associates		**(338)**	(91)
PROFIT BEFORE TAX	7	**33,835**	41,027
Income tax expense	10	**(2,736)**	(7,786)
PROFIT FOR THE YEAR		**31,099**	33,241
ATTRIBUTABLE TO:			
Owners of the Company	11	**31,111**	33,252
Non-controlling interests		**(12)**	(11)
		31,099	33,241
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic		**3.7 HK cents**	4.0 HK cents
Diluted		**3.7 HK cents**	4.0 HK cents

Details of the dividends are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR	**31,099**	33,241
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Exchange differences on translation of foreign operations:		
Subsidiaries	**2,123**	12,018
Associates	**(73)**	2
	2,050	12,020
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**33,149**	45,261
Attributable to:		
Owners of the Company	**33,161**	45,272
Non-controlling interests	**(12)**	(11)
	33,149	45,261

Consolidated Statement of Financial Position

31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**111,962**	113,409
Goodwill	15	**36,420**	36,420
Club debenture		**705**	705
Intangible assets	16	**48,918**	47,520
Interests in associates	18	**1,811**	2,222
Available-for-sale investment	19	**7,750**	7,750
Rental deposits		**2,577**	–
Total non-current assets		**210,143**	208,026
CURRENT ASSETS			
Inventories	20	**614,368**	545,580
Trade receivables	21	**556,677**	463,112
Prepayments, deposits and other receivables	22	**31,712**	31,444
Tax recoverable		**3,043**	1,798
Cash and cash equivalents	23	**516,063**	632,211
Total current assets		**1,721,863**	1,674,145
CURRENT LIABILITIES			
Trade and bills payables	24	**426,248**	442,390
Other payables and accrued liabilities	25	**134,188**	158,737
Interest-bearing bank borrowings	26	**304,864**	230,659
Amount due to an associate	34	**4**	4
Amounts due to non-controlling shareholders		**160**	160
Tax payable		**1,221**	4,481
Total current liabilities		**866,685**	836,431
NET CURRENT ASSETS		**855,178**	837,714
TOTAL ASSETS LESS CURRENT LIABILITIES (to be continued)		**1,065,321**	1,045,740

	Notes	2013 HK$'000	2012 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES (continued)		**1,065,321**	1,045,740
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*27*	**6,700**	7,310
Net assets		**1,058,621**	1,038,430
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*28*	**83,000**	83,000
Reserves	*30(a)*	**974,800**	954,597
		1,057,800	1,037,597
Non-controlling interests		**821**	833
Total equity		**1,058,621**	1,038,430

Auyang Ho
Director

Dr. Owyang King
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2013

	Notes	Issued capital HK$'000 (note 28)	Share premium* HK$'000	Contributed surplus* HK$'000 (note 30(a))	Share option reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the Company								
At 1 April 2011		83,000	386,419	1,879	3,364	32,842	508,083	1,015,587	844	1,016,431
Profit for the year		–	–	–	–	–	33,252	33,252	(11)	33,241
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	12,020	–	12,020	–	12,020
Total comprehensive income for the year		–	–	–	–	12,020	33,252	45,272	(11)	45,261
Equity-settled share option arrangements	29	–	–	–	2,468	–	–	2,468	–	2,468
Transfer of share option reserve upon the forfeiture of share options		–	–	–	(223)	–	223	–	–	–
Final 2011 dividend paid	12	–	–	–	–	–	(25,730)	(25,730)	–	(25,730)
At 31 March 2012 and 1 April 2012		83,000	386,419	1,879	5,609	44,862	515,828	1,037,597	833	1,038,430
Profit for the year		–	–	–	–	–	31,111	31,111	(12)	31,099
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	2,050	–	2,050	–	2,050
Total comprehensive income for the year		–	–	–	–	2,050	31,111	33,161	(12)	33,149
Equity-settled share option arrangements	29	–	–	–	1,982	–	–	1,982	–	1,982
Transfer of share option reserve upon the forfeiture of share options		–	–	–	(167)	–	167	–	–	–
Final 2012 dividend paid	12	–	–	–	–	–	(14,940)	(14,940)	–	(14,940)
At 31 March 2013		83,000	386,419	1,879	7,424	46,912	532,166	1,057,800	821	1,058,621

* *These reserve accounts comprise the consolidated reserves of HK$974,800,000 (2012: HK$954,597,000) in the consolidated statement of financial position.*

Consolidated Statement of Cash Flows

Year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**33,835**	41,027
Adjustments for:			
Interest income	*5*	**(7,147)**	(4,710)
Finance costs	*6*	**6,419**	4,773
Depreciation	*7*	**32,976**	34,601
Amortisation of deferred expenditure	*7*	**44,963**	39,801
Write-down of inventories to net realisable value	*7*	**14,012**	9,488
Write back of other payables	*7*	**(8,517)**	–
Loss/(gain) on disposal of items of property, plant and equipment, net	*7*	**(179)**	244
Impairment of trade receivables	*7*	**1,620**	679
Equity-settled share option expenses	*7*	**1,982**	2,468
Share of losses of associates		**338**	91
		120,302	128,462
Increase in inventories		**(82,800)**	(37,805)
Decrease/(increase) in trade receivables		**(95,185)**	55,957
Decrease/(increase) in prepayments, deposits and other receivables		**(501)**	2,208
Decrease in trade and bills payables		**(16,142)**	(22,060)
Decrease in other payables and accrued liabilities		**(16,032)**	(1,279)
Decrease in an amount due to an associate		**–**	(58)
Effect of foreign exchange rate changes, net		**(1,258)**	1,571
Cash generated from/(used in) operations		**(91,616)**	126,996
Hong Kong profits tax paid		**(5,441)**	(4,558)
Overseas tax paid		**(2,410)**	(2,956)
Dividends paid		**(14,940)**	(25,730)
Net cash flows from/(used in) operating activities (to be continued)		**(114,407)**	93,752

Consolidated Statement of Cash Flows (continued)

Year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Net cash flows from/(used in) operating activities (continued)		**(114,407)**	93,752
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**6,934**	4,710
Purchases of items of property, plant and equipment	*14*	**(31,039)**	(16,914)
Proceeds from disposal of items of property, plant and equipment		**490**	50
Purchase of available-for-sale investment	*19*	**–**	(7,750)
Loan advanced to an investee of available-for-sale investment		**(2,131)**	–
Additions to deferred expenditure	*16*	**(46,361)**	(43,219)
Net cash flows used in investing activities		**(72,107)**	(63,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**–**	11,436
Increase/(decrease) in bank import loans		**98,526**	(27,201)
Repayment of bank term loans		**(20,772)**	(9,336)
Interest paid	*6*	**(6,419)**	(4,773)
Effect of foreign exchange rate changes, net		**(3,549)**	2,472
Net cash flows from/(used in) financing activities		**67,786**	(27,402)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(118,728)**	3,227
Cash and cash equivalents at beginning of year		**632,211**	623,341
Effect of foreign exchange rate changes, net		**2,580**	5,643
CASH AND CASH EQUIVALENTS AT END OF YEAR		**516,063**	632,211
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*23*	**273,549**	99,898
Time deposits with original maturity of less than three months when acquired	*23*	**242,514**	532,313
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**516,063**	632,211

Statement of Financial Position

31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*17*	**688,605**	684,745
CURRENT ASSETS			
Prepayments, deposits and other receivables	*22*	**192**	208
Cash and cash equivalents	*23*	**254,419**	271,429
Total current assets		**254,611**	271,637
CURRENT LIABILITIES			
Other payables and accrued liabilities	*25*	**1,141**	968
Tax payable		**168**	85
Total current liabilities		**1,309**	1,053
NET CURRENT ASSETS		**253,302**	270,584
Net assets		**941,907**	955,329
EQUITY			
Issued capital	*28*	**83,000**	83,000
Reserves	*30(b)*	**858,907**	872,329
Total equity		**941,907**	955,329

Auyang Ho
Director

Dr. Owyang King
Director

1. Corporate Information

Computime Group Limited (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, PO 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.

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

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. Those financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Total comprehensive result within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [2]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosure of Interests in Other Entities* [2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance* [2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities* [3]
HKFRS 13	*Fair Value Measurement* [2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [3]
HKAS 36	Impairment of Assets [3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
HK(IFRIC)-Int 21	Levies [3]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [2]

[1] *Effective for annual periods beginning on or after 1 July 2012*
[2] *Effective for annual periods beginning on or after 1 January 2013*
[3] *Effective for annual periods beginning on or after 1 January 2014*
[4] *Effective for annual periods beginning on or after 1 January 2015*

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and 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.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in the income statement or as a change to other comprehensive income. If the contingent consideration is within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of disposed operation and the portion of the cash-generating unit retained.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, goodwill and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 Summary of Significant Accounting Policies (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease term and 10%
Furniture, fixtures and equipment	10% – 33.3%
Tools and machinery	10% – 33.3%
Motor vehicles	10% – 33.3%
Moulds and tooling	20%

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Deferred expenditure

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Deferred expenditure which does not meet these criteria is expensed when incurred.

Deferred expenditure is stated at cost less any impairment losses and is amortised using the straight-line basis over the commercial lives of the underlying products of three years, commencing from the date when the products are put into commercial production.

2.4 Summary of Significant Accounting Policies (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land leases payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

The Group's financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial investment. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction cost, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investment

Available-for-sale investment is non-derivative financial asset in listed and unlisted equity investment. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale investment is subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest earned whilst holding the available-for-sale financial investment is reported as interest income, and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investment cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investment is stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale investment in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale investment

For available-for-sale investment, the Group assesses at the end of the reporting period whether there is any objective evidence that an investment or a group of investments is impaired.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale investment (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increase in the fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as other income in the income statement. Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accrued liabilities, interest-bearing bank borrowings, and amounts due to an associate and non-controlling shareholders.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 Summary of Significant Accounting Policies (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) engineering, handling and testing fee income, when the underlying services have been rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 Summary of Significant Accounting Policies (continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 Summary of Significant Accounting Policies (continued)

Other employee benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or income statement are also recognised in other comprehensive income or income statement, respectively).

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment testing.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount requires management's estimates and judgements. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed.

(b) Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

(c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made. The carrying amount of goodwill at 31 March 2013 was HK$36,420,000 (2012: HK$36,420,000). Further details are given in note 15 to the financial statements.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the building and home controls segment engages in the research and development, design, manufacture, trading and distribution of building and home control products;

(b) the appliance controls segment engages in the research and development, design, manufacture, trading and distribution of appliance control products; and

(c) the commercial and industrial controls segment engages in the research and development, design, manufacture, trading and distribution of commercial and industrial control products.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income, finance costs, share of associates as well as corporate and unallocated expenses are excluded from such measurement.

Segment assets exclude property, plant and equipment, club debenture, cash and cash equivalents, available-for-sale investment and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, deferred tax liabilities and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Intersegment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. Operating Segment Information (continued)

	Building and home controls		Appliance controls		Commercial and industrial controls		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment revenue:								
Sales to external customers	**736,789**	731,093	**1,379,621**	1,251,543	**410,177**	446,168	**2,526,587**	2,428,804
Segment results	**34,876**	13,784	**24,154**	22,588	**14,585**	41,641	**73,615**	78,013
Bank interest income							**6,934**	4,710
Other income (excluding bank interest income)							**7,405**	6,417
Corporate and other unallocated expenses							**(47,362)**	(43,249)
Finance costs							**(6,419)**	(4,773)
Share of losses of associates	**(338)**	(91)	**–**	–	**–**	–	**(338)**	(91)
Profit before tax							**33,835**	41,027
Income tax expense							**(2,736)**	(7,786)
Profit for the year							**31,099**	33,241

4. Operating Segment Information (continued)

	Building and home controls		Appliance controls		Commercial and industrial controls		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Assets and liabilities								
Segment assets	**382,379**	336,130	**587,292**	465,950	**77,867**	98,470	**1,047,538**	900,550
Interests in associates	**1,811**	2,222	**–**	–	**–**	–	**1,811**	2,222
Corporate and other unallocated assets							**882,657**	979,399
Total assets							**1,932,006**	1,882,171
Segment liabilities	**18,911**	25,780	**22,640**	21,233	**4,114**	2,568	**45,665**	49,581
Corporate and other unallocated liabilities							**827,720**	794,160
Total liabilities							**873,385**	843,741
Other segment information:								
Capital expenditure*							**77,400**	60,133
Depreciation							**32,976**	34,601
Loss/(gain) on disposal of items of property, plant and equipment, net							**(179)**	244
Amortisation of deferred expenditure	**31,930**	29,266	**9,173**	7,492	**3,860**	3,043	**44,963**	39,801
Impairment of trade receivables	**1,620**	679	**–**	–	**–**	–	**1,620**	679
Write-down of inventories to net realisable value	**3,278**	1,959	**8,738**	6,458	**1,996**	1,071	**14,012**	9,488
Write back of other payables	**(5,466)**	–	**(867)**	–	**(2,184)**	–	**(8,517)**	–

* *Capital expenditure consists of additions to property, plant and equipment and intangible assets.*

4. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	2013 HK$'000	2012 HK$'000
The America	**765,259**	887,463
Europe	**1,246,964**	1,097,547
Asia	**503,453**	430,532
Other regions	**10,911**	13,262
	2,526,587	2,428,804

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2013 HK$'000	2012 HK$'000
The America	**4,853**	5,663
Europe	**1,690**	1,890
Asia	**195,145**	192,018
	201,688	199,571

The non-current asset information above is based on the locations of the assets and excludes club debenture and available-for-sale investment.

Information about a major customer

Approximately 25.3% (2012: 19.0%) of the Group's revenue was derived from sales to a major customer, primarily in the appliance controls segment.

5. Revenue and Other Income

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

An analysis of other income of the Group is as follows:

	2013	2012
	HK$'000	HK$'000
Bank interest income	**6,934**	4,710
Other interest income	**213**	–
Engineering fee income	**2,182**	3,856
Handling and testing fee income	**1,103**	734
Sale of materials	**1,404**	1,312
Sundry income	**2,503**	515
	14,339	11,127

6. Finance Costs

An analysis of finance costs of the Group is as follows:

	2013	2012
	HK$'000	HK$'000
Interest on:		
Bank loans wholly repayable within five years	**6,419**	4,773

7. Profit Before Tax

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

	Notes	2013 HK$'000	2012 HK$'000
Cost of inventories sold*		**2,254,605**	2,150,633
Depreciation	*14*	**32,976**	34,601
Research and development costs:			
Amortisation of deferred expenditure^	*16*	**44,963**	39,801
Current year expenditure		**19,628**	25,911
		64,591	65,712
Minimum lease payments under operating leases of land and buildings		**46,745**	38,107
Auditors' remuneration		**1,556**	1,455
Employee benefit expense* (including directors' remuneration – *note 8*):			
Wages, salaries and other benefits		**264,240**	248,481
Pension scheme contributions		**1,181**	961
Provision/(reversal of provision) for untaken paid leave, net		**(555)**	104
Equity-settled share option expenses		**1,982**	2,468
		266,848	252,014
Foreign exchange differences, net#		**(1,148)**	(4,557)
Loss/(gain) on disposal of items of property, plant and equipment, net#		**(179)**	244
Impairment of trade receivables#	*21*	**1,620**	679
Write-down of inventories to net realisable value**		**14,012**	9,488
Write back of other payables***		**(8,517)**	–
Over-provision of share of liquidation cost on an associate#		**(2,172)**	–

* *Employee benefit expense of HK$188,480,000 (2012: HK$171,879,000) is included in "Cost of inventories sold" above.*

** *Write-down of inventories to net realisable value is included in "Cost of sales" in the face of the consolidated income statement.*

*** *Write back of other payables is included in "Selling and distribution expenses" in the face of the consolidated income statement.*

^ *The amortisation of deferred expenditure for the year is included in "Administrative expenses" on the face of the consolidated income statement.*

These items are included in "Other operating income, net" on the face of the consolidated income statement.

At 31 March 2013, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2012: Nil).

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Fees	**1,025**	995
Other emoluments:		
Salaries, allowances and benefits in kind	**11,113**	10,973
Bonuses*	**–**	750
Equity-settled share option expenses	**1,982**	2,468
Pension scheme contributions	**8**	12
	14,128	15,198

* *Certain executive directors of the Company were entitled to discretionary bonus payments.*

During the years ended 31 March 2013 and 2012, a director was granted share options, in respect of his services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. Directors' and Chief Executive's Remuneration (continued)

The remuneration of each of the directors and chief executive for the year ended 31 March 2013 is set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonuses HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors						
Mr. Auyang Ho	–	1,820	–	–	–	1,820
Dr. Owyang King*	–	5,833	–	1,982	–	7,815
Ms. Choi Po Yee, Alice (Resigned on 8 October 2012)	–	3,460	–	–	8	3,468
	–	11,113	–	1,982	8	13,103
Non-executive directors						
Mr. Wong Chun Kong	140	–	–	–	–	140
Mr. Kam Chi Chiu, Anthony	172	–	–	–	–	172
Mr. Arvind Amratlal, Patel	172	–	–	–	–	172
	484	–	–	–	–	484
Independent non-executive directors						
Mr. Luk Koon Hoo	182	–	–	–	–	182
Mr. Patrick Thomas, Siewert	182	–	–	–	–	182
Mr. Cheung Ching Leung, David	177	–	–	–	–	177
	541	–	–	–	–	541
	1,025	11,113	–	1,982	8	14,128

8. Directors' and Chief Executive's Remuneration (continued)

The remuneration of each of the directors and chief executive for the year ended 31 March 2012 is set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonuses HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors						
Mr. Auyang Ho	–	1,820	350	–	–	2,170
Dr. Owyang King*	–	5,734	–	2,468	–	8,202
Ms. Choi Po Yee, Alice	–	3,419	400	–	12	3,831
	–	10,973	750	2,468	12	14,203
Non-executive directors						
Mr. Wong Chun Kong	140	–	–	–	–	140
Mr. Kam Chi Chiu, Anthony	172	–	–	–	–	172
Mr. Arvind Amratlal, Patel	172	–	–	–	–	172
	484	–	–	–	–	484
Independent non-executive directors						
Mr. Luk Koon Hoo	182	–	–	–	–	182
Mr. Patrick Thomas, Siewert	182	–	–	–	–	182
Mr. Cheung Ching Leung, David (appointed on 28 October 2011)	77	–	–	–	–	77
Mr. Steven Julien, Feniger (resigned on 5 September 2011)	70	–	–	–	–	70
	511	–	–	–	–	511
	995	10,973	750	2,468	12	15,198

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2012: Nil).

* *Dr. Owyang King is also the chief executive of the Company.*

9. Five Highest Paid Employees

Five highest paid employees

The five highest paid employees during the year included three (2012: three) directors, details of whose emoluments are set out in note 8 above. Details of the remuneration of the remaining two (2012: two) non-directors, highest paid employees for the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,878**	4,529
Equity-settled share option expense	**–**	–
Pension scheme contributions	**24**	24
	3,902	4,553

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	2012
Nil to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	2
	2	2

In prior years, share options were granted to non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. 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 (the "PRC"), which became effective from 1 January 2008, enterprises are subject to corporate income tax ("CIT") 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.

	Group	
	2013	2012
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**4,562**	5,874
Underprovision/(overprovision) in prior years	**(3,443)**	60
Current – Mainland China and other countries	**2,227**	1,542
Deferred *(note 27)*	**(610)**	310
Total tax charge for the year	**2,736**	7,786

10. Income Tax Expense (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

		2013	
	Hong Kong HK$'000	Mainland China and other countries HK$'000	Total HK$'000
Profit before tax	31,546	2,289	33,835
Tax at the statutory tax rates	5,205	573	5,778
Differential tax rates for specific jurisdictions	–	681	681
Adjustments in respect of current tax of previous periods	(3,443)	–	(3,443)
Losses attributable to associates	56	–	56
Net profits from operation not subject to tax	(823)	–	(823)
Income not subject to tax	(2,228)	(53)	(2,281)
Expenses not deductible for tax	1,774	1,498	3,272
Tax losses from previous periods utilised	(33)	(967)	(1,000)
Tax losses not recognised	1	495	496
Tax charge at the Group's effective rate	509	2,227	2,736

10. Income Tax Expense (continued)

	2012		
	Hong Kong HK$'000	Mainland China and other countries HK$'000	Total HK$'000
Profit/(loss) before tax	41,957	(930)	41,027
Tax at the statutory tax rates	6,923	(233)	6,690
Differential tax rates for specific jurisdictions	–	(691)	(691)
Adjustments in respect of current tax of previous periods	60	–	60
Losses attributable to associates	15	–	15
Net profits from operation not subject to tax	(2,572)	–	(2,572)
Income not subject to tax	(1,192)	–	(1,192)
Expenses not deductible for tax	2,940	1,462	4,402
Tax losses from previous periods utilised	–	(38)	(38)
Tax losses not recognised	70	1,042	1,112
Tax charge at the Group's effective rate	6,244	1,542	7,786

11. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 March 2013 includes a loss of HK$464,000 (2012: HK$900,000) which has been dealt with in the financial statements of the Company (note 30(b)).

12. Dividend

Dividend paid during the year

	2013 HK$'000	2012 HK$'000
Final dividend in respect of the financial year ended 31 March 2012 – HK$0.018 per ordinary share (2012: final dividend of HK$0.031 per ordinary share, in respect of the financial year ended 31 March 2011)	**14,940**	25,730

Proposed final dividend

	2013 HK$'000	2012 HK$'000
Final – HK$0.018 (2012: HK$0.018) per ordinary share	**14,940**	14,940

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. Earnings Per Share Attributable to Owners of the Company

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$31,111,000 (2012: HK$33,252,000) and 830,000,000 ordinary shares in issue (2012: 830,000,000 ordinary shares) during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2013 and 2012 in respect of a dilution as the exercise price of the share options of the Company outstanding during the two years ended 31 March 2013 was higher than the average market price of the Company's ordinary shares for the respective years and, accordingly, the share options in issue during the year ended 31 March 2013 and 2012 have no dilutive effect on the basic earnings per ordinary shares.

14. Property, Plant and Equipment

Group

	Note	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Tools and machinery HK$'000	Motor vehicles HK$'000	Moulds and tooling HK$'000	Total HK$'000
At 31 March 2013							
At 31 March 2012 and at 1 April 2012:							
Cost		62,465	118,573	267,178	3,238	17,026	468,480
Accumulated depreciation		(48,719)	(93,384)	(198,981)	(2,101)	(11,886)	(355,071)
Net carrying amount		13,746	25,189	68,197	1,137	5,140	113,409
At 1 April 2012, net of accumulated depreciation		13,746	25,189	68,197	1,137	5,140	113,409
Additions		7,620	7,290	14,451	–	1,678	31,039
Disposals and write-offs		–	(84)	(227)	–	–	(311)
Depreciation provided during the year	7	(4,403)	(8,053)	(18,597)	(321)	(1,602)	(32,976)
Exchange realignment		58	122	617	4	–	801
At 31 March 2013, net of accumulated depreciation		17,021	24,464	64,441	820	5,216	111,962
At 31 March 2013:							
Cost		70,655	124,814	280,746	3,258	16,982	496,455
Accumulated depreciation		(53,634)	(100,350)	(216,305)	(2,438)	(11,766)	(384,493)
Net carrying amount		17,021	24,464	64,441	820	5,216	111,962

14. Property, Plant and Equipment (continued)

Group

	Note	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Tools and machinery HK$'000	Motor vehicles HK$'000	Moulds and tooling HK$'000	Total HK$'000
At 31 March 2012							
At 31 March 2011 and at 1 April 2011:							
Cost		59,230	111,721	258,268	3,186	14,934	447,339
Accumulated depreciation		(43,065)	(85,287)	(177,878)	(1,682)	(10,369)	(318,281)
Net carrying amount		16,165	26,434	80,390	1,504	4,565	129,058
At 1 April 2011, net of accumulated depreciation		16,165	26,434	80,390	1,504	4,565	129,058
Additions		1,872	6,475	6,475	–	2,092	16,914
Disposals and write-offs		–	(128)	(166)	–	–	(294)
Depreciation provided during the year	7	(4,491)	(8,086)	(20,121)	(386)	(1,517)	(34,601)
Exchange realignment		200	494	1,619	19	–	2,332
At 31 March 2012, net of accumulated depreciation		13,746	25,189	68,197	1,137	5,140	113,409
At 31 March 2012:							
Cost		62,465	118,573	267,178	3,238	17,026	468,480
Accumulated depreciation		(48,719)	(93,384)	(198,981)	(2,101)	(11,886)	(355,071)
Net carrying amount		13,746	25,189	68,197	1,137	5,140	113,409

15. Goodwill

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 April and 31 March:		
Cost	**38,164**	38,164
Accumulated impairment	**(1,744)**	(1,744)
Net carrying amount	**36,420**	36,420

Impairment testing of goodwill

Included in the balance was mainly the goodwill acquired through business combination of Asia Electronics HK Technologies Limited and Asia Electronics Technologies (Dongguan) Co. Ltd. (the "Asia Electronics Entity"), which has been regarded as one cash-generating unit for impairment testing.

The recoverable amount of the Asia Electronics Entity has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management, with cash flows beyond the five-year period being extrapolated using a growth rate of 3.8%. The discount rate applied to the cash flow projections is 5% (2012: 5%).

The carrying amount of goodwill allocated to the Asia Electronics Entity was HK$34,136,000 (2012: HK$34,136,000) as at 31 March 2013.

Certain key assumptions were used in the value in use calculation of the Asia Electronics Entity for 31 March 2013. Management determined the value assigned to the budgeted gross margins based on the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements. Changes in revenue and costs are based on past practices and expectations of future changes in the market. The discount rate used is before tax and reflects specific risks relating to the relevant unit.

16. Intangible Assets

Group

	Note	Deferred expenditure 2013 HK$'000	Deferred expenditure 2012 HK$'000
At 1 April:			
Cost		**319,536**	276,317
Accumulated amortisation		**(272,016)**	(232,215)
Net carrying amount		**47,520**	44,102
At beginning of year, net of accumulated amortisation		**47,520**	44,102
Additions		**46,361**	43,219
Amortisation provided during the year	*7*	**(44,963)**	(39,801)
At 31 March, net of accumulated amortisation		**48,918**	47,520
At 31 March:			
Cost		**365,897**	319,536
Accumulated amortisation		**(316,979)**	(272,016)
Net carrying amount		**48,918**	47,520

17. Interests in Subsidiaries

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted investments, at cost	**353,435**	353,435
Due from subsidiaries	**335,170**	331,310
	688,605	684,745

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Computime International Limited ("CIL")	British Virgin Islands/ Hong Kong	US$400	100%	Investment holding
Computime Limited	Hong Kong	HK$2,000,000	100%	Investment holding, research and development, design, manufacture and trading of electronic control products
Seccom Technologies Limited	Hong Kong	HK$100,000	100%	Trading of electronic control products
金寶通電子(深圳)有限公司 Computime Electronics (Shenzhen) Co. Ltd.*#	PRC/Mainland China	US$14,000,000	100%	Manufacture and trading of electronic control products
Clovis Limited	Hong Kong	HK$1	100%	Trading of electronic control products

17. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Computime (N.A.) Technology Centre, Inc.*	United States of America	N/A	100%	Provision of administrative customer service, engineering and research and development support services
Salus Controls Plc*	United Kingdom	GBP3,000,000	100%	Distribution and trading of electronic control products
Salus Controls GmbH*	Germany	EUR3,025,000	100%	Distribution and trading of electronic control products
Asia Electronics HK Technologies Limited ("AEHK")	Hong Kong	HK$23,250,100	100%	Trading of electronic control products
Asia Electronics Technologies (Dongguan) Co. Ltd. ("AEDG")*#	PRC/Mainland China	US$3,300,000	100%	Manufacture of electronic control products

* *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network*

\# *Registered as a wholly-owned foreign enterprise under the PRC law*

Except for CIL, all the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. Interests in Associates

	Group	
	2013	2012
	HK$'000	HK$'000
Share of net assets	**5,387**	5,798
Goodwill on acquisition	**1,558**	1,558
	6,945	7,356
Provision for impairment*	**(5,134)**	(5,134)
	1,811	2,222

* *An impairment was recognised for the interest in an associate, of which the share of net assets was HK$5,134,000 (2012: HK$5,134,000) because the recoverable amount of the interest in the associate was lower than the carrying amount as it has been loss-making for some time and has undertaken the process of liquidation.*

The Group's trade receivable balances with the associates are disclosed in note 21 to the financial statements.

Particulars of the principal associate are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Braeburn Systems LLC*	N/A	United States of America	27%	Trading of America electronic products

* *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network*

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The Group's associates have financial years ending 31 December, which is not coterminous with that of the Group. The consolidated financial statements are adjusted for the material transactions between the associates and the Group between 1 January and 31 March.

18. Interests in Associates (continued)

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2013 HK$'000	2012 HK$'000
Assets	**42,361**	33,771
Liabilities	**47,843**	38,000
Revenue	**75,857**	69,790
Loss	**(1,251)**	(153)

19. Available-for-sale Investment

	Group	
	2013 HK$'000	2012 HK$'000
Unlisted equity investment, at cost	**7,750**	7,750

The above investment represents the investment in equity securities which were classified as available-for-sale investment. The equity investment has no specific maturity date or coupon rate.

As at 31 March 2013, the unlisted equity investment with a carrying amount of HK$7,750,000 (2012: HK$7,750,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of the investment in the near future.

20. Inventories

	Group	
	2013 HK$'000	2012 HK$'000
Raw materials	**319,907**	296,413
Work in progress	**37,238**	37,540
Finished goods	**257,223**	211,627
	614,368	545,580

21. Trade Receivables

	Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**571,312**	476,127
Impairment	**(14,635)**	(13,015)
	556,677	463,112

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. The Group maintains strict credit control over its customers and outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at end of the reporting period, based on the payment due date and net of provisions, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 1 month	**511,396**	440,120
1 to 2 months	**21,750**	13,037
2 to 3 months	**8,106**	3,567
Over 3 months	**15,425**	6,388
	556,677	463,112

21. Trade Receivables (continued)

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 April	**13,015**	12,336
Impairment losses recognised *(note 7)*	**1,620**	679
At 31 March	**14,635**	13,015

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$14,635,000 (2012: HK$13,015,000) with a carrying amount before provision of HK$14,866,000 (2012: HK$13,283,000). The individually impaired trade receivables relate to balances that were in dispute.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**481,115**	402,539
Less than 1 month past due	**30,281**	37,581
1 to 3 months past due	**29,856**	16,604
Over 3 months past due	**15,194**	6,120
	556,446	462,844

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables are amounts due from the Group's associate of HK$22,052,000 (2012: HK$10,983,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

22. Prepayments, Deposits and Other Receivables

Included in other receivables is a loan with the principal amount of HK$2,131,000 and the accrued interest of HK$213,000 as at 31 March 2013, advanced to an investee as recorded under "Available-for-sale Investment". The loan is unsecured, bears interest at 10% per annum and is repayable on demand. None of the above assets of the Group and the Company is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

23. Cash and Cash Equivalents

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**273,549**	99,898	**199,703**	460
Time deposits	**242,514**	532,313	**54,716**	270,969
	516,063	632,211	**254,419**	271,429

At the end of the reporting period, the Group's cash and bank balances denominated in Renminbi ("RMB") amounted to HK$208,504,000 (2012: HK$282,381,000). RMB is not freely convertible into other currencies, however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. Trade and Bills Payables

An aged analysis of trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 1 month	**391,784**	393,725
1 to 2 months	**12,325**	33,558
2 to 3 months	**1,983**	2,063
Over 3 months	**20,156**	13,044
	426,248	442,390

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

25. Other Payables and Accrued Liabilities

The Group's and the Company's other payables and accrued liabilities are non-interest-bearing and have payment terms ranging from one to three months.

26. Interest-Bearing Bank Borrowings

Group

	31 March 2013			31 March 2012		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank term loans – unsecured	**1.65–2.86**	**2013**	**70,005**	0.59–3.44	2012	94,326
Bank import loans – unsecured	**1.21–2.30**	**2013**	**234,859**	1.19–1.86	2012	136,333
			304,864			230,659

	2013 HK$'000	2012 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**304,864**	230,659

Other interest rate information:

	Floating rate	
	2013 HK$'000	2012 HK$'000
Bank loans – unsecured	**304,864**	230,659

Except for unsecured bank term loans of approximately HK$35,250,000, HK$34,755,000 denominated in Great British Pound ("GBP") and Euro ("EUR"), respectively (2012: approximately HK$37,290,000, HK$36,264,000 and HK$5,436,000 denominated in GBP, EUR and the United States dollars, respectively) at 31 March 2013, all other borrowings were denominated in Hong Kong dollars at 31 March 2013.

As at 31 March 2013 and 2012, the Group's interest-bearing bank borrowings were supported by corporate guarantees executed by the Company and certain of its wholly-owned subsidiaries.

27. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities/(assets)

Group

	Provision against inventories HK$'000	**Depreciation allowance in excess of related depreciation** HK$'000	**Deferred expenditure** HK$'000	**Unrealised losses** HK$'000	**Net deferred tax liabilities** HK$'000
At 1 April 2011	(834)	3,042	4,792	–	7,000
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	–	(707)	107	910	310
At 31 March 2012 and 1 April 2012	(834)	2,335	4,899	910	7,310
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	–	(767)	487	(330)	(610)
At 31 March 2013	(834)	1,568	5,386	580	6,700

The Group has unrecognised tax losses arising in Hong Kong of HK$3,417,000 (2012: HK$3,616,000) and in other region of HK$41,343,000 (2012: HK$43,226,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

27. Deferred Tax (continued)

Deferred tax liabilities/(assets) (continued)

At 31 March 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$37,748,000 at 31 March 2013 (2012: HK$38,999,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. Share Capital

Share

	2013 **HK$'000**	2012 HK$'000
Authorised:		
5,000,000,000 (2012: 5,000,000,000) ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
830,000,000 (2012: 830,000,000) ordinary shares of HK$0.10 each	**83,000**	83,000

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Scheme include directors (including executive, non-executive and independent non-executive directors) and employees of the Group, any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group. The Scheme was adopted on 15 September 2006 (the "Adoption Date") and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue at any time. The maximum number of shares issued and to be issued under share options to each eligible participant under the Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

29. Share Option Scheme (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to shareholders' approval in advance in a general meeting.

As at the date of this report, the total number of shares available for issue under the Scheme is 58,794,000, representing approximately 7.1% of the shares of the Company in issue as at the date of this report.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which may commence from the date of offer of the share options, and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	Weighted average exercise price HK$ per share	**Number of options**
At 1 April 2011	1.18	9,836,000
Granted during the year	0.79	8,000,000
Lapsed/forfeited during the year	1.75	(360,000)
At 31 March 2012 and 1 April 2012	0.99	17,476,000
Granted during the year	0.375	4,000,000
Lapsed/forfeited during the year	1.75	(270,000)
At 31 March 2013	0.86	21,206,000

29. Share Option Scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2013

Number of options '000	**Exercise price*** HK$ per share	**Exercise period**
402	1.75	31 August 2008 to 30 August 2017
402	1.75	31 August 2009 to 30 August 2017
402	1.75	31 August 2010 to 30 August 2017
2,400	1.05	30 April 2011 to 29 April 2020
2,400	1.05	30 April 2012 to 29 April 2020
3,200	1.05	30 April 2013 to 29 April 2020
2,400	0.79	28 June 2012 to 27 June 2021
2,400	0.79	28 June 2013 to 27 June 2021
3,200	0.79	28 June 2014 to 27 June 2021
1,200	0.375	6 August 2013 to 5 August 2022
1,200	0.375	6 August 2014 to 5 August 2022
1,600	0.375	6 August 2015 to 5 August 2022
21,206		

29. Share Option Scheme (continued)

2012

Number of options '000	**Exercise price*** HK$ per share	**Exercise period**
492	1.75	31 August 2008 to 30 August 2017
492	1.75	31 August 2009 to 30 August 2017
492	1.75	31 August 2010 to 30 August 2017
2,400	1.05	30 April 2011 to 29 April 2020
2,400	1.05	30 April 2012 to 29 April 2020
3,200	1.05	30 April 2013 to 29 April 2020
2,400	0.79	28 June 2012 to 27 June 2021
2,400	0.79	28 June 2013 to 27 June 2021
3,200	0.79	28 June 2014 to 27 June 2021
17,476		

* *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

The fair value of the share options granted during the year was HK$624,920 (HK$0.1562 each) (2012: HK$2,900,000, HK$0.3625 each). The Group recognised a share option expense of HK$1,982,000 (2012: HK$2,468,000) during the year ended 31 March 2013.

The fair value of equity-settled share options granted during the year 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:

	2013	2012
Exercise price	**0.375**	0.79
Dividend yield (%)	**3.22**	2.81
Expected volatility (%)	**48.62**	50.46
Historical volatility (%)	**48.62**	50.46
Risk-free interest rate (%)	**0.67**	2.17
Expected life of options (years)	**10**	10

29. Share Option Scheme (continued)

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

Director	As at 1 April 2012	Granted during the year	Exercised during the year	As at 31 March 2013	Date of grant of share options	Exercise period of share options	Date of share option to be vested	Exercise price per share HK$	The price of the Company's shares at the grant date HK$
Dr. Owyang King	2,400,000	–	–	2,400,000	30 April 2010	From 30 April 2011 to 29 April 2020	30 April 2011	1.05	1.05
	2,400,000	–	–	2,400,000	30 April 2010	From 30 April 2012 to 29 April 2020	30 April 2012	1.05	1.05
	3,200,000	–	–	3,200,000	30 April 2010	From 30 April 2013 to 29 April 2020	30 April 2013	1.05	1.05
	2,400,000	–	–	2,400,000	28 June 2011	From 28 June 2012 to 27 June 2021	28 June 2012	0.79	0.79
	2,400,000	–	–	2,400,000	28 June 2011	From 28 June 2013 to 27 June 2021	28 June 2013	0.79	0.79
	3,200,000	–	–	3,200,000	28 June 2011	From 28 June 2014 to 27 June 2021	28 June 2014	0.79	0.79
	–	1,200,000	–	1,200,000	6 August 2012	From 6 August 2013 to 5 August 2022	6 August 2013	0.375	0.375
	–	1,200,000	–	1,200,000	6 August 2012	From 6 August 2014 to 5 August 2022	6 August 2014	0.375	0.375
	–	1,600,000	–	1,600,000	6 August 2012	From 6 August 2015 to 5 August 2022	6 August 2015	0.375	0.375
Total	16,000,000	4,000,000	–	20,000,000					

At the end of the reporting period, the Company had 21,206,000 share options outstanding under the Scheme which represented approximately 2.55% of the Company's shares. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 21,206,000 additional ordinary shares of the Company and additional share capital of HK$2,120,600 and share premium of HK$16,210,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 21,206,000 share options outstanding under the scheme, which represented approximately 2.55% of the Company's shares in issue as at that date.

30. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The Group's contributed surplus represents (i) the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation of certain subsidiaries of the Group which took place in a prior year, over the nominal value of CIL's shares issued in exchange therefor; and (ii) the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Note	**Share premium** HK$'000	**Contributed surplus** HK$'000	**Share option reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 2011		386,419	353,435	3,364	93,273	836,491
Equity-settled share option arrangements		–	–	2,468	–	2,468
Transfer of share option reserve upon forfeiture of share option		–	–	(223)	223	–
Total comprehensive income for the year		–	–	–	59,100*	59,100
2011 final dividends declared and paid	*12*	–	–	–	(25,730)	(25,730)
At 31 March 2012 and 1 April 2012		386,419	353,435	5,609	126,866	872,329
Equity-settled share option arrangements		–	–	1,982	–	1,982
Transfer of share option reserve upon forfeiture of share option		–	–	(167)	167	–
Total comprehensive income for the year		–	–	–	(464)	(464)
2012 final dividends declared and paid	*12*	–	–	–	(14,940)	(14,940)
At 31 March 2013		386,419	353,435	7,424	111,629	858,907

* *During the year ended 31 March 2012, the balance included dividend from a subsidiary of HK$60,000,000.*

The Company's contributed surplus represents the excess of the fair value of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

31. Operating Lease Arrangements

The Group leases certain of its office properties, warehouses, factories and staff quarters under operating lease arrangements, with leases negotiated for terms ranging from one to ten years (2012: one to ten years).

At 31 March 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013	2012
	HK$'000	HK$'000
Within one year	**25,706**	23,331
In the second to fifth years, inclusive	**22,005**	21,634
	47,711	44,965

32. Commitments

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of the reporting period:

	2013	2012
	HK$'000	HK$'000
Contracted, but not provided for:		
Leasehold improvements	**673**	63
Plant and machinery	**1,027**	1,056
	1,700	1,119

At the end of the reporting period, the Company did not have any significant commitments.

33. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

(a) Banking facilities

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Corporate guarantees given to banks in respect of facilities granted to subsidiaries	**–**	–	**740,112**	708,453
Amount of bank facilities guaranteed by the Company and utilised by subsidiaries	**–**	–	**304,864**	230,659

(b) 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$9,309,000). On 20 March 2013, the relevant district court granted a favorable decision to the subsidiary.

34. Related Party Transactions

In addition to the transactions and balances set out elsewhere in these financial statements, the Group had the following significant related party transactions during the year.

(a) The Group had the following material transactions with a related party during the year:

	2013 HK$'000	2012 HK$'000
An associate		
Sales of finished goods	**46,518**	35,746

The sales were made with reference to the prices and conditions offered to the major customers of the Group.

(b) Outstanding balance with a related party

	Note	**2013 HK$'000**	2012 HK$'000
Balance due to an associate	*(i)*	**4**	4

Note:

(i) The balance is unsecured, non-interest-bearing and has no specific terms of repayment. Details of the Group's trade balances with its associates as at the end of the reporting period are disclosed in note 21 to the financial statements.

(c) Compensation of key management personnel of the Group

	2013 HK$'000	2012 HK$'000
Short term employee benefits	**24,236**	26,939
Post-employment benefits	**127**	295
	24,363	27,234

Further details of directors' emoluments are included in note 8 to the financial statements.

35. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group
Financial assets
2013

	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Total HK$'000
Available-for-sale investment	–	7,750	7,750
Trade receivables	556,677	–	556,677
Financial assets included in deposits and other receivables	14,634	–	14,634
Cash and cash equivalents	516,063	–	516,063
	1,087,374	7,750	1,095,124

2012

	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Total HK$'000
Available-for-sale investment	–	7,750	7,750
Trade receivables	463,112	–	463,112
Financial assets included in deposits and other receivables	13,431	–	13,431
Cash and cash equivalents	632,211	–	632,211
	1,108,754	7,750	1,116,504

Company
Financial assets

	Loans and receivables	
	2013 HK$'000	2012 HK$'000
Due from subsidiaries	335,170	331,310
Financial assets included in deposits and other receivables	13	31
Cash and cash equivalents	254,419	271,429
	589,602	602,770

35. Financial Instruments by Category (continued)

Group

Financial liabilities

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
Trade and bills payables	**426,248**	442,390
Financial liabilities included in other payables and accrued liabilities	**56,404**	52,005
Interest-bearing bank borrowings	**304,864**	230,659
Amount due to an associate	**4**	4
Amounts due to non-controlling shareholders	**160**	160
	787,680	725,218

Company

Financial liabilities

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
Financial liabilities included in other payables and accrued liabilities	**312**	369

36. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans, cash and bank balances and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, deposits, trade and bills payables and other payables and accrued liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Management meets periodically to analyse and formulate measurements to manage the Group's exposure to financial risks. Generally, the Group employs a conservative strategy regarding its risk management.

(i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The interest rates and the terms of repayment of the Group's bank borrowings are disclosed in note 26. The Group did not use any derivative instruments to hedge against its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on interest-bearing bank borrowings and bank deposits) and the Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000	**Increase/ (decrease) in equity** HK$'000
2013			
Hong Kong dollars	**50**	**(837)**	**(837)**
United States dollars	**50**	**1,087**	**1,087**
Hong Kong dollars	**(50)**	**837**	**837**
United States dollars	**(50)**	**(1,087)**	**(1,087)**
2012			
Hong Kong dollars	50	(321)	(321)
United States dollars	50	1,175	1,175
Hong Kong dollars	(50)	321	321
United States dollars	(50)	(1,175)	(1,175)

36. Financial Risk Management Objectives and Policies (continued)

(ii) Foreign currency risk

The Group's exposure to the risk of changes in market rate relates primarily to the Group's sales and purchases which are mainly denominated in United States dollars and, to a lesser extent, Euro zone currencies. Certain production and operating overheads of the Group's production facilities in Mainland China are denominated in RMB. Due to the fact that the Hong Kong dollars are pegged to the United States dollars, the Group's exposure to foreign currency risk regarding United States dollars is low.

The following table demonstrates the sensitivity of certain trade and other receivables, cash and cash equivalents, bank borrowings and trade and other payables which are denominated in RMB and EUR at the end of the reporting period to a reasonably possible change in the respective exchange rates, with all other variables held constant, of the Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities, including trade and other receivables, cash and cash equivalents and trade and other payables).

	Increase/ (decrease) in RMB/Euro rate	Increase/ (decrease) in profit before tax
	%	HK$'000
2013		
If Hong Kong dollars weaken against RMB	**5**	**9,469**
If Hong Kong dollars weaken against Euro	**5**	**2,650**
If Hong Kong dollars strengthen against RMB	**(5)**	**(9,469)**
If Hong Kong dollars strengthen against Euro	**(5)**	**(2,650)**
2012		
If Hong Kong dollars weaken against RMB	5	9,194
If Hong Kong dollars weaken against Euro	5	1,323
If Hong Kong dollars strengthen against RMB	(5)	(9,194)
If Hong Kong dollars strengthen against Euro	(5)	(1,323)

36. Financial Risk Management Objectives and Policies (continued)

(iii) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Outstanding receivable balances are monitored on an ongoing basis. In addition, the Group had no significant historical bad debt record in prior years. Accordingly, the Group's exposure to credit risk is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk with the Group as the customer bases of the Group's trade receivables were widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

36. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and loans. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2013 Within one year/ On demand HK$'000	2012 Within one year/ On demand HK$'000
Trade and bills payables	**426,248**	442,390
Financial liabilities included in other payables and accrued liabilities	**56,404**	52,005
Interest-bearing bank borrowings	**304,864**	230,659
Amount due to an associate	**4**	4
Amounts due to non-controlling shareholders	**160**	160
	787,680	725,218

Company

	2013 Within one year/ On demand HK$'000	2012 Within one year/ On demand HK$'000
Financial liabilities included in other payables and accrued liabilities	**312**	369
Guarantees given to banks in connection with bank borrowing facilities utilised by subsidiaries	**304,864**	230,659
	305,176	231,028

36. Financial Risk Management Objectives and Policies (continued)

(v) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 2012.

The Group's capital comprises all components of equity. As at 31 March 2013, the Group had net cash of HK$211,199,000 (2012: HK$401,552,000), representing total cash and cash equivalents less total interest-bearing bank borrowings.

The Group is subject to capital requirements imposed by various banks for banking facilities granted. During the year, the Group has complied with the capital requirements imposed by these banks.

37. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27 June 2013.

Financial Summary

Results

	Year ended 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**2,526,587**	2,428,804	2,664,579	2,191,984	2,395,805
PROFIT BEFORE TAX	**33,835**	41,027	51,888	41,966	24,438
INCOME TAX EXPENSE	**(2,736)**	(7,786)	4,674	(7,124)	(3,915)
PROFIT FOR THE YEAR	**31,099**	33,241	56,562	34,842	20,523
ATTRIBUTABLE TO:					
Owners of the Company	**31,111**	33,252	56,572	34,854	20,548
Non-controlling interests	**(12)**	(11)	(10)	(12)	(25)
	31,099	33,241	56,562	34,842	20,523

Assets, Liabilities and Minority Interests

	As at 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**1,932,006**	1,882,171	1,907,882	1,742,115	1,644,825
TOTAL LIABILITIES	**(873,385)**	(843,741)	(891,451)	(779,055)	(711,007)
NET ASSETS	**1,058,621**	1,038,430	1,016,431	963,060	933,818
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**1,057,800**	1,037,597	1,015,587	962,206	932,952
NON-CONTROLLING INTERESTS	**821**	833	844	854	866
TOTAL EQUITY	**1,058,621**	1,038,430	1,016,431	963,060	933,818