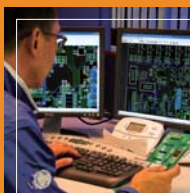
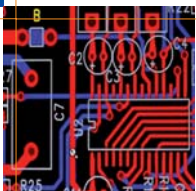




COMPUTIME GROUP LIMITED

*(a company incorporated in the Cayman Islands
with limited liability)*

(Stock Code: 320)



2006/07
Interim Report



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CORPORATE INFORMATION

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Luk Koon Hoo
Siewert, Patrick Thomas
Feniger, Steven Julien

Authorised Representatives

Auyang Pak Hong, Bernard
Choi Po Yee, Alice

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Qualified Accountant and Company Secretary

Li Ngai

Stock Information

The Stock Exchange of Hong Kong Limited
– Ordinary Shares (Stock Code: 320)

Registered Office

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

Principal Place of Business

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

www.computime.com

Hong Kong Branch Share Registrar and Transfer Office

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

Auditors

Ernst & Young

Legal Advisor

Richards Butler

Compliance Advisor

DBS Asia Capital Limited

Principal Bankers

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

The board of directors (the “Board”) of Computime Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2006 (the “Period”) together with the comparative figures for the corresponding period in 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

		For the six months ended 30 September	
	<i>Notes</i>	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
REVENUE	3	1,041,718	900,374
Cost of sales		(860,803)	(725,717)
GROSS PROFIT		180,915	174,657
Other income		16,294	7,846
Selling and distribution costs		(42,373)	(40,037)
Administrative expenses		(58,050)	(59,690)
Other operating expenses		(3,125)	(2,417)
Finance costs	4	(10,927)	(11,358)
Share of profits and losses of associates		1,260	2,115
PROFIT BEFORE TAX	5	83,994	71,116
Tax	6	(6,540)	(6,210)
PROFIT FOR THE PERIOD		77,454	64,906
ATTRIBUTABLE TO:			
Equity holders of the Company		73,962	65,854
Minority interests		3,492	(948)
		77,454	64,906
DIVIDEND	7		
– Proposed interim		14,940	—
EARNINGS PER SHARE	8		
– Basic (HK cents)		12.33	10.98

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2006

	Notes	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	165,769	167,831
Prepaid land lease payments	10	—	4,005
Club debenture		705	705
Intangible assets		19,972	19,004
Interests in associates		5,268	5,669
Total non-current assets		191,714	197,214
CURRENT ASSETS			
Amounts due from associates		11,597	9,902
Derivative financial instrument		3,875	3,900
Inventories		321,004	277,865
Trade receivables	11	406,917	317,407
Prepayments, deposits and other receivables		35,643	29,333
Tax recoverable		728	544
Cash and cash equivalents		158,128	187,973
		937,892	826,924
Assets classified as held for sale	12	7,610	—
Total current assets		945,502	826,924
CURRENT LIABILITIES			
Trade and bills payables	13	292,516	296,491
Tax payable		9,577	6,363
Other payables and accrued liabilities		133,144	112,423
Interest-bearing bank and other borrowings	14	288,894	220,363
Dividend payable		15,000	50,000
Amounts due to minority shareholders		160	850
Total current liabilities		739,291	686,490
NET CURRENT ASSETS		206,211	140,434
TOTAL ASSETS LESS CURRENT LIABILITIES		397,925	337,648

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

30 September 2006

	<i>Notes</i>	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	24,261	26,602
Deferred tax liabilities		5,006	5,006
Provision for long service payments		5,703	5,703
		<hr/>	<hr/>
Total non-current liabilities		34,970	37,311
		<hr/>	<hr/>
Net assets		362,955	300,337
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	15	—	3
Reserves	16	309,454	285,334
Proposed dividends	16	49,940	15,000
		<hr/>	<hr/>
		359,394	300,337
		<hr/>	<hr/>
Minority interests		3,561	—
		<hr/>	<hr/>
Total equity		362,955	300,337
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Total equity at 1 April	300,337	211,678
Change in equity during the period		
Profit for the period	77,454	64,906
Exchange realignment	164	(373)
Total recognised income and expense for the period	77,618	64,533
Final 2006 dividend payable	(15,000)	—
Total equity at 30 September	362,955	276,211
Total recognised income and expense for the period attributable to:		
Equity holders of the Company	74,057	65,676
Minority interests	3,561	(1,143)
	77,618	64,533

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(74,060)	68,223
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(11,048)	(44,226)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	54,559	(74,953)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(30,549)	(50,956)
Cash and cash equivalents at beginning of period	187,767	167,799
CASH AND CASH EQUIVALENTS AT END OF PERIOD	157,218	116,843
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	72,791	70,422
Non-pledged time deposits with original maturity of less than three months when acquired	85,337	67,686
Bank overdrafts	(910)	(21,265)
	157,218	116,843

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2006

1. Corporate Information and Group Reorganisation

The Company was incorporated in the Cayman Islands on 23 June 2006 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Company has established a place of business in Hong Kong at 17th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

Pursuant to the group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares (the "Global Offering") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company issued shares in exchange for the entire issued capital of Computime International Limited ("CIL") on 16 September 2006 and thereby became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in Appendix V of the Company's prospectus dated 25 September 2006 (the "Prospectus").

The Company's shares have been listed on the Stock Exchange with effect from 9 October 2006 (the "Listing Date").

2. Basis of Preparation and Significant Accounting Policies

The unaudited condensed consolidated interim financial statements (the "Condensed Interim Financial Statements") have been prepared in accordance with the principles as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and as if the group structure resulting from the Reorganisation had been in existence beginning 1 April 2005 except that the results of subsidiaries disposed of during the Period have been accounted for up to the respective date of disposals.

The Condensed Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The significant accounting policies adopted in the preparation of the Condensed Interim Financial Statements are consistent with those used in the preparation of the Company's accountants' report as set out in Appendix I of the Prospectus (the "Accountants' Report"). Accordingly, the Condensed Interim Financial Statements should be read in conjunction with the Accountants' Report.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

30 September 2006

2. Basis of Preparation and Significant Accounting Policies (Continued)

2.1. Impact of new and revised Hong Kong Financial Reporting Standards ("HKFRS")

During the Period, the Group has applied, for the first time, the following amendments to HKASs and interpretation issued by the HKICPA which are relevant to the Group and effective for accounting periods beginning on or after 1 January 2006:

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The application of the above amendments to HKASs and interpretation did not result in significant changes in accounting policies and did not have material impact on the Condensed Interim Financial Statements.

2.2. Impact of issued but not yet effective HKFRS

The Group has not early applied the following new standard, amendment to HKAS and interpretations that have been issued by the HKICPA but not yet effective:

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

HKAS 1 Amendment will affect the disclosures about qualitative information about the Group's objectives, policies and processes for managing capital; quantitative data about what the Group regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments.

The Board anticipates that the application of the above new standard, amendment to HKAS and interpretations will not have material impact on the results and the financial positions of the Group.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

30 September 2006

3. Segment Information

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

	Building and home controls (Unaudited) HK\$'000	Appliance controls (Unaudited) HK\$'000	Commercial and industrial controls (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 September 2006				
Segment revenue:				
Sales to external customers	<u>478,093</u>	<u>440,277</u>	<u>123,348</u>	<u>1,041,718</u>
Segment results	<u>53,171</u>	<u>19,684</u>	<u>13,144</u>	<u>85,999</u>
Bank interest income				1,297
Other income (excluding bank interest income)				14,997
Corporate and other unallocated expenses				(8,632)
Finance costs				(10,927)
Share of profits and losses of associates				<u>1,260</u>
Profit before tax				83,994
Tax				<u>(6,540)</u>
Profit for the period				<u>77,454</u>
Attributable to the Company				73,962
Minority interests				<u>3,492</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

30 September 2006

3. Segment Information *(Continued)*

	Building and home controls (Unaudited) <i>HK\$'000</i>	Appliance controls (Unaudited) <i>HK\$'000</i>	Commercial and industrial controls (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
For the six months ended				
30 September 2005				
Segment revenue:				
Sales to external customers	485,997	275,603	138,774	900,374
	<u>485,997</u>	<u>275,603</u>	<u>138,774</u>	<u>900,374</u>
Segment results	54,731	15,303	8,644	78,678
	<u>54,731</u>	<u>15,303</u>	<u>8,644</u>	<u>78,678</u>
Bank interest income				1,233
Other income (excluding bank interest income)				6,613
Corporate and other unallocated expenses				(6,165)
Finance costs				(11,358)
Share of profits and losses of associates				2,115
				<u>2,115</u>
Profit before tax				71,116
Tax				(6,210)
				<u>64,906</u>
Profit for the period				<u>64,906</u>
Attributable to the Company				65,854
Minority interests				(948)
				<u>64,906</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

30 September 2006

4. Finance Costs

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	10,572	11,253
Interest on finance leases	355	105
	<hr/>	<hr/>
	10,927	11,358
	<hr/> <hr/>	<hr/> <hr/>

5. Profit Before Tax

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

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	14,259	10,611
Amortisation of intangible assets	7,255	8,780
Recognition of prepaid land lease payments	53	53
Bank interest income	(1,297)	(1,233)
Gain on disposal of associates	(10,065)	—
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

30 September 2006

6. Tax

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Tax charge for the period	6,540	6,210

Tax charge for the period represents Hong Kong profits tax which has been calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere, where applicable, are calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No share of tax is attributable to associates as at 30 September 2005 and 2006.

7. Dividend

The Board has declared that an interim dividend of HK1.8 cents per share (total amounting to HK\$14,940,000 (note 16) which is calculated based on existing 830,000,000 shares in issue) for the six months ended 30 September 2006 shall be payable to the shareholders whose names appear on the Company's register of shareholders on 11 January 2007.

On 20 September 2006, the Board proposed a special dividend of HK\$35,000,000 (note 16) to the then shareholders of the Company, the payment of which was subject to the completion of the listing of the Company's shares.

Since the Company was incorporated on 23 June 2006, no dividend was paid by the Company for the six months ended 30 September 2005. CIL, a subsidiary of the Company, paid the interim dividend of HK\$50,000,000 (note 16) for the year ended 31 March 2006 during the Period and paid the final dividend of HK\$15,000,000 (note 16) for the year ended 31 March 2006 subsequent to 30 September 2006 but before the Listing Date to its then shareholders prior to the Reorganisation.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

30 September 2006

8. Earnings Per Share

The calculation of the basic earnings per share is based on the profit for the period attributable to equity holders of the Company amounting to HK\$73,962,000 (2005: HK\$ 65,854,000) and on 600,000,000 shares in issue during the periods as if the capitalisation issue of 599,999,600 shares (note 15(b)) pursuant to the Global Offering has been effective since 1 April 2005.

No diluted earnings per share has been presented for both periods as the Company did not have dilutive potential shares.

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

During the Period, the carrying amount of building amounting to HK\$3,552,000 has been reclassified to assets classified as held for sale (note 12). During the same period, the Group purchased tools and machinery amounting to approximately HK\$10,425,000.

10. Prepaid Land Lease Payments

During the Period, the carrying amount of prepaid land lease payments (both non-current and current portions) amounting to HK\$4,058,000 has been reclassified to assets classified as held for sale (note 12).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

30 September 2006

11. Trade Receivables

The credit period granted to customers generally ranges from one month to three months. An aged analysis of the trade receivables is as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within 1 month	307,024	276,325
1 to 2 months	24,560	15,407
2 to 3 months	9,586	8,709
Over 3 months	65,747	16,966
	<hr/> 406,917 <hr/>	<hr/> 317,407 <hr/>

Included in the Group's trade receivables as at 30 September 2006 were amounts due from the Group's associates of HK\$27,999,000 (31 March 2006: HK\$23,310,000), which are repayable on similar credit terms to those offered to the major customers of the Group.

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

12. Assets Classified as Held for Sale

On 15 September 2006, the Group entered into a provisional agreement with an independent third party (the "Purchaser") to sell its property located in Hong Kong (comprising the building and prepaid land lease payments) to the Purchaser for a consideration of HK\$18,500,000.

In October 2006, the Group entered into the formal sale and purchase agreement with the Purchaser. Upon completion of the transaction on or before 31 March 2007, an estimated gain of approximately HK\$10,890,000 will be resulted. Accordingly, the carrying amount of building amounting to HK\$3,552,000 (note 9) and the carrying amount of prepaid land lease payments amounting to HK\$4,058,000 (note 10) were reclassified to assets classified as held for sale.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

30 September 2006

13. Trade and Bills Payables

The trade payables are non-interest-bearing and generally have payment terms ranging from one month to three months. An aged analysis of trade and bills payables is as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within 1 month	260,777	273,531
1 to 2 months	25,075	16,085
2 to 3 months	136	2,043
Over 3 months	6,528	4,832
	292,516	296,491

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

14. Interest-bearing Bank and Other Borrowings

During the Period, the Group utilised more short-term trade facilities granted by banks to meet the demand of working capital resulting from increased sales orders from the appliance controls segment whose customers' average collection period was longer.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

30 September 2006

15. Share Capital

(a) Authorised and issued capital

	<i>Notes</i>	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each			
Authorised:			
Upon incorporation on 23 June 2006		3,800,000	380
Increase on 15 September 2006	(i)	4,996,200,000	499,620
		<u>5,000,000,000</u>	<u>500,000</u>
At 30 September 2006		<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:			
Nil-paid share issued upon incorporation and subsequently credited as fully paid pursuant to the Reorganisation	(ii)	1	—
Shares issued on 16 September 2006 and credited as fully paid pursuant to the Reorganisation	(ii)	399	—
		<u>400</u>	<u>—</u>
At 30 September 2006		<u>400</u>	<u>—</u>

Notes:

- (i) On 15 September 2006, the authorised share capital of the Company was increased from HK\$380,000 to HK\$500,000,000 by the creation of an additional 4,996,200,000 shares to rank pari passu in all respects with the shares then in issue.
- (ii) The Company issued a total of 400 ordinary shares of HK\$0.10 each to the then shareholders of CIL in exchange for 400 ordinary shares of US\$1 each in CIL (representing the entire issued capital of CIL).

(b) Capitalisation Issue

Conditional on the share premium account of the Company being credited as a result of the Global Offering, an amount of HK\$59,999,960 (then standing to the credit of the share premium account of the Company) be capitalised and applied to pay up in full at the nominal value a total of 599,999,600 shares for allotment and issue to the then shareholders of the Company at close of business on 22 September 2006.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

30 September 2006

15. Share Capital (Continued)

(c) *Share option*

On 15 September 2006, the Company adopted a share option scheme, details of which are set out in Appendix V of the Prospectus. Since the adoption of the share option scheme, no share option has been granted by the Company.

16. Reserves

	Attributable to equity holders of the Company							
	Exchange			Retained profits	Proposed dividends	Total	Minority interests	Total equity
	Issued capital	Capital reserve	fluctuation reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2005	3	1,876	—	208,425	—	210,304	1,374	211,678
Profit for the period	—	—	—	65,854	—	65,854	(948)	64,906
Exchange realignment	—	—	(178)	—	—	(178)	(195)	(373)
At 30 September 2005 and at 1 October 2005	3	1,876	(178)	274,279	—	275,980	231	276,211
Profit for the period	—	—	—	74,273	—	74,273	(334)	73,939
Interim 2006 dividend paid (note 7)	—	—	—	(50,000)	—	(50,000)	—	(50,000)
Proposed final 2006 dividend (note 7)	—	—	—	(15,000)	15,000	—	—	—
Exchange realignment	—	—	84	—	—	84	103	187
At 31 March 2006 and at 1 April 2006	3	1,876	(94)	283,552	15,000	300,337	—	300,337
Issue of shares pursuant to Reorganisation (note 15a(iii))	—	—	—	—	—	—	—	—
Effect of Reorganisation	(3)	3	—	—	—	—	—	—
Profit for the period	—	—	—	73,962	—	73,962	3,492	77,454
Final 2006 dividend payable (note 7)	—	—	—	—	(15,000)	(15,000)	—	(15,000)
Proposed special dividend (note 7)	—	—	—	(35,000)	35,000	—	—	—
Proposed interim 2007 dividend (note 7)	—	—	—	(14,940)	14,940	—	—	—
Exchange realignment	—	—	95	—	—	95	69	164
At 30 September 2006	—	1,879	1	307,574	49,940	359,394	3,561	362,955

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

30 September 2006

17. Disposal of Subsidiaries

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Net assets disposed of:		
Prepayments, deposits and other receivables	19	—
	19	—
Loss on disposal	(19)	—
Consideration	—	—
	<u> </u>	<u> </u>

On 15 September 2006, CIL disposed of certain subsidiaries to Keen Step Corporation, a company in which certain directors of the Company have beneficial interests, for an aggregate consideration of HK\$3 pursuant to the Reorganisation. The consideration was satisfied by cash.

The results of the subsidiaries disposed of did not have significant impact on the Group's results and cash flow during the periods.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

30 September 2006

18. Related Party Transactions

Other than as disclosed in note 17, the Group had the following material transactions with related parties during the Period:

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Associates		
Sales of raw materials	7,524	—
Sales of finished goods	28,686	31,180
An investee company		
Sales of finished goods	—	9,538
A minority shareholder of a subsidiary		
Purchases of raw materials	731	1,300
A beneficial shareholder of an associate of the Group		
Sales of finished goods	24,223	22,428
A related company in which certain beneficial shareholders of the Company have beneficial interests		
Sales of finished goods	6,663	6,766
A related company in which a director of the Company has beneficial interests		
Sales of finished goods	—	275
	<u> </u>	<u> </u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

30 September 2006

19. Post Balance Sheet Event

On 14 November 2006, the Group entered into an agreement with D-Secour European Safety Products GmbH ("D-Secour"), a minority shareholder of Salus Technologies GmbH whose capital was then owned as to 55% by the Group and 45% by D-Secour, to acquire the entire 45% equity interest in Salus Technologies GmbH from D-Secour for a cash consideration of Euro dollars 100,000. In the opinion of the Board, this transaction constituted a de minimis connected transaction which is exempt from reporting, announcement and independent shareholders' approval requirements in accordance with the Listing Rules.

20. Approval of the Condensed Interim Financial Statements

These Condensed Interim Financial Statements were approved and authorised for issue by the Board on 11 December 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

During the Period, the Group's turnover and profit attributable to equity holders of the Company increased by approximately 15.7% to HK\$1,041.7 million and approximately 12.3% to HK\$74.0 million respectively, as compared with the corresponding period last year. EBITDA for the Period was HK\$112.9 million, an approximate 9.9% increase against the same period last year. During the Period, turnover from the segments of building and home controls, appliance controls, and commercial and industrial controls amounted to HK\$478.1 million, HK\$440.3 million and HK\$123.3 million respectively, accounting for approximately 45.9%, 42.3% and 11.8% of the Group's turnover respectively. Compared with the corresponding period last year, turnover of appliance controls segment increased significantly by approximately 59.8% while those of building and home controls and commercial and industrial controls segments decreased moderately by approximately 1.6% and 11.1% respectively. The Group's gross profit margin decreased to approximately 17.4% as a result of the change in sales mix and the effect of rise in costs of certain materials, such as plastics and printed circuit boards, though partly offset by the Group's continuous effort of cost reduction. During the Period, the Group disposed of its entire equity interests (representing 24% effective equity interest attributable to the Group) in Boyd Asia Limited for a consideration of US\$1.5 million (equivalent to approximately HK\$11.7 million), resulting in a gain on disposal of associates of approximately HK\$10.1 million (of which approximately HK\$6.0 million was attributable to the equity holders of the Company).

Business Review

Building and home controls business

Revenue from the segment decreased slightly by approximately 1.6% from HK\$486.0 million to HK\$478.1 million. Within the climate control sector, heating, ventilation and air-conditioning products posted strong growth in the "do-it-yourself" and contractor channels. The Group continued to deliver to the market new thermostats that are easy to use and save energy. The Group's "Salus" brand products achieved strong growth in the United Kingdom and the Group also saw increasing demand from the professional markets. However, such growth was offset by the delayed launch of two air quality platforms to early 2007 due to customer delay. The demand for home controls remained stable and the demand for multi-media and home automation controls remained strong.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Appliance controls business

Revenue from the segment increased strongly by approximately 59.8% from HK\$275.6 million to HK\$440.3 million. The white goods sector grew markedly with new projects and strong demand from large international well-known customers. New product platforms for induction oven controls, range oven controls and refrigerator dispenser controls were introduced during the Period. The brown goods sector remained stable with the introduction of a new customer. The Group also started its business in the spa and pool sector with the introduction of two new customers. Launching of new products, strong market demand, capturing business from competitors and entry into new markets all contributed to the strong growth of the appliance controls business.

Commercial and industrial controls business

During the Period, the Group restructured the commercial and industrial controls segment to match its refocusing on four core business segments: healthcare, infotainment, commercial and industrial controls. Some product lines of lower profit margin and non-strategic customers were exited. As a result, the Group managed a decline of revenue from HK\$138.8 million to HK\$123.3 million. The Group's healthcare business had strong growth as a result of its expansion into drug delivery systems with a new customer. To capture higher profit margin businesses in the industrial control and infotainment business, the Group invested in setting up a specialised production facility for high mix and low volume products. This set up has attracted to the Group new customers which run broadcasting studio equipment business and the industrial controls business.

Outlook

The Group will continue to focus on and strengthen research and development of technology and engineering capabilities, which will enable it to offer innovative and cost-effective end-to-end solutions to customers. The Group will continue to broaden its product line and expand the scope of its business within the control industry. It will target the higher profit margin market segments and step up effort in fostering its own branded business to enhance performance.

The Group will continue to evaluate opportunities for acquiring companies and assets that can increase its technological, manufacturing and brand distribution capabilities with the amounts set aside in the net proceeds from the Global Offering (details contained in the section titled "Future Plans and Use of Proceeds" in the Prospectus). The Group's targets are to expand its technological expertise, introduce new products, strengthen existing customer relationships and secure new customers and markets.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity, Financial Resources and Capital Structure

As at 30 September 2006, the Group had bank and cash balances of HK\$158.1 million, most of which were either denominated in US dollars or Hong Kong dollars. Average trade receivable turnover period was 63.6 days (31 March 2006: 52.7 days). The major reason for the increase in average trade receivable turnover period was attributed to the significant growth in turnover from the appliance controls segment whose customers' average collection period was longer than those of the other two business segments. Average inventory turnover period was 52.6 days (31 March 2006: 51.1 days), which remained relatively stable. Overall, the Group maintained a current ratio of 1.28 as at 30 September 2006 (31 March 2006: 1.20).

As at 30 September 2006, total interest-bearing bank and other borrowings were HK\$313.1 million, comprising bank loans and overdrafts of HK\$262.0 million repayable within one year or on demand, term loans of HK\$39.1 million with maturity of not more than three years and finance lease payables of HK\$12.0 million. The majority of these borrowings were denominated in Hong Kong dollars to which the interest rates applied were primarily determined by reference to HIBOR. As at 30 September 2006, these banking facilities were generally secured by guarantees provided by certain of the then beneficial shareholders of the Company. The banks agreed in principle to release all of these personal guarantees conditional upon the listing of the Company's shares on the Stock Exchange and are in the process of preparing the relevant release documents.

The Group's net gearing ratio as at 30 September 2006 was 43.1%, which is calculated by dividing total interest-bearing bank and other borrowings (net of bank and cash balances) over total equity attributable to equity holders of the Company. Comparing with that of 31 March 2006, net gearing ratio increased primarily because the Group utilised more short-term trade facilities to meet working capital demand resulting from significant increase in orders in the appliance controls segment and paid interim dividend amounting to HK\$50,000,000 for the year ended 31 March 2006 to the then shareholders of CIL through internal resources.

In October 2006, the Company issued 230,000,000 new shares (including 30,000,000 shares issued upon the exercise of over-allotment option) at HK\$2.28 per share pursuant to the Global Offering. The net proceeds from the Global Offering amounted to approximately HK\$470 million. Details of the Global Offering are set out in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Treasury Policies

During the Period, the majority of the Group's transactions were denominated in US dollars and Hong Kong dollars. Due to the fact that Hong Kong dollars are pegged to the US dollars, there will not be significant foreign exchange exposure. For the principal interest rates applicable to the Group, the management did not anticipate any material rise in HIBOR during the Period. Accordingly, the Group did not enter into hedging instruments on foreign exchange and interest rate risks. However, the management is closely monitoring the Group's exposure to any potential foreign exchange and interest rate risks and will enter into appropriate financial instruments for hedging purpose when necessary.

Capital Expenditure

During the Period, the Group incurred total capital expenditure of approximately HK\$15.8 million, of which approximately HK\$10.4 million were financed partly by internal resources and partly by unutilised term loans for the purchase of tools and machinery. As at 30 September 2006, the Group did not have significant capital commitments in respect of the purchase of property, plant and equipment.

Contingent Liabilities

As at 30 September 2006, the Group did not have significant contingent liabilities.

Employee Information

As at 30 September 2006, the Group had a total of approximately 4,600 full-time employees. Salaries and wages are generally reviewed on an annual basis in accordance with individual qualifications and performance, the Group's results and market conditions. The Group provides year-end double pay, discretionary bonus, medical insurance, provident fund, educational subsidy and training to its employees. On 15 September 2006, the Company adopted a share option scheme under which the Company can grant options to the employees of the Group to subscribe for shares of the Company. Since the adoption of the share option scheme, no share option has been granted by the Company.

Use of Proceeds

The Group intends to use the net proceeds of approximately HK\$470 million from the Global Offering for the purposes as stated in the Prospectus.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK1.8 cents per share for the six months ended 30 September 2006 payable on or about Tuesday, 23 January 2007 to the shareholders whose names appear on the register of members of the Company on Thursday, 11 January 2007.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 8 January 2007 to Thursday, 11 January 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, 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 of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Friday, 5 January 2007.

Purchase, Sale or Redemption of Listed Securities of the Company

Since the Listing Date, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders as a whole. In the opinion of the Board, the Group has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "CG Code") during the period from the Listing Date up to the date of this report.

OTHER INFORMATION *(Continued)*

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code for directors’ dealing in securities of the Company (the “Own Code”). Having made specific enquiry of the Company’s directors, the directors confirmed that they have fully complied with the required standard as set out in the Own Code from the Listing Date to the date of this report.

Audit Committee

The Company established an audit committee (the “Audit Committee”) on 15 September 2006 with terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the Group’s financial reporting process and internal control system.

The Audit Committee comprises three independent non-executive directors, namely Mr. Luk Koon Hoo, Mr. Siewert, Patrick Thomas and Mr. Feniger, Steven Julien and two non-executive directors, namely Mr. Kam Chi Chiu, Anthony and Mr. Patel, Arvind Amratlal. The chairman of the Audit Committee is Mr. Luk Koon Hoo.

The Audit Committee reviewed the Group’s Condensed Interim Financial Statements for the Period and discussed with the management the results and financial position of the Group. Ernst & Young, the Company’s external auditors, have been engaged by the Company to conduct certain procedures on the Group’s Condensed Interim Financial Statements for the Period in accordance with the Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the HKICPA. The Audit Committee discussed with Ernst & Young the findings of these procedures including consistency of accounting policies and procedures adopted by the Group in preparing these financial statements and the relevant disclosures made in accordance with the requirements of HKAS 34 and Appendix 16 to the Listing Rules.

OTHER INFORMATION *(Continued)*

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

As the Company was listed on the Stock Exchange on 9 October 2006, no disclosure of beneficial interests nor short positions of any directors and/or chief executives in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were made to the Company under Divisions 7 and 8 of Part XV of the SFO as at 30 September 2006.

As at the date of this report, the interests of the directors of the Company in the share capital of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

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

Save as disclosed above, as at the date of this report, none of the directors or chief executives of the Company had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, 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) or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION *(Continued)*

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

As the Company was listed on the Stock Exchange on 9 October 2006, no disclosure of beneficial interests nor short positions of substantial shareholders in the shares or underlying shares of the Company were made to the Company under Divisions 2 and 3 of Part XV of the SFO as at 30 September 2006.

As at the date of this report, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Long/ Short position	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
SPGL	Long	Beneficial owner	352,500,000 <i>(Note 1)</i>	42.46%
Ms. Tse Shuk Ming	Long	Interest of spouse	352,500,000 <i>(Note 2)</i>	42.46%
Crystalplaza Limited	Long	Beneficial owner	133,500,000 <i>(Note 3)</i>	16.08%
Little Venice Limited	Long	Beneficial owner	52,500,000 <i>(Note 3)</i>	6.32%
Ms. Leung Yee Li, Lana	Long	Interest of controlled corporations	186,000,000 <i>(Note 3)</i>	22.40%
Mr. Heung Lap Chi, Eugene	Long	Interest of spouse	186,000,000 <i>(Note 4)</i>	22.40%
Cheer Fountain Limited	Long	Beneficial owner	61,500,000 <i>(Note 5)</i>	7.40%
Amidest Investments Limited	Long	Interest of controlled corporation	61,500,000 <i>(Note 5)</i>	7.40%

OTHER INFORMATION *(Continued)*

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

Name	Long/ Short position	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
Garrett Services Limited	Long	Interest of controlled corporations	61,500,000 <i>(Note 5)</i>	7.40%
Trustcorp Limited	Long	Trustee	61,500,000 <i>(Notes 5 & 7)</i>	7.40%
Newcorp Ltd.	Long	Interest of controlled corporations	61,500,000 <i>(Note 5)</i>	7.40%
Newcorp Holdings Ltd.	Long	Interest of controlled corporations	61,500,000 <i>(Note 5)</i>	7.40%
Mr. David William Roberts	Long	Interest of controlled corporations	61,500,000 <i>(Note 5)</i>	7.40%
Mr. David Henry Christopher Hill	Long	Interest of controlled corporations	61,500,000 <i>(Note 5)</i>	7.40%
Mrs. Rebecca Ann Hill	Long	Interest of spouse	61,500,000 <i>(Note 6)</i>	7.40%
Mr. Wong Wing Keung	Long	Founder of a discretionary trust	61,500,000 <i>(Notes 5 & 7)</i>	7.40%
Ms. Wong Ban Cho	Long	Interest of child under 18	61,500,000 <i>(Notes 5 & 7)</i>	7.40%

OTHER INFORMATION *(Continued)*

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

Notes:

1. The interest of SPGL was also disclosed as the interest of Mr. Auyang Ho in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".
2. Ms. Tse Shuk Ming was deemed to be interested in 352,500,000 shares of the Company through the interest of her spouse, Mr. Auyang Ho.
3. These shares were owned by Crystalplaza Limited (as to 133,500,000 shares) and Little Venice Limited (as to 52,500,000 shares), both companies were wholly owned by Ms. Leung Yee Li, Lana.
4. Mr. Heung Lap Chi, Eugene was deemed to be interested in 186,000,000 shares of the Company through the interest of his spouse, Ms. Leung Yee Li, Lana.
5. These shares were owned by Cheer Fountain Limited which was a wholly owned subsidiary of Amidest Investments Limited which in turn was a wholly owned subsidiary of Garrett Services Limited. Garrett Services Limited was a wholly owned subsidiary of Trustcorp Limited as trustee of The Garrett 1998 Trust. Trustcorp Limited was a wholly owned subsidiary of Newcorp Ltd. which in turn was a wholly owned subsidiary of Newcorp Holdings Ltd.. Newcorp Holdings Ltd. was owned as to 35% by each of Mr. David William Roberts and Mr. David Henry Christopher Hill.
6. Mrs. Rebecca Ann Hill was deemed to be interested in 61,500,000 shares of the Company through the interest of her spouse, Mr. David Henry Christopher Hill.
7. Trustcorp Limited, as trustee of The Garrett 1998 Trust, and Mr. Wong Wing Keung, as the founder of The Garrett 1998 Trust, were deemed to be interested in the 61,500,000 shares of the Company pursuant to Part XV of the SFO. Ms. Wong Ban Cho reported the interest of Mr. Wong Wing Keung as her deemed interest.

Save as disclosed above, as at the date of this report, no person, other than the director whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above, had registered 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.



OTHER INFORMATION *(Continued)*

Appreciation

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

By Order of the Board

Auyang Ho

Chairman

Hong Kong, 11 December 2006